

Ling Yue Services Group Limited 領悅服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2165

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator and Joint Bookrunner



Joint Bookrunners



IMPORTANT

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

Ling Yue Services Group Limited 領悅服務集團有限公司

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 70,000,000 Shares (Subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 7,000,000 Shares (subject to reallocation)
Number of International Offer Shares	: 63,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$4.55 per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	: HK\$0.01 per Share
Stock code	: 2165

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, 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 prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, July 5, 2021 and in any event, not later than Thursday, July 8, 2021. The Offer Price will be not more than HK\$4.55 per Offer Share and is currently expected to be not less than HK\$3.75 per Offer Share unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK\$4.55 per Offer Share, unless otherwise announced, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$4.55 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.lingyue-service.com no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares." If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company on or before Thursday, July 8, 2021, the Global Offering will not proceed and will lapse. See "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination."

The Offer 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 offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on Monday, July 12, 2021, provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on Monday, July 12, 2021.

June 29, 2021

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.lingyue-service.com.

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from9:00 a.m. on Tuesday, June 29, 2021

Latest time for completing electronic applications under **White Form eIPO** service through the designated website www.eipo.com.hk⁽²⁾11:30 a.m. on Monday, July 5, 2021

Application lists open⁽³⁾11:45 a.m. on Monday, July 5, 2021

Latest time for lodging **WHITE** and **YELLOW** Application Forms12:00 noon on Monday, July 5, 2021

Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Monday, July 5, 2021

Latest time for giving **electronic application instructions** to HKSCC⁽⁴⁾12:00 noon on Monday, July 5, 2021

Application lists close⁽³⁾12:00 noon on Monday, July 5, 2021

Expected Price Determination Date⁽⁵⁾Monday, July 5, 2021

Announcement of the final Offer Price, the results of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lingyue-service.com fromFriday, July 9, 2021

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares" fromFriday, July 9, 2021

EXPECTED TIMETABLE⁽¹⁾

A full announcement containing the information above to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lingyue-service.com⁽⁶⁾ fromFriday, July 9, 2021

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function fromFriday, July 9, 2021

Dispatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾Friday, July 9, 2021

Dispatch/collection of refund checks and **White Form** e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾Friday, July 9, 2021

Dealings in Shares on the Stock Exchange expected to commence at9:00 a.m. on Monday, July 12, 2021

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, July 5, 2021, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists." If the application lists do not open and close on Monday, July 5, 2021, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."
- (5) The Price Determination Date is expected to be on or around Monday, July 5, 2021 and, in any event, not later than Thursday, July 8, 2021. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us by Thursday, July 8, 2021, the Global Offering will not proceed and will lapse.
- (6) Neither our Company's website or any of the information contained on our Company's website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) Share certificates of the Offer Shares will only become valid at 8:00 a.m., on Monday, July 12, 2021 provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund checks.
- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund checks and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 9, 2021 or such other date as notified by our Company by announcement as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund checks, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies—Personal Collection—(iv) If you apply via electronic application instructions to HKSCC" for details.

Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their Share certificates (if any) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, July 9, 2021. Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions on Friday, July 9, 2021. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post on or before Friday, July 9, 2021 at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for application for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

CONTENTS

This prospectus is issued by Ling Yue Services Group Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares 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 prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives, employees, agents or professional advisors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a reputable property management company rooted in Sichuan Province with a well-established position in Western China and a presence across China. In 2020, we were ranked 55th among the Top 100 Property Management Companies in China in terms of Overall Strength (中國物業企業綜合實力百強) by EH Consulting. We were also ranked 12th among Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強) by China Index Academy (中國指數研究院) in 2020. As of December 31, 2020 we had been contracted to manage 234 properties with an aggregate contracted GFA of approximately 36.2 million sq.m., and had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under our management, covering 31 cities in nine provinces, one autonomous region and one municipality. As of the Latest Practicable Date, our aggregate contracted GFA and GFA under management reached approximately 37.7 million sq.m. and 20.7 million sq.m. In recognition of our service quality, we were recognized as one of 2020 Top 50 Model Chinese Property Management Companies for Customer Satisfaction (2020中國物業企業客戶滿意度模範企業50強) and Top 50 Chinese Property Management Companies for Superior Service Capabilities (2020中國物企超級服務力五十強) by EH Consulting. We were also awarded China Top Five Property Management Companies in terms of Quality Benchmarking Community Service (中國物企優質社區標桿服務五強) by EH Consulting in 2020 and China Five-Star Property Management Projects (中國五星級物業服務項目) by China Index Academy (中國指數研究院) in 2020.

We achieved rapid growth during the Track Record Period. Our GFA under management increased from approximately 8.0 million sq.m. as of December 31, 2018 to approximately 14.2 million sq.m. as of December 31, 2019 and further to approximately 20.2 million sq.m. as of December 31, 2020. In line with the increase in our GFA under management, our revenue increased from RMB169.0 million for the year ended December 31, 2018 to RMB280.0 million for the year ended December 31, 2019, and further to RMB428.2 million for the year ended December 31, 2020, representing a CAGR of 59.2%. Our net profit increased from RMB14.1 million for the year ended December 31, 2018 to RMB35.4 million for the year ended December 31, 2019, and further to RMB70.3 million for the year ended December 31, 2020, representing a CAGR of 123.3%. Our rapid growth in net profit during the Track Record Period was primarily the result of (i) greater economies of scale achieved during our business expansion as the number of projects and total GFA under our management both increased during the Track record Period; and (ii) our continuous implementation of cost-saving measures.

Our market shares by total revenue in 2019 in the PRC property management industry and the Sichuan property management industry were approximately 0.035% and 0.49%, respectively, ranked 92nd and fifth among the 2020 Top 100 Property Management Companies in China and among the 2020 Top 100 Property Management Companies in China headquartered in Sichuan Province, respectively, according to EH Consulting. Our market shares by total GFA under management as of December 31, 2019 in the PRC property management industry and the Sichuan property management industry were approximately 0.067% and 1.12%, respectively, ranked 88th and fourth among the 2020 Top 100 Property Management Companies in China and among the 2020 Top 100 Property Management Companies in China headquartered in Sichuan Province, respectively, according to EH Consulting.

SUMMARY

OUR BUSINESS MODEL

We primarily generate revenue 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 offer a wide range of property management services to property owners, residents and property developers, as well as tenants in non-residential properties under our management. Our services typically include security services, cleaning and greening services, and repair and maintenance services. We manage a diverse portfolio of properties, including residential properties, commercial properties and public and other properties.
- *Value-added services to non-property owners.* We offer property developers and other non-property owners full-cycle value-added services covering various stages of the property development and delivery process. Our value-added services to non-property owners include (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services.
- *Community value-added services.* We offer community value-added services primarily to property owners and residents to make their lives more convenient, such as (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

The following tables set forth a breakdown by business line and by type of ultimate paying customers of our revenue, gross profit and gross profit margin during the years indicated.

Breakdown of Our Revenue by Business Line and by Type of Ultimate Paying Customers

	For the year ended December 31,					
	2018		2019		2020	
	Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Leading Holdings Group	10,151	6.0	7,871	2.8	24,580	5.7
Joint ventures of Leading Holdings Group	—	—	—	—	159	0.0
Other associates of our Controlling Shareholders	673	0.4	495	0.2	21,242	5.0
Independent Third Parties ⁽¹⁾	102,899	60.9	173,916	62.1	252,919	59.1
Value-added services to non- property owners	48,831	28.9	90,040	32.2	113,022	26.4
Leading Holdings Group	44,556	26.4	62,260	22.3	70,874	16.5
Joint ventures of Leading Holdings Group	2,942	1.7	16,863	6.0	13,110	3.1
Other associates of our Controlling Shareholders	—	—	—	—	—	—
Independent Third Parties ⁽¹⁾	1,333	0.8	10,917	3.9	29,038	6.8
Community value-added services . .	6,450	3.8	7,636	2.7	16,240	3.8
Leading Holdings Group	—	—	—	—	—	—
Joint ventures of Leading Holdings Group	—	—	—	—	—	—
Other associates of our Controlling Shareholders	—	—	—	—	—	—
Independent Third Parties ⁽¹⁾	6,450	3.8	7,636	2.7	16,240	3.8
Total	169,004	100.0	279,958	100.0	428,162	100.0

SUMMARY

Breakdown of Our Gross Profit and Gross Profit Margin by Business Line and by Type of Ultimate Paying Customers

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group	2,573	25.3	2,342	29.8	7,935	32.3
Joint ventures of Leading Holdings Group	-	-	-	-	33	20.5
Other associates of our Controlling Shareholders	171	25.4	147	29.7	7,407	34.9
Independent Third Parties ⁽¹⁾	26,131	25.4	52,065	29.9	82,118	32.5
Value-added services to non-property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group	835	28.4	5,300	31.4	4,614	35.2
Other associates of our Controlling Shareholders	-	-	-	-	-	-
Independent Third Parties ⁽¹⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group	-	-	-	-	-	-
Joint ventures of Leading Holdings Group	-	-	-	-	-	-
Other associates of our Controlling Shareholders	-	-	-	-	-	-
Independent Third Parties ⁽¹⁾	2,854	44.2	3,494	45.8	7,775	47.9
Total	45,495	26.9	86,225	30.8	144,789	33.8

Note:

(1) Mainly consist of (i) property owners, residents, tenants and occupants for our property management services and community value-added services, and (ii) independent third-party property developers and other entities for our value-added services to non-property owners.

The following tables set forth a breakdown by business line and by developer type of our revenue, gross profit and gross profit margin during the years indicated.

Breakdown of Our Revenue by Business Line and by Developer Type

	For the year ended December 31,					
	2018		2019		2020	
	Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Leading Holdings Group ⁽¹⁾	97,464	57.7	123,000	43.9	209,002	48.9
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	640	0.1
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	16,259	9.6	59,282	21.2	89,258	20.8
Value-added services to non-property owners	48,831	28.9	90,040	32.2	113,022	26.4
Leading Holdings Group ⁽¹⁾	44,556	26.4	62,260	22.3	70,874	16.5
Joint ventures of Leading Holdings Group ⁽²⁾	2,942	1.7	16,863	6.0	13,110	3.1
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1,333	0.8	10,917	3.9	29,038	6.8
Community value-added services	6,450	3.8	7,636	2.7	16,240	3.8
Leading Holdings Group ⁽¹⁾	4,894	2.9	5,848	2.1	14,411	3.4
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	160	0.0
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1,556	0.9	1,788	0.6	1,669	0.4
Total	169,004	100.0	279,958	100.0	428,162	100.0

SUMMARY

Breakdown of Our Gross Profit and Gross Profit Margin by Business Line and by Developer Type

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group ⁽¹⁾	24,804	25.4	39,208	31.9	73,087	35.0
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	131	20.5
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	4,071	25.0	15,346	25.9	24,275	27.2
Value-added services to non-property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group ⁽¹⁾	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group ⁽²⁾	835	28.4	5,300	31.4	4,614	35.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group ⁽¹⁾	2,181	44.6	2,696	46.1	6,954	48.3
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	74	46.4
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	673	43.3	798	44.6	747	44.8
Total	45,495	26.9	86,225	30.8	144,789	33.8

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

In 2018, 2019 and 2020, for our property management services, our gross profit margin for properties developed by Leading Holdings Group and its joint ventures was 25.4%, 31.9% and 34.9%, respectively, and our gross profit margin for properties developed by third party property developers was 25.0%, 25.9% and 27.2%, respectively. During the Track Record Period, for our property management services, our gross profit margins for properties developed by Leading Holdings Group and its joint ventures were higher than those of properties developed by third-party property developers, primarily because (i) our average property management fees for properties developed by Leading Holdings Group and its joint ventures were generally higher than those developed by third-party property developers during the Track Record Period; and (ii) our package price projects which are all of the public and other properties under our management and developed by independent third-party property developers had relatively low gross profit margins. The average property management fees of properties developed by Leading Holdings Group and its joint ventures were generally higher than those of properties developed by third-party property developers during the Track Record Period, mainly because properties developed by Leading Holdings Group and its joint ventures under our management generally are located in new first-tier cities and second-tier cities and included high-end residential properties, office buildings and shopping malls while properties developed by third-party property developers were mainly residential properties in third- and lower-tier cities including areas with relatively lower living expenses such as Ziyang and Meishan the property management fees were relatively lower. See “Financial Information—Description of Selected Combined Statements of Comprehensive Income Line Items—Revenue—Property Management Services” for details. For more details on our package price projects, see “Business—Property Management Services—Property Management Fees.”

SUMMARY

The following table sets forth the number of properties and GFA under our management, as well as the number of properties we were contracted to manage and corresponding contracted GFA as of the dates indicated.

	As of December 31,		
	2018	2019	2020
Number of properties under management ⁽¹⁾ . . .	53	138	174
Number of properties we were contracted to manage ⁽²⁾	85	198	234
GFA under management (<i>sq.m. in thousands</i>) . .	8,005	14,183	20,223
Contracted GFA (<i>sq.m. in thousands</i>)	14,240	27,928	36,237
Undelivered GFA (<i>sq.m. in thousands</i>) ⁽³⁾	6,235	13,745	16,014

Notes:

- (1) Refers to properties that have been delivered to us for property management purposes.
- (2) Refers to all properties for which we have entered into the relevant property management service agreements, which may include properties that have not been delivered to us for property management purposes in addition to properties under management.
- (3) Undelivered GFA is calculated as the difference between contracted GFA and GFA under management as of the dates indicated. The estimated time of delivery and revenue generation of the undelivered projects as of December 31, 2020 ranges from January 2021 to June 2023.

The number of properties under management and the number of contracted properties increased during the Track Record Period primarily due to the organic expansion of our business scale and our acquisition of Ziyang Jiamei in 2019. See “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period” for details.

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

	As of/for the year ended December 31,											
	2018				2019				2020			
	Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue	
	sq.m.'000	RMB'000	%	sq.m.'000	RMB'000	%		sq.m.'000	RMB'000	%		
Sichuan Province ⁽¹⁾	35	5,176	58,757	51.7	124	11,768	123,934	68.0	151	17,090	238,917	80.0
Xinjiang Uygur Autonomous Region ⁽²⁾	5	955	17,691	15.6	5	1,107	20,436	11.2	10	1,518	23,149	7.7
Jilin Province ⁽³⁾	3	598	19,508	17.1	3	598	18,923	10.4	3	598	21,486	7.2
Guangdong Province ⁽⁴⁾	6	710	14,337	12.6	6	710	14,910	8.2	7	801	15,059	5.0
Guizhou Province ⁽⁵⁾	4	566	3,430	3.0	–	– ⁽⁷⁾	4,079	2.2	1	76	– ⁽⁸⁾	–
Hebei Province ⁽⁶⁾	–	–	–	–	–	–	–	–	2	140	289	0.1
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0

Notes:

- (1) We provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an, Nanchong and Ziyang.
- (2) We provided property management services to properties located in Korla.
- (3) We provided property management services to properties located in Changchun.
- (4) We provided property management services to properties located in Foshan.
- (5) We provided property management services to properties located in Qiannan and Bijie.
- (6) We provided property management services to properties located in Chengde.

SUMMARY

- (7) During the Track Record Period, we managed four property projects in Qiannan with GFA under management of approximately 566,000 sq.m. in 2018 and 2019 and ceased to manage such property projects during 2019 and therefore did not record GFA under management for these property projects as of December 31, 2019. See “Business—Property Management Services—Expiration Schedule of Property Management Service Agreements” for details.
- (8) We did not recognize revenue generated from managing the property in 2020 because the property was delivered in December 2020.

We primarily offer property management services to properties developed by Leading Holdings Group. The following tables set forth a breakdown by developer type as of the dates indicated or the years indicated of (i) our total number of projects under management and GFA under management, as well as revenue from property management services; (ii) our total number of contracted projects, contracted GFA and undelivered GFA; and (iii) our average property management fees.

Breakdown of Our Total Number of Projects under Management, GFA under Management and Revenue from Property Management Services by Developer Type

As of/for the year ended December 31,

	2018			2019			2020					
	Number of projects under management	GFA under management		Revenue	%	Number of projects under management	GFA under management		Revenue	%		
		sq.m.'000	RMB'000				sq.m.'000	RMB'000				
Leading Holdings Group ⁽¹⁾	28	5,333	97,464	85.7	31	6,150	123,000	67.5	51	8,941	209,002	69.9
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	-	-	-	-	2	246	640	0.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	25	2,672	16,259	14.3	107	8,033	59,282	32.5	121	11,036	89,258	29.9
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0

Breakdown of Our Total Number of Contracted Projects, Contracted GFA and Undelivered GFA by Developer Type

As of December 31,

	2018			2019			2020		
	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA
		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000
Leading Holdings Group ⁽¹⁾	50	9,494	4,161	67	14,340	8,190	85	18,434	9,493
Joint ventures of Leading Holdings Group ⁽²⁾	3	367	367	8	1,610	1,610	11	2,405	4,362
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	32	4,378	1,707	123	11,977	3,944	138	15,398	2,158
Total	85	14,240	6,235	198	27,928	13,745	234	36,237	16,014

Breakdown of Our Average Property Management Fees by Developer Type

For the year ended December 31,

	2018	2019	2020
	RMB per sq.m. per month		
Leading Holdings Group ⁽¹⁾	1.83	2.50	2.93
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	1.94
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1.25	1.25	1.35
Overall	1.70	2.08	2.48

SUMMARY

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

In 2018, 2019 and 2020, our average property management fees for properties developed by Leading Holdings Group were RMB1.83 per sq.m. per month, RMB2.50 per sq.m. per month and RMB2.93 per sq.m. per month, respectively, and our average property management fees for properties developed by third-party property developers were RMB1.25 per sq.m. per month, RMB1.25 per sq.m. per month and RMB1.35 per sq.m. per month, respectively. In 2020, our average property management fee for properties developed by Leading Holdings Group's joint ventures was RMB1.94 per sq.m. per month. The average property management fees of properties developed by Leading Holdings Group and its joint ventures were generally higher than those of properties developed by third-party property developers during the Track Record Period, mainly because properties developed by Leading Holdings Group and its joint ventures under our management generally are located in new first-tier cities and second-tier cities and included high-end residential properties, office buildings and shopping malls while properties developed by third-party property developers were mainly residential properties in third- and lower-tier cities including areas with relatively lower living expenses such as Ziyang and Meishan the property management fees were relatively lower. The significant increase in the average property management fee of properties developed by Leading Holdings Group in 2019 was mainly because we managed more office buildings and shopping malls developed by Leading Holdings Group in 2019 as compared to in 2018, which had relatively higher property management fees.

The following table sets forth a breakdown by developer type of our tender success rates, renewal rates and retention rates for property management services contracts for the years indicated.

	Tender success rate			Renewal rate			Retention rate		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
					%				
Leading Holdings Group ⁽¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Joint ventures of Leading Holdings Group ⁽²⁾	100.0	100.0	100.0	-	-	-	-	-	100.0
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	72.7	84.6	80.0	-	95.8	89.4	100.0	94.7	95.3
Total	91.9	94.3	92.9	100.0	96.4	89.8	100.0	95.8	96.7

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

During the Track Record Period, our tender success rates for the property projects developed by Leading Holdings Group and joint ventures of Leading Holdings Group were generally higher than those for the property projects developed by third-party property developers primarily due to our long-term cooperation history with Leading Holdings Group and deep understanding of the service needs for the property projects developed by them. We expect our tender success rate for the property projects developed by third-party property developers to increase in the future as we gain more experience in competing with other property management companies under these circumstances and obtain more knowledge regarding the service needs of such third-party property developers.

SUMMARY

Our renewal rates and retention rates for the property projects developed by third-party property developers were below 100% in 2019 and 2020 primarily due to the non-renewal and termination of certain acquired property projects in order to optimize the acquired project portfolio and to reallocate our resources from certain acquired property projects with relatively low profit margins to more profitable property projects. See “Business—Property Management Services—Expiration Schedule of Property Management Service Agreements” for more details.

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

	As of/for the year ended December 31,											
	2018				2019				2020			
	Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue	
	sq.m.'000	RMB'000	%	sq.m.'000	RMB'000	%		sq.m.'000	RMB'000	%		
Residential properties	46	7,450	99,617	87.6	60	9,915	125,344	68.8	85	13,059	161,567	54.1
- Preliminary stage ⁽¹⁾	33	5,883	83,919	73.8	44	8,104	109,172	59.9	64	9,253	108,028	36.2
- Property owners' association stage ⁽²⁾	13	1,567	15,698	13.8	16	1,811	16,172	8.9	21	3,806	53,539	17.9
Commercial properties	1	99	12,505	11.0	3	411	28,427	15.6	5	645	85,915	28.7
Public and other properties	6	456	1,601	1.4	75	3,857	28,511	15.6	84	6,519	51,418	17.2
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0

Notes:

- (1) Refers to residential property projects for which property owners' associations were not established as of the dates indicated.
- (2) Refers to residential property projects for which property owners' associations were established as of the dates indicated.

Our rapid growth in revenue generated from public and other properties during the Track Record Period was primarily the result of our acquisition of Ziyang Jiamei.

The following table sets forth the expiration schedule of our property management service agreements and their corresponding contracted GFA, GFA under management and undelivered GFA as of December 31, 2020.

	Number of agreements		Contracted GFA		GFA under Management		Undelivered GFA	
	%	sq.m. in thousands	%	sq.m. in thousands	%	sq.m. in thousands	%	
Property management service agreements without fixed term⁽¹⁾	130	55.6	26,976	74.4	11,605	57.4	15,371	96.0
Property management service agreements expiring/expired in								
Year ended December 31, 2020 ⁽²⁾	39	16.7	1,490	4.1	1,490	7.4	–	–
Year ending December 31, 2021	42	17.9	5,336	14.7	5,336	26.4	–	–
Year ending December 31, 2022	15	6.4	1,392	3.8	1,152	5.7	240	1.5
Year ending December 31, 2023 and beyond	8	3.4	1,043	2.8	640	3.1	403	2.5
Subtotal	104	44.4	9,261	25.6	8,617	42.6	643	4.0
Total	234	100.0	36,237	100.0	20,223	100.0	16,014	100.0

SUMMARY

Notes:

- (1) Include preliminary property management service agreements we entered into with property developers. Such agreements can be terminated when the property owners' associations are formed and decide to select other property management companies.
- (2) As of the Latest Practicable Date, among the 39 contracts that had expired as of December 31, 2020, we renewed the property service contracts for two property projects, continued to provide property management services to the relevant projects under 29 contracts and negotiate for their renewal, and chose not to renew eight contracts in order to allow us to allocate our resources in a more efficient manner.

As of December 31, 2018, 2019 and 2020, the number of projects that were subject to government guidance price was 19, 38 and 62, respectively, with an aggregate GFA under management of 3.3 million sq.m., 6.7 million sq.m. and 9.5 million sq.m., respectively, contributing to aggregate revenue of RMB61.7 million, RMB78.5 million and RMB107.9 million in 2018, 2019 and 2020, respectively, which accounted for 54.2%, 43.1% and 36.1% of our total revenue from property management services during the same periods, respectively. As advised by our PRC Legal Advisor, the property management fee charged by us during the Track Record Period complied with the relevant PRC laws and regulations in all material aspects in relation to such government price controls. As advised by Savills and EH Consulting, the property management fee charged by us during the Track Record was in line with the market trends with reference to the location, quality and other characteristics of the properties under our management.

OUR CUSTOMERS AND SUPPLIERS

Our customer base primarily consists of property developers, property owners, property owners' associations and residents. In 2018, 2019 and 2020, revenue from sales to our five largest customers amounted to RMB58.8 million, RMB80.9 million and RMB122.2 million, respectively, which accounted for approximately 34.8%, 28.9% and 28.5%, respectively, of our total revenue. During the same years, revenue from sales to our single largest customer Leading Holdings Group amounted to RMB54.7 million, RMB70.1 million and RMB95.5 million, respectively, which accounted for approximately 32.4%, 25.1% and 22.3%, respectively, of our total revenue. See "Connected Transactions—Overview—Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements—1. Leading Holdings Group Property Management Services Framework Agreement." Leading Holdings Group was also one of our suppliers during the Track Record Period. In 2018, 2019 and 2020, we leased certain properties from Leading Holdings Group as offices, and such transaction amounted to RMB0.2 million, RMB0.4 million and RMB0.7 million, respectively. For details, see "Business—Customers."

Our suppliers are primarily subcontractors providing security services, cleaning and greening services and repair and maintenance services. In 2018, 2019 and 2020, purchases from our five largest suppliers amounted to RMB12.5 million, RMB22.5 million and RMB28.4 million, respectively, which accounted for approximately 29.7%, 35.8% and 25.3%, respectively, of our total purchases. During the same years, purchases from our single largest supplier amounted to RMB7.7 million, RMB9.4 million and RMB7.6 million, respectively, which accounted for approximately 18.3%, 14.9% and 6.8%, respectively, of our total purchases. During the track record period, all of our five largest suppliers were Independent Third Parties. For details, see "Business—Suppliers."

OUR COMPETITIVE STRENGTHS

We believe that our strong market position is mainly attributable to the following competitive strengths: (i) a reputable property management company rooted in Sichuan Province with a well-established position in Western China; (ii) diversified business lines and service offerings to help us achieve rapid growth; (iii) long-term support from Leading Holdings Group and independent business development capabilities bringing us significant growth opportunities; (iv) recognized "Lingyue" brand underpinned by our quality services; and (v) our experienced senior management team and capable workforce.

OUR STRATEGIES

We strive to solidify our market position as one of the leading property management companies in Western China. Our strategies include: (i) continue to focus on developing our business in Western China and further penetrate into selected cities in other regions; (ii) further diversify our property management portfolio; (iii) continue to expand our value-added service offerings and enhance the quality of our services and the reputation of our brands; (iv) upgrade our information technology system to enhance our operational efficiency and competitiveness; and (v) continue to attract, train and retain professional and dedicated employees.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Ultimate Controlling Shareholders, namely Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli, by virtue of the Acting in Concert Deed, will be entitled to exercise voting rights of 74.25% of the total issued share capital of our Company through the investment holding companies controlled by them. Accordingly, Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli and the investment holding companies controlled by them, namely Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital, will be a group of Controlling Shareholders upon Listing.

Pursuant to the Acting in Concert Deed, our Ultimate Controlling Shareholders had agreed to consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, voting rights and/or commercial decisions of any member of our Group during the period when they became the registered owners and/or beneficial owners of the equity interests in our Group to the date when any one of them ceases to be our Controlling Shareholder. See “Relationship with Controlling Shareholders—Acting in Concert Deed.”

As of the Latest Practicable Date, our Ultimate Controlling Shareholders were beneficially interested in approximately 72.30% in aggregate of the total issued shares of Leading Holdings, a company engaging in the development and sales of residential and commercial properties whose shares are listed on the Main Board of the Stock Exchange (stock code: 6999). As of December 31, 2020, the total GFA of land reserves of Leading Holdings Group was approximately 16,539,991 sq.m.. As of December 31, 2020, Leading Holdings Group had 90 projects at various stage of development, among which 36 of them had commenced delivery during the Track Record Period, 14 of them are expected to commence delivery in 2021, 24 of them are expected to commence delivery in 2022, and the remaining 16 are expected to commence delivery in 2023 onwards. For the year ended December 31, 2020, Leading Holdings Group recorded a revenue of RMB13,158.1 million and a profit for the year attributable to its owner of RMB860.3 million. Our Ultimate Controlling Shareholders are involved in other businesses which mainly include real estate development in Australia, provision of commercial management services, sales of construction materials, operation of hospital, financial asset investment and waste recycling and processing service through Rong Liang Group, Liang Yuan Asset Management or other companies owned and/or controlled by them.

Our Group provided property management services and value-added services to substantially all of the properties developed by Leading Holdings Group during the Track Record Period. Our Group had not provided property management services and value-added services to any associate of Leading Holdings during the Track Record Period. Among the 15 projects developed/under development by the joint ventures of Leading Holdings during the Track Record Period, we had provided (i) value-added services to seven of them; (ii) both property management services and value-added services to two of them.

For the risk of our Group’s reliance on Leading Holdings Group, see “Risk Factors—Risks Relating to Our Business and Industry—Majority of our revenue from property management services and value-added services to non-property owners during the Track Record Period was generated from services we provided to Leading Holdings Group and its joint ventures in relation to properties developed by Leading Holdings Group and its joint ventures.”

PRE-IPO INVESTMENT

Mr. Wei Yue, our pre-IPO investor, through Duyue Capital, made an investment in our Group for a cash consideration of RMB637,375, which was based on an independent valuation after arm’s length negotiations between the parties and was settled on January 7, 2021. The total cost of investment under the Pre-IPO Investment represents a discount of approximately 91.2% to the Offer Price per Share (based on the mid-point of the indicative Offer Price range of HK\$4.15 per Share). Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Duyue Holding, a company wholly owned by Mr. Wei Yue, will be interested in 0.75% of the issued share capital of our Company. The Shares held by Duyue Holding will be subject to lock-up for a period of six months after Listing. See “History, Reorganization and Corporate Structure—Pre-IPO Investment.”

SUMMARY

CONNECTED TRANSACTIONS

We have entered into certain transactions as set out below which will constitute continuing connected transactions for our Company under the Listing Rules after Listing.

Nature of transaction	Waiver sought	For the year ended/ending December 31,				
		2018	2019	2020	2021	2022
Transactions under Leading Holdings Group Property Management Services Framework Agreement	Waiver from announcement, circular and independent shareholders' approval requirements	RMB54.7 million	RMB70.1 million	RMB95.5 million	Not exceed RMB128.0 million	Not exceed RMB151.9 million
Transactions under Mr. Liu Property Management Services Framework Agreement	Waiver from announcement, circular and independent shareholders' approval requirements	RMB3.6 million	RMB17.4 million	RMB34.5 million	Not exceed RMB36.9 million	Not exceed RMB47.7 million

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "Connected Transactions—Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements". For more information, see "Connected Transactions."

SUMMARY KEY FINANCIAL INFORMATION

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

Selected Items of Combined Statements of Comprehensive Income

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue	169,004	279,958	428,162
Gross profit	45,495	86,225	144,789
Profit before tax	17,533	41,550	84,202
Profit for the year	14,074	35,360	70,261
Attributable to:			
– Owners of the parent	11,936	32,090	65,216
– Non-controlling interests	2,138	3,270	5,045

Selected Items of Combined Balance Sheets

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Non-current assets	21,927	52,571	53,594
Current assets	140,786	206,223	237,611
Total assets	162,713	258,794	291,205
Current liabilities	113,765	138,706	175,223
Net current assets	27,021	67,517	62,388
Net assets	47,702	115,682	112,468
Equity attributable to owners of the parent	38,137	100,314	96,788
Non-controlling interests	9,565	15,368	15,680
Total equity	47,702	115,682	112,468

SUMMARY

Our net current assets decreased by 7.6% from RMB67.5 million as of December 31, 2019 to RMB62.4 million as of December 31, 2020, mainly due to a RMB36.5 million increase in total current liabilities which was in turn primarily due to an increase in other payables and accruals which were generally in line with our business expansion. Our net current assets increased by 149.9% from RMB27.0 million as of December 31, 2018 to RMB67.5 million as of December 31, 2019, mainly due to a RMB65.4 million increase in total current assets which was in turn primarily due to an increase in trade receivables, an increase in prepayments and other receivables and an increase in due from related companies. The increases in trade receivables, prepayments and other receivables and due from related companies were in line with our business expansion. Our net assets decreased by 2.8% from RMB115.7 million as of December 31, 2019 to RMB112.5 million as of December 31, 2020, primarily attributable to the dividends declared to the then parent company and non-controlling shareholders of RMB68.4 million and RMB3.7 million, respectively, partially offset by our total comprehensive income for the year of RMB69.9 million. Our net assets increased by 142.5% from RMB47.7 million as of December 31, 2018 to RMB115.7 million as of December 31, 2019, primarily attributable to capital contribution by the then parent company of RMB44.7 million and our total comprehensive income for the year of RMB35.2 million, partially offset by the dividends paid to the then shareholder of RMB14.1 million.

During the Track Record Period, we had enhanced our efforts and adopted various measures to expedite the recovery of trade related amounts due from related companies, including but not limited to, (i) reviewing the payment status of our trade related amounts due from related companies on a monthly basis by checking monthly balances with related companies at the end of each month; (ii) issuing and sending invoices to relevant related companies the month following our recognition of trade related amounts due from related companies, and timely consulting them regarding the accuracy of the invoice; and (iii) maintaining strict credit control by proactively communicating with related companies or visiting them in person with respect to the settlement of outstanding balances; and (iv) sending letters to the related companies with long-term overdue receivables to demand immediate payments. See “Financial Information—Related Party Transactions and Balances—Related Party Balances” for details.

Selected Items of Combined Statements of Cash Flows

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Operating cash flow before change in working capital	19,594	46,188	90,354
Change in working capital	(5,509)	(51,367)	39,221
Cash generated from/(used in) operations . . .	14,085	(5,179)	129,575
Interest received	48	77	469
Interest paid	(1,154)	(273)	(49)
Tax paid	(3,063)	(4,489)	(14,855)
Net cash generated from/(used in) operating activities	9,916	(9,864)	115,140
Net cash (used in)/generated from investing activities	(14,678)	457	(11,249)
Net cash generated from/(used in) financing activities	12,423	16,144	(66,713)
Net increase/(decrease) in cash and cash equivalents	7,661	6,737	37,178
Cash and cash equivalents at beginning of year	16,698	24,359	31,096
Cash and cash equivalents at end of year . .	24,359	31,096	68,274

SUMMARY

The net cash flows used in operating activities in 2019 was primarily a result of our business expansion, indicated by an increase in amounts due from related companies, which were trade in nature and generally corresponded to our business expansion, and an increase in trade receivables primarily due to increase in the amount of property management fees as a result of the increase in the number of projects we managed.

Summary of Key Financial Ratios

	As of/for the year ended December 31,		
	2018	2019	2020
Current ratio ⁽¹⁾ (times)	1.2	1.5	1.4
Gearing ratio ⁽²⁾ (%)	26.4	—	—
Net profit margin (%)	8.3	12.6	16.4
Return on total assets ⁽³⁾ (%)	8.6	13.7	24.1
Return on equity ⁽⁴⁾ (%)	29.5	30.6	62.5

Notes:

- (1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates.
- (2) 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%. Gearing ratios as of December 31, 2019 and 2020 are not meaningful because our interest-bearing borrowings as of the same dates were nil and nil, respectively.
- (3) Return on total assets is calculated based on our net profit of the respective period (annualized) divided by total assets of us as of the end of the respective period multiplied by 100%.
- (4) Return on equity is calculated based on our net profit of the respective period (annualized) divided by total equity of us as of the end of the respective period multiplied by 100%.

See “Financial Information—Summary of Key Financial Ratios” in this prospectus for further analysis of key financial ratios in the table above.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 70,000,000 Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 280,000,000 Shares are issued and outstanding upon completion of the Global Offering.

	Based on an Offer Price of HK\$3.75 per Offer Share	Based on an Offer Price of HK\$4.55 per Offer Share
Market capitalization of our Shares	HK\$1,050.0 million	HK\$1,274.0 million
Unaudited pro forma adjusted combined net tangible asset value per Share ⁽¹⁾	HK\$1.07	HK\$1.27

Note:

- (1) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in “Appendix II—Unaudited Pro Forma Financial Information.”

DIVIDEND

We may distribute dividends by way of cash, stock or other means that we consider appropriate. In 2018, we did not pay or declare any dividends. In 2019, we settled dividend of approximately RMB15.3 million. In June 2020, we declared dividends in the amount of RMB68.4 million to be paid to Rong Liang Group. As of January 31, 2021, we had paid such dividends. In June 2020, two of our subsidiaries declared dividends in the aggregate amount of RMB3.7 million to be paid to their non-controlling shareholders. As of January 31, 2021, we had not fully settled such dividends and we expect to fully pay such dividends upon the Listing. We currently do not have any fixed dividend policy or pre-determined rate. However, we may re-evaluate our dividend policy in the future and the amount dividends to be distributed to our Shareholders, if any, will depend on our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time and will

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be subject to our constitutional documents and the Companies Act. Any dividend distribution (other than interim dividend mentioned above) will also be subject to the approval of the Shareholders in the Shareholders' meeting. See "Financial Information—Dividend" to this prospectus.

ACQUISITIONS DURING THE TRACK RECORD PERIOD

In order to expand our property management business in various regions and project portfolio, we acquired equity interest in certain property management companies during the Track Record Period. The acquisitions include (a) acquiring 51% equity interest in Meishan Tianfu on August 22, 2018 which is principally engaged in the provision of property management services to 11 residential property projects and five non-residential property projects covering public and other properties with an aggregate GFA of approximately 1.5 million sq.m. under its management located in Meishan, Sichuan Province immediately prior to our acquisition, at a consideration of approximately RMB10.2 million, which was determined after arm's length negotiations with reference to the estimated future profitability and prospect of Meishan Tianfu based on due diligence conducted before the acquisition; (b) acquiring approximately 53.69% equity interest in Ziyang Jiamei on July 12, 2019 which is principally engaged in the provision of property management services to 14 residential property projects, one commercial property project and 88 projects covering public and other properties with an aggregate GFA of approximately 6.3 million sq.m. under its management located in Ziyang, Sichuan Province immediately prior to our acquisition, at a consideration of approximately RMB18.9 million, which was determined after arm's length negotiations with reference to the estimated future profitability and prospect of Ziyang Jiamei based on due diligence conducted before the acquisition; and (c) acquiring 100% equity interest in Chengdu Xindi on August 5, 2020 which is principally engaged in the provision of property management services to two residential property projects with an aggregate GFA of approximately 0.3 million sq.m. under its management located in Chengdu, Sichuan Province immediately prior to our acquisition, at a consideration of RMB9 million, which was determined after arm's length negotiations with reference to the fair value of the total equity interests in Chengdu Xindi of approximately RMB5.9 million as of December 31, 2019 as assessed by an independent valuer as well as the estimated future profitability and prospect of Chengdu Xindi based on due diligence conducted before the acquisition.

The table below sets forth certain pre-acquisition financial and operational data of the above acquired subsidiaries and the goodwill arising from the acquisitions:

Name of acquired subsidiary	Amount of consideration per sq.m. calculated based on the GFA under management as of the date of acquisition	Average property management fee per sq.m. immediately prior to the completion of acquisition on a monthly basis	Net asset value as of the month-end immediately preceding the month of completion of acquisition ^(note 1)	Revenue for the financial year immediately prior to the completion of acquisition ^(note 2)	Net profit before taxation for the financial year immediately prior to the completion of acquisition ^(note 2)	Gross profit margin for the financial year immediately prior to the completion of acquisition ^(note 2)	Goodwill recorded ^(note 3)
	RMB/sq.m.	RMB/sq.m.	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Meishan Tianfu	6.60	Approximately 1.35 for residential properties	11,565	14,200	3,032	31%	4,302
Ziyang Jiamei	3.02	Approximately 1.22 for residential properties and 1.20 for commercial properties	8,023	54,163	7,571	13%	14,553
Chengdu Xindi	32.12	Approximately 1.01 for residential properties	5,083	3,393	977	45%	3,917

Notes:

1. Please refer to note 30 of the Accountants' Report as set out in Appendix I to this prospectus for details.

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2. The data is based on the financial due diligence reports prepared by independent accounting firms before completion of the acquisitions.
3. Please refer to the section “Financial Information—Description of Certain Combined Balance Sheet Items—Goodwill” and note 15 of the Accountants’ Report as set out in Appendix I to this prospectus for further details regarding the goodwill arising from the acquisitions.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of the abovementioned acquisitions of Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi exceeds 25%. Accordingly, the relevant pre-acquisition financial information of Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules. For more information in relation to our acquisitions during the Track Record Period, see “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period.”

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$242.5 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$4.15 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for following purposes: (i) approximately 70.0% or HK\$169.8 million, will be used for strategic acquisitions and investments; (ii) approximately 20.0% or HK\$48.5 million, will be used to upgrade information system and equipment; and (iii) approximately 10.0% or HK\$24.2 million, will be used for working capital and general corporate purposes. To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the unused net proceeds to short-term demand deposits with well-established and licensed commercial banks and authorized financial institutions.

Growth through strategic acquisitions and investments has been one of our business strategies. Historically, our Group had successfully grown our business scale through strategic acquisitions and investments, such as our acquisitions of Meishan Tianfu in 2018 and Ziyang Jiamei in 2019, and achieved synergy benefits for our overall business operation. Such acquisitions were generally in line with our business strategies to develop our portfolio of non-residential property projects, expand geographical coverage and solidify our market position in Sichuan Province and in Western China. For more information in relation to our acquisitions during the Track Record Period, see “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period.” We plan to continue to expand our operation through strategic acquisitions and investments that are generally in line with our historical business strategies in this regard, including those funded, in whole or in part, by the net proceeds from the Global Offering. As of the date of this prospectus, we had not identified or committed to any acquisition or investment targets for our use of net proceeds received by our Company from the Global Offering. For details, see “Business—Our Strategies” and “Future Plans and Use of Proceeds.” For relevant risks, see “Risk Factors—Risks Relating to Our Business and Industry—Our future acquisitions or investments may not be successful, and we may face difficulties in integrating acquired operations with our existing businesses.”

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Development of Our Business Operations

Our business continued to grow steadily. As of the Latest Practicable Date, we had an aggregate contracted GFA of 37.7 million sq.m. and the aggregate GFA under our management had amounted to 20.7 million sq.m. in comparison with our total contracted GFA of approximately 36.2 million sq.m. and the aggregate GFA under our management of approximately 20.2 million sq.m. as of December 31, 2020. The number of property projects that we were contracted to manage as of the Latest Practicable Date decreased to 229 from 234 as of December 31, 2020, while the number of property projects that we managed increased from 174 as of December 31, 2020 to 176 as of the Latest Practicable Date. From December 31, 2020 to the Latest Practicable Date, the aggregate contracted GFA, number of property projects under management and GFA under management increased while the number of contracted property projects decreased, primarily because (i) we voluntarily chose not to renew nine property management service contracts, with an aggregate GFA of approximately 0.3 million sq.m., in order to further optimize the acquired project portfolio and to reallocate our resources from certain acquired property projects with relatively low profit margins to more profitable property projects; (ii) we voluntarily terminated one preliminary property

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management service contract with an independent third-party property developer, for a property project with contracted GFA of approximately 0.1 million sq.m. and GFA under management of approximately 0.04 million sq.m. as of December 31, 2020, because we anticipated difficulties of collecting property management fees due to the failure of the property developer to fulfill its obligations under the relevant property sales contracts; (iii) we entered into the property management contract for five property projects that had not yet been delivered, with an aggregate contracted GFA of approximately 1.6 million sq.m.; (iv) we were contracted to manage additional GFA of approximately 0.3 million sq.m. for an existing contracted property project as of December 31, 2020, which we did not start to manage yet as of the Latest Practicable Date; (v) 12 existing contracted property projects as of December 31, 2020 were delivered for our property management services in 2021, with an aggregate GFA under management of approximately 0.8 million sq.m.; and (vi) we started to manage additional GFA of approximately 0.1 million sq.m. for property projects that were already under our management as of December 31, 2020.

COVID-19 Pandemic

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and expanded 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. In response to the COVID-19 pandemic, we have adopted various hygiene and precautionary measures across the properties under our management since late January 2020. See “Business—Effects of the COVID-19 Pandemic—Our Response to the COVID-19 Pandemic.” Our certain services have experienced certain short-term impacts as a result of the COVID-19 pandemic. See “Business—Effects of the COVID-19 Pandemic—Effects of the COVID-19 Pandemic on Our Business Operations.” We had incurred additional costs for implementing these enhanced measures, which primarily represented costs for purchasing protective materials. We had incurred additional costs of approximately RMB0.6 million in 2020 for purchasing protective materials, such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. Our Directors confirm that the additional costs associated with the enhanced measures will not have a significant impact on our Group’s financial position or results of operations in the near future. 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. In view of the foregoing, our Directors believe that we can continue to provide our services and discharge our obligations under existing contracts and no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 pandemic.

In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control as a result of the COVID-19 pandemic, we estimate our existing financial resources (including cash and cash equivalents and non-trade related amounts due from related companies to be repaid before Listing) as of December 31, 2020 could satisfy our necessary costs for at least 36 months. Key assumptions of the above estimates primarily include: (i) no revenue would be generated due to suspension of business; (ii) overall operating and administrative expenses and estimated monthly fixed costs will be incurred to maintain our operations at a minimum level; (iii) the expansion plan is suspended under such condition; (iv) we would only use the immediate cash and deposits available, including our cash and cash equivalents as of December 31, 2020, and there will be no further internal or external financing from Shareholders or financial institutions; (v) no further dividend will be declared and paid under such situation; (vi) 10% of the net proceeds from the Global Offering that will be used as our general working capital, based on the Offer Price at the low-end of the Offer Price range; (vii) the non-trade amount due from or to related parties as set out in the audited consolidated financial statements as of December 31, 2020 would be received or paid, respectively, by our Group upon the Listing; (viii) our trade payables will be settled when due, while we will be able to collect trade receivables and trade-related amounts due from related companies from our customers based on historical settlement pattern; and (ix) there are no material changes in the near future that would significantly affect the aforementioned key assumptions.

We believe that our expansion plan as discussed “Business—Our Business Strategies” is feasible, and it is unlikely that we would change the use of the net proceeds received by our Company from the Global Offering as disclosed in “Future Plans and Use of Proceeds” in this Prospectus as a result of the COVID-19 pandemic. However, we are still subject to certain risks

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caused by the COVID-19 pandemic. For details, see “Business—Effects of the COVID-19 Pandemic” and “Risk Factors—Risks Relating to Our Business and Industry—Our business operations may be affected by the COVID-19 pandemic.”

No Material Adverse Change

Based on our unaudited management account, our revenue for the four months ended April 30, 2021 increased as compared to the same period in 2020, primarily due to the increase in our GFA under management after April 30, 2020. Despite the increase in our revenue, our overall financial performance for the four months ended April 30, 2021 decreased as compared to the same period in 2020, primarily due to (i) the one-off listing expenses, such as payment of professional fees, incurred in the four months ended April 30, 2021, and (ii) that the regulatory supportive policies issued by local government in response to the outbreak of COVID-19 pandemic, which lead to the non-recurring deduction and exemption of payment of social insurance contributions in the same period in 2020, were not in force for this period. Our Directors confirmed that there were no material deteriorations in our overall financial performance for the four months ended April 30, 2021, excluding the effect of the one-off listing expenses. Our Directors confirmed that, as of the date of this prospectus, there has been no material adverse change in our indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2020, the latest date of our financial statements.

LISTING EXPENSES

The total amount of listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be RMB39.8 million (based on the mid-point of the indicative Offer Price range, before the exercise of the Over-allotment Option), representing approximately 16.5% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$4.15, being the mid point of the indicative Offer Price range and before the exercise of the Over-allotment Option). The Listing expenses in the amount of RMB14.5 million were charged for the year ended December 31, 2020, of which approximately RMB11.1 million was charged to our profit or loss account and approximately RMB3.4 million is expected to be accounted for as a deduction from equity, and approximately RMB25.3 million is expected to be charged subsequent to the end of the Track Record Period and upon completion of the Listing, of which approximately RMB12.4 million is expected to be charged to our profit or loss account and approximately RMB12.9 million is expected to be accounted for as a deduction from equity. The professional fees and/or other expenses related to the preparation of Listing 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 such expenses to have a material adverse impact on our financial results for the year ending December 31, 2021.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering. Some of the risks generally associated with our business and industry include the following: (1) majority of our revenue from property management services and value-added services to non-property owners during the Track Record Period was generated from services we provided to Leading Holdings Group and its joint ventures in relation to properties developed by Leading Holdings Group and its joint ventures; (2) we may fail to secure new, or renew our existing, property management service contracts on favorable terms, or at all; (3) we may be subject to losses and our profit margins may decrease if we fail to control our costs in rendering our property management services on a lump sum basis; (4) our future growth may not materialize as planned and our historical results may not be indicative of our future prospects and results of operations; (5) we expanded our business through acquisitions during the Track Record Period and may fail to achieve the desired benefits from such acquisitions, which could have a material adverse effect on our results of operations; and (6) we had negative operating cash flow in 2019. 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 prospectus and, in particular, should evaluate the specific risks set forth in “Risk Factors” in deciding whether to invest in our Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the meanings set out below. Certain technical terms are explained in the section headed “Glossary” in this prospectus.

“Acting in Concert Deed”	the acting in concert deed dated January 29, 2021 and executed by our Ultimate Controlling Shareholders, details of which are set out in “Relationship with Controlling Shareholders—Acting in Concert Deed”
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on June 22, 2021 which will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Bazhou Huiyue”	Bazhou Huiyue Meihu Property Services Co., Ltd. (巴州匯悅美湖物業服務有限公司), a company established in the PRC with limited liability on May 28, 2020 and an indirect non-wholly owned subsidiary of our Company which is owned as to 52% by Sichuan Linghui and 48% by Mr. Li Kai (李愷), an Independent Third Party
“Bazhou Linghui”	Bazhou Linghui Property Services Co., Ltd. (巴州領匯物業服務有限公司), a company established in the PRC with limited liability on January 18, 2019 and an indirect non-wholly owned subsidiary of our Company which was owned as to 52% by Sichuan Linghui and 48% by Mr. Shao Qingru (邵清如), an Independent Third Party, until it was deregistered on October 29, 2020
“Board” or “Board of Directors”	the board of Directors

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“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of 209,940,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in “Appendix IV —Statutory and General Information—A. Further Information about our Company—5. Written Resolutions of our Shareholders Passed on June 22, 2021” to this prospectus
“Cayman Islands Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chengdu Baorui”	Chengdu Baorui Commercial Management Co., Ltd. (成都寶瑞商業管理有限公司), a company established in the PRC with limited liability on September 12, 2014 and a wholly-owned subsidiary of Rong Liang Group

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“Chengdu Hecheng”	Chengdu Hecheng Linghui Property Management Co., Ltd. (成都和誠領匯物業管理有限責任公司), a company established in the PRC with limited liability on June 3, 2019 and an indirect non-wholly owned subsidiary of our Company which is owned as to 51% by Sichuan Linghui and 49% by Sichuan Yihe Chengbang Culture Communication Co., Ltd. (四川一和誠邦文化傳播有限公司), an Independent Third Party
“Chengdu Rongyue Jinghui”	Chengdu Rongyue Jinghui Enterprise Management Co., Ltd. (成都融悅景匯企業管理有限責任公司), a company established in the PRC with limited liability on December 11, 2020 and an indirect wholly-owned subsidiary of our Company
“Chengdu Xindi”	Xindi (Chengdu) Property Services Co., Ltd. (新地(成都)物業服務有限公司), a company established in the PRC with limited liability on July 7, 2006 and an indirect wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-lead Manager”	I Win Securities Limited
“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”	Ling Yue Services Group Limited (領悅服務集團有限公司) (formerly known as Ling Yue Group Limited (領悅集團有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on August 28, 2020

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“Company Law” or “PRC Company Law”	Company Law of the PRC (中華人民共和國公司法), as promulgated by the Standing Committee of the Tenth National People’s Congress on December 29, 1993 and last amended on October 26, 2018, and 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 Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital, Linghui Capital, Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli, and a Controlling Shareholder shall mean each or 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
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
“Deed of Indemnity”	the deed of indemnity dated June 22, 2021 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 “Appendix IV—Statutory and General Information—D. Other Information—2. Tax and Other indemnities”
“Director(s)”	director(s) of our Company
“Duyue Capital”	Duyue Capital Limited, a company incorporated in Hong Kong with limited liability on September 3, 2020 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganization and the Pre-IPO Investment
“Duyue Holding”	Duyue Holding Limited, a company incorporated in the BVI with limited liability on July 28, 2020 and wholly owned by Mr. Wei Yue, our pre-IPO investor

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“Duyue Investment”	Duyue Investment Limited, a company incorporated in the BVI with limited liability on August 6, 2020 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganization and the Pre-IPO Investment
“EH Consulting”	Ningbo EH Business Consulting Co., Ltd. (寧波億翰商務諮詢有限公司), our industry consultant and an Independent Third Party
“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), enacted on March 16, 2007, effective from January 1, 2008 and subsequently amended on February 24, 2017 and December 29, 2018, respectively by the SCNPC, 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
“Fusheng Capital”	Fusheng Capital Holding Limited, a company incorporated in the BVI with limited liability on July 27, 2020, which is wholly owned by Ms. Long Yiqin and is one of our Controlling Shareholders
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” 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)
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“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
“Hong Kong Offer Shares”	the 7,000,000 Offer Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in “Structure of the Global Offering”
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in “Structure of the Global Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering, whose names are set out in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 28, 2021 and entered into by our Company, the Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as further described in “Underwriting—Underwriting Agreement and Expenses—Hong Kong Public Offering”
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	person(s) or company(ies), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons

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“International Offer Shares”	the 63,000,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering”
“International Offering”	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in reliance on Regulation S, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement expected to be entered by our Company, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date relating to the International Offering, as further described in “Underwriting—Underwriting Arrangements and Expenses—International Offering”
“Jilin Junyi”	Jilin Junyi Property Services Co., Ltd. (吉林省君逸物業服務有限公司), a company established in the PRC with limited liability on January 29, 2013 and an indirect non-wholly owned subsidiary of our Company which is owned as to 55% by Sichuan Linghui and 45% by Nuoruide Investment Holding Group Co., Ltd. (諾睿德投資控股集團有限公司), an Independent Third Party (other than being a substantial shareholder of Jilin Junyi)
“Joint Bookrunners”	CCB International Capital Limited, CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Seazen Resources Securities Limited, Vision Capital International Holdings Limited, Shenwan Hongyuan Securities (H.K.) Limited and CMBC Securities Company Limited

DEFINITIONS

“Joint Lead Managers”	CCB International Capital Limited, CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Seazen Resources Securities Limited, Vision Capital International Holdings Limited, Shenwan Hongyuan Securities (H.K.) Limited and CMBC Securities Company Limited
“Kashi Hechuang”	Kashi Hechuang Huiyue Property Service Co., Ltd. (喀什合創匯悅物業服務有限公司), a company established in the PRC with limited liability on December 25, 2020 and an indirect non-wholly owned subsidiary of our Company which is owned as to 65% by Sichuan Linghui and 35% by Kashi Huitai Real Estate Development Co., Ltd. (喀什慧泰房地產開發有限公司), an Independent Third Party
“Kuche Xingyuyue”	Kuche Xingyuyue Property Services Co., Ltd. (庫車星宇悅物業服務有限公司), a company established in the PRC with limited liability on July 8, 2020 and an indirect non-wholly owned subsidiary of our Company which is owned as to 55% by Sichuan Linghui and 45% by Mr. Wang Kewei (王科偉), an Independent Third Party
“Latest Practicable Date”	June 20, 2021, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Leading Group”	Leading Group Co., Ltd. (領地集團有限公司) (formerly known as Meishan Baoma Real Estate Development Co., Ltd. (眉山地區寶馬房地產開發有限公司)), a company established in the PRC with limited liability on April 19, 1999 and an indirect wholly-owned subsidiary of Leading Holdings
“Leading Holdings”	Leading Holdings Group Limited (領地控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 15, 2019 and the shares of which are listed on the Main Board (stock code: 6999)
“Leading Holdings Group”	Leading Holdings and its subsidiaries
“Lending Shareholder”	Yuelai Holding

DEFINITIONS

“Liang Yuan Asset Management”	Liang Yuan Asset Management Co., Ltd. (量源資產管理有限公司), a company established in the PRC with limited liability on August 12, 2011 which is owned as to 33.34% by Mr. Liu Yuhui, 33.33% by Mr. Liu Ce and 33.33% by Mr. Liu Haowei
“Linghui Capital”	Linghui Capital Limited, a company incorporated in the BVI with limited liability on July 23, 2020, which is wholly owned by Ms. Hou Sanli and is one of our Controlling Shareholders
“Linghui Holding”	Linghui Holding Limited, a company incorporated in the BVI with limited liability on July 23, 2020, which is wholly owned by Mr. Liu Ce and is one of our Controlling Shareholders
“Ling Yue Capital”	Ling Yue Capital Limited, a company incorporated in Hong Kong with limited liability on October 8, 2020 and an indirect wholly-owned subsidiary of our Company
“Ling Yue Investment”	Ling Yue Investment Limited, a company incorporated in the BVI with limited liability on September 18, 2020 and a direct wholly-owned subsidiary of our Company
“Lingyue Property Services”	Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司) (formerly known as Sichuan Huifeng Property Service Co., Ltd. (四川滙豐物業服務有限公司)), a company established in the PRC with limited liability on January 21, 2002 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“M&A Rules”	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on August 8, 2006 and re-issued by MOFCOM on June 22, 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Meishan Linghui”	Meishan Linghui Yantian Property Services Co., Ltd. (眉山領匯延天物業服務有限公司), a company established in the PRC with limited liability on August 7, 2019 and an indirect non-wholly owned subsidiary of our Company which is owned as to 70% by Sichuan Linghui, 15% by Meishan Wuxing Property Management Co., Ltd. (眉山市物興物業管理有限公司) and 15% by Meishan Mading Property Management Co., Ltd. (眉山馬丁物業管理有限公司), both being Independent Third Parties
“Meishan Tianfu”	Meishan Tianfu Property Management Services Co., Ltd. (眉山市天富物業管理服務有限公司) (formerly known as Meishan Tianhe Property Management Services Co., Ltd. (眉山市天和物業管理服務有限公司)), a company established in the PRC with limited liability on March 25, 2010 and an indirect non-wholly owned subsidiary of our Company which is owned as to 51% by Sichuan Linghui and 49% by Meishan Tianfu Labor Service Subcontracting Co., Ltd. (眉山天富勞務分包有限公司), an Independent Third Party (other than being a substantial shareholder of Meishan Tianfu)
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on June 22, 2021 which will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus, as amended from time to time

DEFINITIONS

“Mianyang Ronghui”	Mianyang Ronghui Lingyue Property Management Co., Ltd. (綿陽融匯領悅物業管理有限公司), a company established in the PRC with limited liability on August 13, 2019 and an indirect wholly-owned subsidiary of our Company
“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)
“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MOHURD” or “Ministry of Construction”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
“Mr. Liu Ce”	Mr. Liu Ce (劉策) (formerly known as Liu Huan (劉歡)), one of our Ultimate Controlling Shareholders. He is the son of Mr. Liu Yuqi and Ms. Hou Sanli, and the nephew of Mr. Liu Shan, Mr. Liu Yuhui, Ms. Wang Tao and Ms. Long Yiqin
“Mr. Liu Haowei”	Mr. Liu Haowei (劉浩威), one of our Ultimate Controlling Shareholders. He is the son of Mr. Liu Shan and Ms. Wang Tao, and the nephew of Mr. Liu Yuqi, Mr. Liu Yuhui, Ms. Long Yiqin and Ms. Hou Sanli
“Mr. Liu Shan”	Mr. Liu Shan (劉山) (formerly known as Liu Yuxian (劉玉賢)), the spouse of Ms. Wang Tao, the father of Mr. Liu Haowei, the brother of Mr. Liu Yuqi and Mr. Liu Yuhui, and the uncle of Mr. Liu Ce
“Mr. Liu Yuhui”	Mr. Liu Yuhui (劉玉輝), the chairman of our Board, our executive Director and one of our Ultimate Controlling Shareholders. He is the spouse of Ms. Long Yiqin, the brother of Mr. Liu Shan and Mr. Liu Yuqi, and the uncle of Mr. Liu Haowei and Mr. Liu Ce

DEFINITIONS

“Mr. Liu Yuqi”	Mr. Liu Yuqi (劉玉奇), the spouse of Ms. Hou Sanli, the father of Mr. Liu Ce, the brother of Mr. Liu Shan and Mr. Liu Yuhui, and the uncle of Mr. Liu Haowei
“Ms. Hou Sanli”	Ms. Hou Sanli (侯三利), our non-executive Director and one of our Ultimate Controlling Shareholders. She is the spouse of Mr. Liu Yuqi, the mother of Mr. Liu Ce, and the aunt of Mr. Liu Haowei
“Ms. Long Yiqin”	Ms. Long Yiqin (龍一勤), one of our Ultimate Controlling Shareholders. She is the spouse of Mr. Liu Yuhui, and the aunt of Mr. Liu Haowei and Mr. Liu Ce
“Ms. Wang Tao”	Ms. Wang Tao (王濤), our non-executive Director and one of our Ultimate Controlling Shareholders. She is the spouse of Mr. Liu Shan, the mother of Mr. Liu Haowei, and the aunt of Mr. Liu Ce
“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)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final Hong Kong dollar offer price per Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for pursuant to the Global Offering and to be determined in the manner further described in “Structure of the Global Offering—Pricing and Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) under the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 10,500,000 additional Shares, (representing 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering (if any), as further described in “Structure of the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of 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
“PRC Legal Advisors”	Commerce & Finance Law Offices, legal advisors to our Company on PRC laws in connection with the Global Offering
“Pre-IPO Investment”	the pre-IPO investment by the pre-IPO investor, further details of which are set out in “History, Reorganization and Corporate Structure—Pre-IPO Investment”
“Price Determination Date”	the date, expected to be on or around Monday, July 5, 2021 but in any event not later than Thursday, July 8, 2021, on which the Offer Price will be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) for the purposes of the Global Offering
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited
“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

DEFINITIONS

“Qiannanhu Life”	Qiannanhu Life Property Service Co., Ltd. (黔南匯生活物業服務有限公司), a company established in the PRC with limited liability on December 21, 2017 which was owned as to 51% by Sichuan Linghui and 49% by Longli County Yu An Property Service Co., Ltd. (龍里縣宇安物業服務有限公司), which in turn was owned as to 70% by Mr. Tang Songping (唐松平) and 30% by Ms. Wang Liyang (王麗陽), both being Independent Third Parties, prior to the Reorganization
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganization”	the reorganization of our Group in preparation of the Listing, details of which are set out in “History, Reorganization and Corporate Structure—Reorganization”
“Rong Liang Group”	Rong Liang Group Co., Ltd. (融量集團有限公司) (formerly known as Chengdu Shouxin Investment Co., Ltd. (成都首信投資有限公司)), a company established in the PRC with limited liability on May 10, 2006, which is owned as to approximately 33.17% by Mr. Liu Haowei, 33.16% by Mr. Liu Ce, 33.16% by Mr. Liu Yuhui, 0.17% by Ms. Wang Tao, 0.17% by Ms. Long Yiqin and 0.17% by Ms. Hou Sanli
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局), including, as the context may require, its local counterparts, which was merged into the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Savills”	Savills Corporate Appraisal & Advisory Limited, our industry consultant and an Independent Third Party

DEFINITIONS

“Savills and EH Consulting Report”	an independent market research report prepared by Savills and EH Consulting
“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
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on June 22, 2021, a summary of the principal terms and conditions of which is set forth in “Appendix IV—Statutory and General Information—D. Other Information—1. Share Option Scheme”
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Linghui”	Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司), a company established in the PRC with limited liability on January 10, 2018 and an indirect wholly-owned subsidiary of our Company
“Sichuan Linghui Yisheng”	Sichuan Linghui Yisheng Property Services Co., Ltd. (四川領匯頤升物業服務有限公司), a company established in the PRC with limited liability on March 23, 2021 and an indirect non-wholly owned subsidiary of our Company which is owned as to 49% by Sichuan Yisheng Industrial Co., Ltd. (四川頤升實業有限公司), an Independent Third Party

DEFINITIONS

“Sichuan Huifeng”	Sichuan Huifeng Yijing Property Services Co., Ltd. (四川滙豐億景物業服務有限公司), a company established in the PRC with limited liability on November 22, 2018 and an indirect non-wholly owned subsidiary of our Company which is owned as to 50% by Sichuan Linghui, 25% by Sichuan Jingbang Property Service Co., Ltd. (四川景邦物業服務有限公司) and 25% by Sichuan Chuanyi Huifeng Property Management Co., Ltd. (四川省川億滙豐物業管理有限公司), both being Independent Third Parties
“Sichuan Lingju”	Sichuan Lingju Zhihui Life Service Co., Ltd. (四川領居智慧生活服務有限公司), a company established in the PRC with limited liability on September 27, 2020 and an indirect wholly-owned subsidiary of our Company
“Sichuan Rongyue”	Sichuan Rongyue Jiahui Real Estate Brokerage Co., Ltd. (四川融悅嘉匯房地產經紀有限公司), a company established in the PRC with limited liability on August 12, 2019 and a direct wholly-owned subsidiary of Rong Liang Group upon completion of the Reorganization
“Sole Sponsor”	CCB International Capital Limited
“Stabilizing Manager”	CCB International Capital Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Stabilizing Manager and the Lending Shareholder on or about the Price Determination Date
“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
“Tianyue Capital”	Tianyue Capital Limited, a company incorporated in the BVI with limited liability on July 23, 2020, which is wholly owned by Ms. Wang Tao and is one of our Controlling Shareholders

DEFINITIONS

“Tianyue Holding”	Tianyue Holding Limited, a company incorporated in the BVI with limited liability on July 23, 2020, which is wholly owned by Mr. Liu Haowei and is one of our Controlling Shareholders
“Tongren Bijiang”	Tongren Bijiang Linghui Property Services Co., Ltd. (銅仁市碧江區領匯物業服務有限公司), a company established in the PRC with limited liability on December 3, 2019 and an indirect non-wholly owned subsidiary of our Company which was owned as to 52% by Sichuan Linghui and 48% by Tongren Tiandu Property Service Co., Ltd. (銅仁市天都物業服務有限公司), an Independent Third Party, until it was deregistered on December 9, 2020
“Track Record Period”	the period comprising the three years ended December 31, 2018, 2019 and 2020
“Ultimate Controlling Shareholders”	Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “USA” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Urumqi Linghui”	Urumqi Linghui Duneng Property Service Co., Ltd. (烏魯木齊領匯都能物業服務有限公司), a company established in the PRC with limited liability on July 23, 2018 and an indirect wholly-owned subsidiary of our Company
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “\$”	U.S. dollars, the lawful currency of the United States
“VAT”	the PRC value-added tax

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xichang Rongyue”	Xichang Rongyue Property Service Co., Ltd. (西昌融悅物業服務有限公司), a company established in the PRC with limited liability on December 7, 2020 and an indirect wholly-owned subsidiary of our Company
“Xinxiang Linghui”	Xinxiang Linghui Property Services Co., Ltd. (新鄉領匯物業服務有限公司), a company established in the PRC with limited liability on June 11, 2019 and an indirect non-wholly owned subsidiary of our Company which is owned as to 51% by Sichuan Linghui and 49% by Xinxiang Kunpeng Property Management Co., Ltd. (新鄉市鯤鵬物業管理有限公司), an Independent Third Party
“Xinxiang Meiman”	Xinxiang Linghui Meiman Property Services Co., Ltd. (新鄉市領匯美滿物業服務有限公司), a company established in the PRC with limited liability on June 4, 2019 which was owned as to 51% by Sichuan Linghui and 49% by Henan Meiman Property Management Co., Ltd (河南省美滿物業管理有限公司), an Independent Third Party, prior to the Reorganization
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who requires such Hong Kong Offer Shares to be deposited directly into CCASS
“Yuelai Holding”	Yuelai Holding Limited, a company incorporated in the BVI with limited liability on July 23, 2020, which is wholly owned by Mr. Liu Yuhui and is one of our Controlling Shareholders

DEFINITIONS

“Zhengzhou Huiyue”	Zhengzhou Huiyue Property Service Co., Ltd. (鄭州匯悅物業服務有限公司), a company established in the PRC with limited liability on September 23, 2020 and an indirect non-wholly owned subsidiary of our Company which is owned as to 52% by Sichuan Linghui and 48% by Xinxiang Shenneng Real Estate Development Co., Ltd. (新鄉申能房地產開發有限公司), an Independent Third Party
“Zhumadian Huiyue”	Zhumadian Huiyue Property Services Co., Ltd. (駐馬店匯悅物業服務有限公司), a company established in the PRC with limited liability on July 1, 2020 and an indirect non-wholly owned subsidiary of our Company which is owned as to 52% by Sichuan Linghui and 48% by Zhumadian Jianda Real Estate Development Co., Ltd. (駐馬店建大房地產開發有限公司), an Independent Third Party
“Ziyang Jiamei”	Ziyang Checheng Jiamei Property Co., Ltd. (資陽市車城佳美物業有限公司), a company established in the PRC with limited liability on March 3, 2004 and an indirect non-wholly owned subsidiary of our Company which is owned as to approximately 53.69% by Sichuan Linghui and 46.31% by Mr. Li Yan’e (李雁鄂), an Independent Third Party (other than being a substantial shareholder of Ziyang Jiamei)
“Ziyang Haojiamei”	Ziyang Haojiamei E-Commerce Co., Ltd. (資陽市好佳美電子商務有限公司), a company established in the PRC with limited liability on September 7, 2015 and a direct wholly-owned subsidiary of Ziyang Jiamei
“Ziyang Jiamei Cleaning”	Ziyang Jiamei Cleaning Services Co., Ltd. (資陽市佳美清潔服務有限公司), a company established in the PRC with limited liability on March 11, 2020 and a direct wholly-owned subsidiary of Ziyang Jiamei
“Ziyang Jiamei Security”	Ziyang Jiamei Security Services Co., Ltd. (資陽市佳美保安服務有限公司), a company established in the PRC with limited liability on January 16, 2019 a direct wholly-owned subsidiary of Ziyang Jiamei

DEFINITIONS

“Ziyang Jiamei Services” Ziyang Jiamei Property Services Management Co., Ltd. (資陽市佳美物業服務管理有限公司), a company established in the PRC with limited liability on March 11, 2020 and a direct wholly-owned subsidiary of Ziyang Jiamei

Unless the content otherwise requires, references to “2018”, “2019” and “2020” in this prospectus refer to our financial year ended December 31 of such year.

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

The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this prospectus is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail.

GLOSSARY

In this prospectus, unless the context otherwise requires, explanation and definitions of certain technical terms used in this prospectus in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usage of such terms.

“average property management fee(s)”	weighted average property management fee(s) charged per sq.m. per month with reference to revenue-bearing GFA of the relevant property management projects as of a relevant date excluding package price projects
“CAGR”	compound annual growth rate calculated as $\left(\frac{V_{(tn)}}{V_{(to)}}\right)^{\frac{1}{tn-to}} - 1$, V _(to) : start value, V _(tn) : finish value, tn-to: number of years
“China Top Five Property Management Companies in terms of Quality Benchmarking Community Service (中國物企優質社區標桿服務五強)”	an annual ranking of China-based property management companies prepared by EH Consulting, where EH Consulting would examine, and assign different weighting to, three first-tier indicators, including operation capability, service standardization system and stickiness, under which multiple second-tier indicators would be further considered and assigned with different weighting
“commercial property(ies)”	for purposes of this prospectus, property(ies) designated for commercial use
“common area(s)”	common areas in residential properties such as lobbies, hallways, stairways, car parks, elevators and gardens
“contracted GFA”	GFA managed or to be managed by our Group under our operating property management service contracts, 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, or are ready to be 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

GLOSSARY

“IoT” or “Internet of Things”	a network of physical devices, vehicles, buildings and other items embedded with electronics, software, sensors and network connectivity that enable these items to collect and exchange data
“lump sum basis”	a revenue generating model for our property management services whereby we charge a pre-determined property management fee which represents the “all-inclusive” fees for all of the property management services provided by us with respect to the managed properties and we bear the costs and expenses in managing the relevant properties
“new first-tier cities”	cities specified by the CBNDData (第一財經商業數據中心) as such, being Chengdu, Chongqing, Hangzhou, Wuhan, Xi’an, Tianjin, Suzhou, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Hefei and Foshan in 2020
“package price projects”	property management projects for which we charge a package price on a per project basis without reference to any GFA
“renewal rate”	the number of (i) renewed property management service contracts in the period and (ii) property management service contracts under which we continued to provide property management services upon expiry prior to entering into a renewal agreement, divided by the number of property management service contracts which expired in the same period
“residential communities” or “residential property(ies)”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
“retention rate”	the aggregate number of properties under management as of the end of the period divided by the aggregate number of properties under management as of the end of the period and properties we cease to manage during the same period

GLOSSARY

“revenue-bearing GFA”	the portion of our GFA under management for which we charge property management fees, excluding (i) the GFA under management of certain common areas, such as facility rooms, management offices, club houses and swimming pools, and (ii) the GFA under management of package price projects
“revenue per sq.m. ”	revenue for the period divided by the GFA under management as of the end of that period
“second-tier cities”	cities specified by the CBNDData (第一財經商業數據中心) as such, Ningbo, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Baoding, Lanzhou, Taizhou, Shaoxing, Yantai and Langfang in 2020
“sq.m.”	the measurement unit of square meters
“tender success rate”	the aggregate number of bids we won in a period divided by the aggregate number of bids we submitted in the same period
“Top 100 Property Management Companies” or “Top 100 Property Management Companies in China in terms of Overall Strength”	an annual ranking of China-based property management companies by overall strength prepared by EH Consulting, where EH Consulting would examine, and assign different weighting to, the five first-tier factors, including profitability, customers’ feedback, competitiveness, growth and social responsibility, under which multiple second-tier and third tier factors would be further considered and assigned with different weighting
“undelivered GFA”	the total GFA of properties that are not ready to be delivered to property owners by property developers, for which we have not begun collecting property management fees in relation to contractual obligations to provide property management services

GLOSSARY

“Western China”

12 provinces, autonomous regions and municipalities in the PRC, including Chongqing, Sichuan Province, Yunnan Province, Guizhou Province, Tibet Autonomous Region, Shanxi Province, Gansu Province, Qinghai Province, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region, Xinjiang Uyghur Autonomous Region and Ningxia Hui Autonomous Region

FORWARD-LOOKING STATEMENTS

This prospectus 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 prospectus, 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 prospectus. 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 operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- the effects of the global financial markets and economic crisis;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to control or 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;

FORWARD-LOOKING STATEMENTS

- 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 sections headed “Business” and “Financial Information” in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

This prospectus 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.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus 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 prospectus. You should read this prospectus 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 prospectus 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.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

RISK FACTORS

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

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 Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Majority of our revenue from property management services and value-added services to non-property owners during the Track Record Period was generated from services we provided to Leading Holdings Group and its joint ventures in relation to properties developed by Leading Holdings Group and its joint ventures.

During the Track Record Period, majority of our revenue from property management services and value-added services to non-property owners was generated from services provided to Leading Holdings Group and its joint ventures in relation to properties developed by Leading Holdings Group and its joint ventures. In particular, in 2018, 2019 and 2020, revenue generated from property management services provided in relation to the properties developed by Leading Holdings Group and its joint ventures amounted to RMB97.5 million, RMB123.0 million and RMB209.6 million, respectively, accounting for 85.7%, 67.5% and 70.1%, respectively, of our revenue generated from property management services. In 2018, 2019 and 2020, revenue generated from value-added services to non-property owners provided to Leading Holdings Group and its joint ventures amounted to RMB47.5 million, RMB79.1 million and RMB84.0 million, respectively, accounting for 97.3%, 87.9% and 74.3%, respectively, of our revenue generated from value-added services to non-property owners of the relevant years.

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Our business scaled up in concert with the expansion of Leading Holdings Group. During the Track Record Period, we generally went through competitive tender process to procure new property management service contracts for properties developed by Leading Holdings Group and its joint ventures and our tender success rate with respect to such properties was 100.0%. However, our tender success rate with respect to properties developed by Leading Holdings Group and its joint ventures may drop in the future. There is also no assurance that all of our property management service contracts with Leading Holdings Group and its joint ventures or in relation to properties developed by Leading Holdings Group and its joint ventures will be renewed successfully upon their expiration. Further, we do not have control over Leading Holdings Group's or its joint ventures' management strategy. Any measures that the PRC government may adopt to further regulate the real estate market, for example, tightened control over real estate financing or the macro-economic or other factors may affect the business operations and prospects of Leading Holdings Group and its joint ventures. Any adverse development in the business, financial condition or prospects of the Leading Holdings Group and its joint ventures or their ability to develop and complete new properties may affect our success in procuring the relevant new service contracts for property management services and value-added services to non-property owners. We endeavor to procure more property management service contracts from Independent Third Parties. However, there is no assurance that we will be able to procure property management service contracts from third-party property developers to make up for any lost business opportunities with respect to properties developed by Leading Holdings Group and its joint ventures in a timely manner or on similar or commercially acceptable terms. We also cannot assure you that we will be successful in any effort to compete with other property management companies to obtain property projects developed by third-party property developers. Should any of these events occur, we may experience a material adverse effect on our results of operations, financial position and growth prospects.

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

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

In respect of properties developed by real estate developers, we usually enter into preliminary property management service contracts with real estate developers prior to the commencement of the pre-sale of the properties. We cannot assure you that we will be able to maintain our high success rate in winning such preliminary property management service

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contracts in relation to property projects developed by Leading Holdings Group or others. In addition, such contracts 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 contracts typically expire only when property owners' associations are established and choose to enter into new property management service contracts through required procedures. As of December 31, 2020, property owners' associations were established in 21 residential property projects we managed, accounting for approximately 24.7% of the total number of residential property projects under our management and such property owners' associations had not requested to replace us with other property management companies as of the Latest Practicable Date. As of December 31, 2020, our property management service contracts with an aggregate contracted GFA of 27.0 million sq.m. did not indicate expiration dates, while the remaining property management service contracts with an aggregate contracted GFA of 9.3 million sq.m. had terms ranging from one to three years. See "Business—Property Management Services—Property Management Service Agreements." Although, as advised by our PRC Legal Advisors, the establishment of property owners' associations and the change of property management service providers are subject to certain restrictions, such as the requirement to hold a general meeting of property owners to vote to establish a property owners' association, and the quorum and approval requirements for the general meeting of the property owners to engage or dismiss a property management service provider. See "Regulatory Overview—Legal Supervision over Property Management Services and Other Related Services." We cannot assure you that these restrictions may be relaxed or removed in the future. Further, we cannot assure you that we will be engaged by the property owners' associations to provide property management services.

Even where we succeed in entering into property management service contracts with property owners' associations, we cannot assure you that they will be renewed upon expiration. It is also possible that our contracts with property owners' association may be early terminated for cause or that property owners' associations may make allegations of cause in order to pressure us to withdraw from the contracts. In such cases, we would no longer be able to provide community value-added services to residential properties who have terminated our engagements, in addition to our property management services. During the Track Record Period, we voluntarily chose not to renew one and four property management service agreements in 2019 and 2020, respectively, due to their low profit margins. In addition, we had two property projects for which our negotiation with the relevant property owners' association did not result in the successful renewal of the property management service agreement in 2020. Therefore, in 2018, 2019 and 2020, our property management service agreement renewal rates were 100%, 96.4% and 89.8%, respectively. In 2019, we also voluntarily chose to terminate the property management service agreements for five property projects under our management prior to the expirations of the relevant property management service agreements in order to allow us to allocate our resources in a more efficient manner. None of our property management service agreements was terminated by property owners' associations or property owners prior to the expiration date of such agreements. Therefore, in 2018, 2019 and 2020, our retention rates for property management service contracts were 100%, 95.8% and 96.7%, respectively. Saved as one contract that was terminated in 2020 before the delivery of the relevant property project for our management due to the termination of Leading Holdings

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Group's cooperation arrangement with the independent third-party property developer, all of the aforementioned property projects for which non-renewal or termination of property management service agreements for property projects under our management occurred during the Track Record Period were those obtained through our acquisitions.

If our property management service contracts are terminated or not renewed, there can be no guarantee that we would be able to find other business opportunities and enter into alternative property management service contracts on commercially acceptable terms, or at all. Moreover, as both termination and non-renewal of property management service contracts may be detrimental to our reputation, we may experience material adverse effects to our brand value. We believe that our brand value is essential to our ability to procure new property management service contracts. Failure to cultivate our brand value may diminish our competitiveness in the industry.

We may be subject to losses and our profit margins may decrease if we fail to control our costs in rendering our property management services on a lump sum basis.

We generated all our revenue from properties managed on a lump sum basis. On a lump sum basis, we charge property management fees at a predetermined fixed price per sq.m. of revenue-bearing GFA on a regular basis, representing all-inclusive fees for the property management services provided. When total costs and expenses incurred exceed the amount of property management fees we receive, we bear the shortfall and may not charge additional fees to property developers, property owners or residents during the contract term. In 2018, 2019 and 2020, we incurred losses of approximately RMB0.1 million, RMB0.02 million and RMB0.3 million, respectively, with respect to one, one and two property projects under our management, respectively. Such losses with respect to one project in 2018 and another project 2019 were primarily because we just started to manage these two projects in 2018 and 2019, respectively, and we invested relatively more resources to ensure our service quality. We did not incur losses for these two projects subsequently. The other two projects for which we incurred losses in 2020 were managed by Chengdu Xindi, which we acquired in August 2020. We incurred losses for these two projects because they were developed and delivered for management approximately 10 years ago and the amount of property management fees received under the property management service contracts were insufficient to cover the increasing service costs, primarily including the labor costs and costs for raw materials. Our revenue from property management services from such loss-making property projects was approximately RMB0.04 million, RMB0.1 million, and RMB1.2 million in 2018, 2019 and 2020, respectively, representing 0.0%, 0.1% and 0.3% of our total revenue for the same years, respectively.

To improve our profitability, we can either try to improve our fee rates when renewing service agreements, or control our costs and expenses through a series of cost-saving initiatives. However, our ability to mitigate losses through cost-saving initiatives, such as operation automation measures to reduce labor costs and energy-saving measures to reduce energy costs, may not be successful. Moreover, our cost-saving efforts may negatively affect the quality of our property management services, which in turn will reduce owners' willingness

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to pay us property management fees. We may be also subject to local regulations on price control which may restrict our ability to raise our fee rates. Therefore, we cannot assure you that we could successfully raise our fee rates; nor could we assure you that our cost-saving initiatives will achieve their intended results. Failure to raise our fee rates or implement cost-saving measures could materially and adversely affect our results of operations and financial condition.

Our future growth may not materialize as planned and our historical results may not be indicative of our future prospects and results of operations.

We experienced fast growth in revenue, profit and profit margins during the Track Record Period. Our gross profit increased by 89.5% from RMB45.5 million in 2018 to RMB86.2 million in 2019. Our gross profit further increased by 68.0% from RMB86.2 million in 2019 to RMB144.8 million in 2020. In 2018 and 2019, our profit for the year increased by 151.1% from RMB14.1 million in 2018 to RMB35.4 million in 2019. Our profit for the year further increased by 98.6% from RMB35.4 million in 2019 to RMB70.3 million in 2020.

We seek to continue to expand through increasing the total GFA and the number of properties we manage in existing and new markets, including properties developed by Leading Holdings Group and those developed by third-party property developers. See “Business—Our Strategies—Continue to focus on developing our business in Western China and further penetrate into selected cities in other regions.” However, our expansion plans are based upon our assessment of market prospects, and we cannot assure you that we can sustain our historical growth in the future. As we start to manage more properties developed by third-party property developers or acquire more property management companies, we cannot assure you that we will be able to maintain our gross profit margin at historical levels. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors primarily include:

- changes in China’s economic condition in general, and the real estate market in particular;
- changes in disposable personal income in the PRC;
- the impact of any epidemic, such as the COVID-19 pandemic, on China’s economic condition, disposable income and consumption spending in the PRC;
- changes in government regulations or policies;
- changes in the supply of and demand for property management and value-added services;

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- our ability to develop and strengthen collaborative relationship with Leading Holdings Group and other property developers and property owners, residents and tenants of properties developed by them; and our ability to develop and maintain cooperative relationship with our business partners and strategic investors;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent managerial personnel and other employees;
- our ability to select and work with suitable suppliers;
- our ability to anticipate and address the needs of owners, residents and tenants in the properties we manage;
- our ability to diversify our service offerings and to optimize our business mix;
- our ability to adapt to new markets where we have limited or no prior experience including our ability to adjust to the administrative, regulatory and tax environments in such markets;
- our ability to maintain effective information technology systems to support our business and development plans;
- our ability to solidify our market position in existing markets and our ability to leverage our brand names and compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than we do; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

We cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively, and failure to do so may have a material adverse effect on our business, financial position and results of operations. Moreover, our profitability depends partially on our ability to control costs and operating expenses, which will increase as our business expands. You should not rely on our historical results of operations to predict our future financial performance.

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We expanded our business through acquisitions during the Track Record Period and may fail to achieve the desired benefits from such acquisitions, which could have a material adverse effect on our results of operations.

During the Track Record Period, we acquired Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi for a consideration of approximately RMB10.2 million, RMB18.9 million and RMB9.0 million, respectively. For more information, see “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period” for details. We plan to acquire or invest in other companies to expand our business scale in the future.

Our ability to generate profits and cash flow from the acquired business will depend on our ability to integrate them with our existing business, which may be affected by a variety of factors not within our control, such as the complexity and size of their business operations, limited experience in managing certain types of properties and certain type of business, the risk of operating in new markets, differences in corporate cultures, the failure to rectify the non-compliance, the inability to retain the acquired companies’ personnel, as well as additional hidden costs associated with the acquisitions and investments and the integration of these new businesses into our operations. Our acquisitions could also distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations. As a result, we cannot assure you that our acquisition would achieve our desired strategic objectives or the expected return of investment.

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

We have, to a certain extent, expanded our business through acquisitions, and plan to evaluate opportunities to acquire other property management companies and other businesses that are complementary to our existing businesses and integrate their operations into ours. However, we cannot assure you that we will be able to identify suitable opportunities. As of the date of this prospectus, we had not identified or committed to any acquisition or investment targets for our use of net proceeds received by our Company from the Global Offering. 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. In addition, we face competition from industry peers, particularly, those listed on the Stock Exchange that are actively seeking quality acquisition or investment targets in the market to achieve their expansion goals. The inability to identify suitable acquisition targets or to complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

Acquisitions, even if completed, will involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden legal, regulatory, financial or other liabilities;

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- inability to apply our business model or standardized business processes on the acquisition targets;
- failure to achieve the intended objectives, synergy benefits or revenue-enhancing opportunities;
- assumption of debt and liabilities of the acquired companies, some of which may not have been revealed during the due diligence process; and
- diversion of resources and management attention.

Approximately 70.0%, or HK\$169.8 million, of the net proceeds received by our Company from the Global Offering is expected to be used to pursue strategic acquisition and investment opportunities. See the section headed “Future Plans and Use of Proceeds—Use of Proceeds.” 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 proceeds from the Global Offering may not be effectively used.

Moreover, we may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. Interest rate increases or other unfavorable changes in the financial markets may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. There is no assurance that we will be able to obtain sufficient financing on favorable terms, or at all, to fund our future expansion. Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may restrict our ability and flexibility to operate our business, pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Furthermore, we may face difficulties in, and additional risks of, integrating acquired operations with our existing business. The difficulties and risks will be affected by different factors, such as the complexity and size of the acquired business. Particularly, we may face the difficulties in retaining the acquired company’s personnel and integrating the existing workforce with that of the acquired companies. Such difficulties could disrupt our ongoing business, distract the attention of our management and employees or increase our expenses. The prior dealings of the acquired company may have given rise to situations which, although unknown or deemed immaterial during due diligence could be exposed post-acquisition and cause damage to our brand. We may also face the risks of operating in new markets with local

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regulations unfamiliar to us and incur additional hidden costs associated with the acquisition. Any of these difficulties or risks could materially and adversely affect our business, financial condition and results of operations.

Acquisitions may result in goodwill recorded in our combined financial statements. If we fail to achieve our desired objectives with respect to our acquisitions, we may need to record impairment losses on our goodwill, which may materially and adversely reduce our assets and impact our profitability that would, in turn, have an adverse effect on our financial position and results of operations.

We are in a highly competitive business and we may not be able to compete successfully against existing and new competitors.

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

We believe our current success can be partially attributed to our standardization of operations in providing our property management services. We plan to optimize our service standardization practice to enhance the quality and consistency of our services, improve our onsite service teams’ efficiency and reduce our costs. Our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. As a result, we may fail to compete successfully against existing and new competitors, which may have a material adverse impact on our business, financial position, results of operations and prospects.

Furthermore, we seek to have large and reputable property developers as our clients, and such clients may develop their own property management businesses and provide property management services in-house. In such event, we may lose future business from such property developers, and our business, results of operations and financial position could be adversely affected.

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

We may encounter difficulties in collecting property management fees from property developers and property owners. 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. See “Business—Property Management Services—Payment and Credit Terms.”

As of December 31, 2018, 2019 and 2020, our trade receivables were RMB21.0 million, RMB41.9 million and RMB52.4 million, respectively. The increase of our trade receivables during the Track Record Period was primarily in line with our business expansion. In 2018, 2019 and 2020, our trade receivable turnover days were 72 days, 67 days and 65 days, respectively. See “Financial Information—Description of Certain Combined Balance Sheet Items—Trade Receivables.” As of December 31, 2018, 2019 and 2020, we recorded amounts due from related parties of RMB46.7 million, RMB94.8 million and RMB69.3 million, respectively, which were trade in nature and mainly represented trade receivables due from such related parties. The average turnover days of the trade balance due from related parties were 310 days, 295 days and 230 days in 2018, 2019 and 2020, respectively. See “Financial Information—Related Party Transactions and Balances—Related Party Balances.”

Delays in receiving payments from, or non-payment by property developers, property owners and property residents would adversely affect our cash flow position and our ability to meet our working capital requirements. Our allowance for impairment of trade receivables amounted to RMB2.9 million, RMB4.8 million and RMB6.7 million as of December 31, 2018, 2019 and 2020, respectively. Although our management’s estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions for receivable provisions may need to be adjusted if new information becomes known. See “Financial Information—Significant Accounting Policies and Critical Accounting Judgments and Estimates.” In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

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

During the Track Record Period, the average property management fees and profit margins of properties developed by third-party property developers were lower than the average property management fees and profit margins of properties developed by Leading Holdings Group. For details, see “Financial Information—Description of Selected Combined Statements of Comprehensive Income Line Items—Revenue—Property Management Services.” We have adopted and will continue to adopt measures to reduce our reliance on the

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properties developed by Leading Holdings Group and will manage more properties developed by third-party property developers, as such, our profitability may decrease in the future. As a result, our results of operations and growth prospects may be materially and adversely affected.

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

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was identified in late 2019 and spread globally in over 200 countries and territories. In March 2020, the World Health Organization characterized the outbreak of COVID-19 a pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial markets. For example, China experienced a slower-than-usual growth of 6.5% in its GDP in the fourth quarter of 2020, following a slight 4.9% increase in the third quarter. In addition, the U.S. economy suffered its sharpest downturn since at least the 1940s in 2020, with its GDP shrinking 3.5% from 2019, and the US stock markets experienced extreme volatilities that repeatedly triggered stock market “circuit breakers.”

The COVID-19 pandemic has had an adverse impact, and may continue to cause adverse impacts in the long-term, on the economy and social conditions in China and other affected countries, and this may have an adverse impact on the PRC property development and management industries and adversely affect our business operations. We have experienced certain short-term impact as a result of the COVID-19 pandemic. See “Business—Effects of the COVID-19 Pandemic—Effects of the COVID-19 Pandemic on Our Business Operations” for details. While the COVID-19 pandemic appears to be contained in China for the time being, international travels and business activities have been substantially reduced which may have a material adverse impact on the Chinese economy. We are uncertain as to when the COVID-19 pandemic will be contained globally or whether it may resurge in China. In addition, resurgence of the COVID-19 pandemic occurred in areas where we have operations, such as Jilin Province and Xinjiang Uygur Autonomous Region. Our business operations, financial condition and prospects may be materially and adversely affected by such resurgence. We also cannot predict whether COVID-19 pandemic will have a long-term impact on our business operations. If we are not able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenue as anticipated, and our business operations, financial condition and prospects may be materially and adversely affected. See “Business—Effects of the COVID-19 Pandemic.”

We may need to recognize impairment losses for goodwill recorded in connection with our historical acquisitions.

During the Track Record Period, we recorded goodwill mainly reflecting our acquisition of Meishan Tianfu in July 2018, Ziyang Jiamei in July 2019 and Chengdu Xindi in August 2020. As of December 31, 2018, 2019 and 2020, we recorded goodwill of RMB4.3 million, RMB18.9 million and RMB22.8 million, respectively. See “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period,” “Financial Information—Description of Certain Combined Balance Sheet Items—Goodwill” and note 15 to the Accountants’ Report set out in Appendix I to this

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prospectus for more details. During the Track Record Period, our other intangible assets mainly represented software and the customer relationship we obtained from our acquisitions of Meishan Tianfu in July 2018, Ziyang Jiamei in July 2019 and Chengdu Xindi in August 2020. As of December 31, 2018, 2019 and 2020, we recorded other intangible assets of RMB8.5 million, RMB19.6 million and RMB18.3 million, respectively. See “History, Reorganization and Corporate Structure—Our Corporate Development—Acquisitions during the Track Record Period,” “Financial Information—Description of Certain Combined Balance Sheet Items—Other Intangible Assets” and note 16 to the Accountants’ Report set out in Appendix I to this prospectus for more details.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. We performed annual impairment test of goodwill as of December 31, 2018, 2019 and December 31, 2020. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units (“CGU”), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. Other intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. However, our ability to generate cash flow from our acquired business will depend on our ability to realize the intended objectives, potential benefits or other revenue-enhancing opportunities that motivated our acquisition of these assets, as well as our ability to effectively integrate their business operations with our own. In the event that we are unsuccessful in achieving the aforementioned, we may have to record impairment losses to our goodwill. This may in turn result in an adverse effect on our financial position and results of operations.

The collection of our trade receivables and trade-related amounts due from related companies is subject to seasonal fluctuations.

We experienced seasonal fluctuations in the collection of our trade receivables and trade-related amounts due from related companies during the Track Record Period and expect to continue experiencing such seasonal fluctuations going forward. In general, our trade receivable amounts and trade-related amounts due from related companies increase throughout the year and decrease toward the end of the year when property owners and residents clear their outstanding property management fee balances. Consequently, a comparison of our outstanding trade receivables and trade-related amounts due from related companies and collection rates between different points in time within a single financial year and any comparison of trade receivables turnover days and trade-related amounts due from related companies for an interim period with that of a full financial year may not be necessarily meaningful and should not be relied upon as indicators of our financial performance. Seasonal fluctuations in our collection

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rates, trade receivables and trade related amounts due from related companies require that we manage our liquidity carefully so as to provide our business with adequate cash for operations. Any inability to ensure adequate liquidity could cause us to incur higher financing costs and hamper our ability to expand and grow our operations, which could in turn materially and adversely affect our business, financial position and results of operations.

Our business and prospects are dependent on and may be adversely affected by our non-wholly-owned subsidiaries

During the Track Record Period, a substantial proportion of our subsidiaries were not wholly-owned subsidiaries of our Company. In 2018, 2019 and 2020, our non-wholly-owned subsidiaries contributed to 13.0%, 24.5% and 27.4%, respectively, of our total revenue, 17.9%, 21.8% and 20.2%, respectively, of our total gross profit, and 32.1%, 20.7% and 16.1%, respectively, of our total profit for the year. See “History, Reorganization and Corporate Structure,” “Business—Property Management Services—Source of Properties under Management” and note 1 to the Accountants’ Report set out in Appendix I to this prospectus for details.

The success of a non-wholly owned subsidiary depends on a number of factors, some of which may be beyond our control. Conflicts and material disputes may arise between our business partners and us and there can be no assurance that we can maintain our current relationship with our existing business partners or that we will be able to successfully establish the same strategic relationships with new business partners in the future. We cannot assure you that we will not have material disputes with our business partners in relation to our non-wholly owned subsidiaries in the future. Therefore, if our cooperation with our business partners in these projects deteriorates or terminates, our business, financial condition and results of operations might be materially and adversely affected.

Our strategic plan to further diversify and expand our services may not succeed as planned in the future.

We have diversified our services by providing various value-added services to meet the evolving needs of our customers, primarily including property owners, residents and non-property owners. See the section headed “Business.” However, some of our value-added services to non-property owners and community value-added services were recently launched, such as property transaction assistance services and group purchase facilitation. With limited operating history and experience in certain regions, we may face unknown risks, rising expenses and fierce competition in the market. We have encountered and expect to continue to encounter risks and difficulties frequently experienced in relation to new service offerings, and those risks and difficulties may be heightened in a rapidly evolving market. Those risks and difficulties may affect our ability to:

- attract and retain customers and qualified employees;

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- develop and maintain close cooperation with strategic partners to offer certain services;
- maintain effective control of our development as well as operating costs and expenses;
- develop and maintain internal personnel, systems, controls and procedures to comply with the extensive regulatory requirements applicable to the relevant industries;
- cater for various consumer preferences, or anticipate product or service trends that will appeal to existing or potential customers;
- respond to competitive market conditions and changes in industry environments; or
- respond to changes in regulatory environment.

Our failure to achieve any of the above may jeopardize our ability to offer newly introduced value-added services, as well as other new services we plan to launch. We are dedicated to satisfying our customers' needs by further strengthening our capabilities to provide and diversify our value-added services. See "Business—Our Strategies—Further diversify our property management portfolio." Moreover, we may consider entering into agreements with the construction companies to provide repair and maintenance services on their behalf during the post-delivery warranty periods of properties and charge service fees on a lump sum basis in the future. Launching new services and products, changing our service models or entering into new markets may also require substantial time, resources and capital. We may have limited ability to leverage on our brand name in the industries related to our value-added services in the way that we have done so in the property management industry, which could hinder our results of operations in the new market.

Furthermore, we cannot assure you that our investment in our value-added services business can be recouped in a timely manner, or at all, or our investment return would be higher than that of other comparable companies. Our development of and investment in diversified services may be subject to PRC laws and regulations governing license approval and renewal. See "Regulatory Overview—Legal Supervision over Property Management Services and Other Related Services." We cannot assure you that we can obtain or renew our license on time, if at all. We cannot assure you that our future strategic development plan, which is based upon our forward-looking assessment of market prospects and customer preferences, will always turn out to be successfully. A number of factors beyond our control may also affect our plan for the development of diversified services, including 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 business, financial position and results of operations.

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Increase in staff costs and subcontracting costs could harm our business and reduce our profitability.

In 2018, 2019 and 2020, our total staff costs and subcontracting costs recorded under cost of sales and administrative expenses, amounted to RMB121.2 million, RMB197.1 million and RMB268.6 million, respectively, accounting for 71.7%, 70.4% and 62.7%, respectively, of our total revenue. The increases in total staff costs and subcontracting costs during the Track Record Period were mainly due to the expansion of our business and the general increase in labor cost in China. However, we cannot assure you that we can maintain or further improve our employee productivity and efficiency or that our cost control measures will remain effective. To maintain and improve our profit margins, it is critical for us to control and reduce our labor costs as well as other operating costs. We face pressure from rising labor due to various contributing factors, including but not limited to:

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

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

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We had negative operating cash flow in 2019.

We had negative cash flow from operating activities of RMB9.9 million in 2019, mainly relating to (i) increase in trade receivables, which was in line with our business growth; and (ii) increases in amounts due from related companies as a result of the relatively long payment settlement cycle.

Such operating cash outflows may not always be fully offset by other cash inflows, such as other borrowings. Although we seek to effectively manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with those of our cash outflows, such as our payment obligations.

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

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

During the Track Record Period, we had been involved in legal and other disputes in our ordinary course of business and in the future, we may, from time to time, be involved in disputes with and subject to claims by property developers, property owners, residents and tenants to whom we provide property management and other services. Disputes may also arise if our customers are dissatisfied with our services. In addition, customers may take legal action against us if they perceive that our services are inconsistent with the service standards we agreed to. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our suppliers, employees, business partners, and other third parties. 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.

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We are also subject to extensive and 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. There can be no 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 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 and we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial position, results of operations and growth prospects.

In addition, we are subject to various regulations in relation to property management service, including price control, fire safety, advertisement, tender and bidding process and other aspects. We may be subject to administrative penalties or other penalties if we fail to comply with applicable regulations and requirements. In 2018, 2019 and 2020, we incurred administrative penalties of RMB0.02 million, RMB0.1 million, and 0.02 million, respectively, primarily in connection to incompliant fire protection measures and elevator examinations. While we believe the administrative penalties that were imposed on us during the Track Record Period were not material, if similar incidents occur or we fail to comply with other applicable regulations in the future, we may be subject to administrative fines or other penalties, and our business, financial position and results of operations could be materially and adversely affected.

Some of our property management service agreements were obtained without going through the required tender and bidding process

During the Track Record Period, 15 residential property projects under our management had been engaged without going through the required tender and bidding process under applicable PRC laws and regulations. Such residential property projects had an aggregate GFA under management of approximately 2.6 million sq.m. as of December 31, 2020. The revenue generated from our management of such residential property projects amounted to approximately RMB9.7 million, RMB19.1 million and RMB32.5 million, respectively, in 2018, 2019 and 2020, accounting for approximately 5.7%, 6.8% and 7.6%, respectively, of our total revenue of the relevant year. Under the applicable PRC laws and regulations, residential property developers shall engage qualified property management service providers through a tender and bidding process. The lack of a tender and bidding process for the selection of property management service provider for the aforementioned residential property projects was not caused by us but by the relevant property developers. According to the Regulations on Property Management (2018 revision) (物業管理條例(2018年修正)), where the property developer of residential property fails to engage a property service provider through the required tender and bidding process, local government may order the property developer to rectify within a prescribed time period, give a warning and impose a fine of no more than

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RMB100,000. As advised by our PRC Legal Advisors, current PRC laws and regulations are silent on whether a property management service provider shall be subject to any administrative penalty if it was contracted without going through a required tender and bidding process, and as such, the risk of we, as property management service provider, being subject to administrative penalty due to the absence of a tender and bidding process for these 15 residential property projects was remote. In addition, relevant PRC laws and regulations do not explicitly stipulate whether the validity of a property management service agreement would be affected by lack of a tender and bidding process. Judicial practice varies in the PRC and the abovementioned contracts executed without going through a tender and bidding process may be determined invalid by relevant local judicial authorities. 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.

In addition, we failed to locate relevant tender and bidding documents for nine public property projects under our management during the Track Record Period. We provided services to these nine public property projects through Ziyang Jiamei a subsidiary acquired in June 2019. The abovementioned public property projects typically have a term of one to three years. These nine public property projects had an aggregate GFA under management of approximately 0.2 million sq.m. as of December 31, 2020. The revenue generated from our management of such public property projects amounted to approximately nil, RMB2.4 million and RMB5.1 million, respectively, in 2018, 2019 and 2020, accounting for approximately nil, 0.8% and 1.2%, respectively, of our total revenue of the relevant year. According to Government Procurement Law (政府採購法), where the procured public properties exceeded certain price threshold as set by the State Council or local government, relevant governmental organizations fail to engage a property service provider through a tender and bidding process and the service agreement has been properly performed, the lack of tender and bidding process would neither invalidate nor revoke the property management service agreement. Our Directors are of the view that as of the Latest Practicable Date, in the process of provision of services to public projects, we were not aware of any disputes, administrative penalties or any government investigation from the relevant competent authorities. The Company believes that the service contracts of the abovementioned nine public property projects are on normal commercial terms. As advised by our PRC Legal Advisors, in the typical process of government procurement, it is the procuring entity rather than Ziyang Jiamei to initiate a tender and bidding process. Based on the foregoing, as advised by our PRC Legal Advisors, the risk that the absence of a tender and bidding process would invalidate the relevant property management service agreements is low, and occurrence of such event is unlikely to materially and adversely affect our business, financial position and results of operations.

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

The common areas of the properties we manage may suffer damage due to causes beyond our control, including but not limited to natural disasters, accidents, resident's intended or unintended actions. Although PRC law mandates that each residential community establish a special fund to pay for the repair and maintenance costs of common areas, there can be 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 the incidents or criminal actions that may have been involved. We may also be required to designate and use a portion of the common area specifically for the purpose of epidemic prevention.

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 would try to collect the amount of the shortfall from the property owners. To the extent that our collection attempts are unsuccessful, we may still have to proceed with the work and experience material adverse effects on our business, financial position and results of operations. The additional costs we incur due to damage to the common areas of our properties may increase along with our business growth and geographic expansion.

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

During the Track Record Period, our Company and some of our PRC subsidiaries did not register for and/or fully contribute to certain social insurance and housing provident funds for their employees. As such, we may be subject to late fees and fines for our insufficient contributions to the social insurance plans and housing provident fund as well as non-registration of an account for housing provident fund. As of the Latest Practicable Date, we had not received any notice from the local government authorities regarding any claim for inadequate contribution of our current and former employees. We made provisions in the amounts of RMB0.6 million, RMB0.5 million and RMB0.1 million in 2018, 2019 and 2020, respectively.

According to the relevant PRC laws and regulations, (i) 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 contribution within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount of each day of delay; if we fail to make such payments within a stipulated deadline, we may be liable to a fine of one to three times of the outstanding contribution amount; and (ii) for the housing provident fund registration that we fail to complete before the prescribed deadline, the relevant government authorities may demand that we complete the housing provident fund registration by a stipulated deadline. If we fail to

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rectify by that deadline, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiaries or branches and, for outstanding housing provident fund contributions that we did not fully pay within the prescribed period, the relevant government authorities may demand that we pay the outstanding housing provident fund contributions by a stipulated deadline. If we fail to rectify by that deadline, we may be subject to an order from the relevant People's court for compulsory enforcement. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late or additional fees or fines on us, which may materially and adversely affect our financial condition and results of operation.

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

Negative publicity about us, our Controlling Shareholders and affiliates, the properties we manage, our brand, our management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms. Given our close relationship with Leading Holdings Group from whose projects and properties we derive substantially all of our property management services revenue, negative publicity about Leading Holdings Group, its business, results of operations and financial condition could adversely affect our reputation, business and share price. In the long term, if such negative publicity about us, our Controlling Shareholders and affiliates, our brand, our management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, financial position, results of operation and prospects would be materially and adversely affected.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third-parties.

We are exposed to fraud or other misconducts committed by our employees, sub-contractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm to our reputation. For example, theft conducted by third parties might cause us compensation if we were held negligent or reckless and might also damage our reputation in the market. In addition, where we rely on third-party goods or service providers that we cooperate with to deliver services to residents, any major interruptions to or failures in these third-parties' services could prevent the timely and successful delivery of relevant services. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party companies, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. If the purchase services are not timely or properly rendered, customers may refuse

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to accept the services and may claim refunds from us or the relevant suppliers, and the suppliers may lose confidence in our services, which, as a result, may adversely affect our financial position and damage our reputation.

Our management information system and internal control procedures may fail to identify non-compliances and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconducts, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be risks that fraud and other misconducts may occur and cause negative publicity, which may have an adverse effect on our business, reputation, financial position and results of operations.

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

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

We are exposed to risks related to concentration of suppliers.

We experienced concentration of suppliers during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020, our five largest suppliers, primarily comprising cleaning service providers, electric power supplies providers and security service providers and each an Independent Third Party, accounted for 29.7%, 35.8% and 25.3% of our total purchase, respectively, and our single largest supplier accounted for 18.3%, 14.9% and 6.8% of our total purchase during the same years, respectively. For more details, see “Business—Suppliers.” We cannot assure you that we will be able to procure contractors providing comparable service or products at comparable prices within a reasonable period in case of interruption of our major suppliers’ business or our business relationship with them. In the event of the above-mentioned situation, our financial condition and results of operations may be materially and adversely affected.

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We rely on third-party subcontractors and suppliers to perform certain property management services and we may be exposed to liabilities arising from disputes and claims in relation to products and services provided by our subcontractors and suppliers.

During the Track Record Period, we outsourced certain property management services, primarily including cleaning, greening and gardening and repair and maintenance services, to third-party subcontractors. We may not be able to monitor their services as directly and efficiently as with our services. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. Moreover, the services and products provided by subcontractors may be substandard or defective, or otherwise result in personal or property damages to our customers. As a result, we may have dispute with our subcontractors, or may be held responsible for their actions, services or products, which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. We may also incur additional costs while seeking to monitor or replace subcontractors who do not perform in accordance with the contracts.

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

In addition, if our third-party subcontractors fail to maintain a stable team of qualified labor or do not have easy access to a stable supply of qualified labor or fail to perform their obligations properly or in a timely manner, the work process may be interrupted. Any interruption to the third-party subcontractors' work process may potentially result in us breaching our contract with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

We are exposed to risks associated with the use of third-party online payment platforms.

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

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may divert our management attention, damage our reputation and harm our brand value. Furthermore, the PRC Government may yet promulgate new laws and policies to regulate the use of third-party online payment platforms, which may increase our compliance and operational costs.

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

During the ordinary course of our business, we collect, store and process personal and other sensitive data from property owners, residents and tenants, such as addresses, facial identity, phone numbers, bank account or credit card numbers. Concerns about the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could also damage our reputation, cause us to lose users and other customers and adversely affect our results of operations. In China, the requirement of legal collection and usage of personal information was stated in several rules and regulations. In addition, the competent government agencies have enhanced their enforcement on the laws and regulations in relation to privacy and data protection in the past and may continue to take enhanced enforcement actions in the future. For example, recent news articles have begun to emerge, which report that the operators of multiple mobile applications in China have been ordered to rectify their irregular data collection practice. The application categories targeted by the competent government agencies included fitness, video streaming, online shopping, education, women's health, dating and application store. While we strive to comply with applicable data protection laws and regulations, as well as our privacy policies pursuant to our terms of use and other obligations we may have with respect to privacy and data protection, any failure or perceived failure to comply with these laws, regulations or policies may result in disruptions to the daily operation of our information systems, inquiries and other proceedings or actions against us by government agencies or others, orders by government agencies or others to require us to rectify irregular data collection and privacy protection practice or even to take down our mobile applications, such as Shi Xiang Yue (時相悅) mobile application, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and customers and have an adverse effect on our business and results of operations.

In addition, 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 data of property owners, residents and tenants. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached by third-party action or employee error, malfeasance or otherwise. 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 and design flaws in our technology infrastructure, 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

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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, which may, in turn, have an adverse effect on our business, financial position and results of operations.

Furthermore, the PRC laws and regulations in relation to privacy protection and cyber security are relatively new and evolving, their interpretation and enforcement involve significant uncertainties, and the PRC government authorities may promulgate new laws and regulations regulating this area in the future. These new laws and regulations, to be supported by the enhanced enforcement actions by the competent government agencies, could be costly to comply with or could render us unable to continue to collect, store or process customer data, which may also have an adverse effect on our business, financial position and results of operations.

We may experience failures in or disruptions to our information technology systems.

We use various platforms and systems in our business operations. If we are unable to detect or promptly remedy any system malfunction or misconfiguration, we may experience system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays or other technical problems that make our online application and related services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of our application and even incur losses to our customers who may bring legal proceedings against us. Moreover, failures in or disruptions to our information technology systems, loss or leakage of confidential information, or breach of network security could cause transaction errors, processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

We may be involved in intellectual property disputes and claims.

We currently hold a number of domain names, patents and copyrights and had also obtained the license of certain trademarks in the PRC. See “Business—Intellectual Property.” We rely on and expect to continue to rely on a combination of confidentiality and license agreements, as well as trademark, copyright and domain name protection laws, to protect our proprietary rights. Nevertheless, these measures afford limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, results of operations and financial position.

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

Fluctuations in amounts of tax benefits or government grants may lead to volatility in our profit.

We enjoy favorable treatment from government authorities primarily in respect of tax benefits and government grants to support local corporate and economic development and to encourage our effort of stabilizing employment. Our government grants amounted to RMB0.03 million, RMB0.9 million and RMB3.7 million, or 0.2%, 2.6% and 5.3% of our profit for the year, for 2018, 2019 and 2020, respectively. Tax benefits and government grants fluctuated during the Track Record Period because such benefits and grants were subject to the government policy in that year. There can be no assurance that we will continue to receive significant amounts of tax benefits or government grants, or at all. Accordingly, we may experience additional fluctuations in our tax benefits and government grants, which may lead to volatility in our profit.

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

We recorded deferred tax assets of RMB1.1 million, RMB2.6 million and RMB3.7 million, respectively, as of December 31, 2018, 2019 and 2020. Deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings would be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

Net changes in fair value of equity investments designated at fair value through other comprehensive income are subject to uncertainties of accounting estimates in the fair value measurement and the use of significant unobservable inputs in the valuation techniques.

We recorded equity investments designated at fair value through other comprehensive income in the amount of RMB6.9 million, RMB6.8 million and RMB6.3 million as of December 31, 2018, 2019 and 2020, respectively. Our equity investments designated at fair value through other comprehensive income mainly represent our investment in an unlisted

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entity. See “Financial Information—Description of Certain Combined Balance Sheet Items—Equity Investments Designated at Fair Value through Other Comprehensive Income” and note 18 to the Accountants’ Report set out in Appendix I to this prospectus for more details. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment. The changes in fair value of our equity investments designated at fair value through other comprehensive income are reflected in our other comprehensive income. Such financial assets are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our combined statements of profit or loss and other comprehensive income, therefore directly affecting our results of operations. There is no assurance that we will not incur any fair value losses in the future. If we incur significant fair value losses on the financial assets, our results of operations, financial condition and prospects may be adversely affected.

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

Accidents, such as work injuries, may occur during the 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. During the Track Record Period and up to the Latest Practicable Date, our employees did not encounter work injuries that may have a material adverse effect on our business, financial position and results of operations. We cannot guarantee that work injuries and other accidents would not occur in the future. As a result, 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. 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’ negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, residents or others. Our insurance may not fully cover the claims or costs arising from such accidents. 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. Moreover, such occurrences may also damage our reputation and brand in the property management industry. Any of the foregoing could adversely affect our reputation, brand, business, financial position and results of operations.

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

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily (i) liability insurance to cover liabilities for property damages or personal injuries suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damages to both movable and immovable properties owned by us or in our custody. We cannot assure you that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. In the event of a dispute with our

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insurers, we may be required to engage in protracted litigation or negotiations in order to obtain benefits for which we are legally due, and those efforts may be wholly or partly unsuccessful. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations. See “Business—Insurance.”

If we are unable to perform our contracts with customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2018, 2019 and 2020, our contract liabilities amounted to RMB36.2 million, RMB57.7 million and RMB62.4 million, respectively. Our contract liabilities primarily arise from the advance payments received from customers of our property management services while the underlying services are yet to be provided by us. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the property management fees we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines.

During the Track Record Period, we leased properties in various locations in the PRC for use primarily as office spaces. As of the Latest Practicable Date, we had not completed the administrative filings of one lease agreement relating to properties we leased. According to applicable PRC regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. According to applicable PRC regulations, lessors of the related leases need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings within the period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we might be subject to fines. See “Business—Properties.”

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We may be subject to penalties from the PBOC or adverse judicial rulings as a result of providing advances to other parties.

Ziyang Jiamei made an advance in the amount of RMB1.3 million in February 2018 to an Independent Third Party bankruptcy administrator, who was in charge of the bankruptcy proceeding of a third-party property developer, whose certain properties were under the management of Ziyang Jiamei and business was suspended. This advance made by Ziyang Jiamei had an interest of 15.0% and was non-trade in nature, unguaranteed and repayable on demand. As of January 31, 2021, the bankruptcy administrator had fully repaid Ziyang Jiamei the advance. See “Financial Information—Description of Certain Combined Balance Sheet Items—Prepayments and Other Receivables” for more details. According to the General Lending Provisions (貸款通則), only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. However, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the “**Provisions**”), for private lending contracts concluded between legal persons or unincorporated organization and between legal persons and unincorporated organizations for the need of production and operation, except for the existence of circumstances stipulated in the Civil Code of the PRC (中華人民共和國民法典) (the “**Civil Code**” and Article 13 of the Provisions, where the parties concerned claim that the private lending contract is effective, the PRC courts shall uphold such claim. The PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed four times the one-year loan prime rate, at the time when the contract is entered into, published on the 20th of every month by National Interbank Funding Center (全國銀行間同業拆借中心) with the authorization from PBOC. Our PRC Legal Advisors are of the view that, given the above-mentioned financing arrangements between Ziyang Jiamei and the third party do not violate the applicable provisions of the Civil Code or the Provisions, the risk of the PBOC imposing any penalty on us is low.

We recorded amount due from a non-controlling shareholder of a subsidiary of RMB2.7 million, RMB3.0 million and RMB1.5 million as of December 31, 2018, 2019 and 2020, respectively, primarily reflecting a loan we made to a non-controlling shareholder of Meishan Tianfu in November 2018. We expect to fully settle the amount due from the non-controlling shareholder of Meishan Tianfu upon the Listing. This loan was non-interest-bearing, non-trade in nature, unguaranteed and repayable on demand during the Track Record Period, and therefore the capital lent out did not constitute currency funds bearing interest under the General Lending Provisions promulgated by the PBOC. See “Financial Information—Description of Certain Combined Balance Sheet Items—Prepayments and Other Receivables” for more details. In 2018, 2019 and 2020, we made advances to Leading Holdings Group in the amount of approximately RMB55.8 million, RMB96.1 million and RMB2.2 million, respectively, in order to meet its working capital needs from time to time. As of January 31, 2021, Leading Holdings Group had fully repaid all outstanding advances to us. In 2019 and 2020, we made advances to Rong Liang Group in the amount of approximately

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RMB96.7 million and RMB69.5 million, respectively, in order to meet its working capital needs from time to time. As of January 31, 2021, Rong Liang Group had fully repaid all outstanding advances to us. See “Financial Information—Related Party Transactions and Balances—Significant Related Party Transactions—Advances Made to Related Parties” for more details. These advances are non-interest-bearing during the Track Record Period, and therefore the capital lent out also did not constitute currency funds bearing interest under the General Lending Provisions promulgated by the PBOC. Moreover, according to the Provisions, for private lending contracts concluded between legal persons or unincorporated organizations and between legal persons and unincorporated organizations for the need of production and operation, except for the existence of circumstances stipulated in the Civil Code and Article 13 of the Provisions, where the parties concerned claim that the private lending contract is effective, the PRC courts shall uphold such claim. In addition, the General Lending Provisions are department rules rather than compulsory laws or administrative regulations. The Civil Code pre-empts the General Lending Provisions. The Civil Code states that property right holders have the right to freely dispose of their properties (including monetary funds) in accordance with the law. As such, our PRC Legal Advisors are of the view that our loan to non-controlling shareholder of a subsidiary and our advances to related parties that were non-trade in nature during the Track Record Period were both valid private loans and in compliance with all applicable laws and regulations.

However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of our provision of advances during the Track Record Period or any prior periods. Any of these penalties or adverse judicial rulings could have a material adverse effect on our business, financial position and results of operations.

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

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

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

Our operations are affected by the regulatory environment and measures affecting the PRC property management industry. 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. See “Regulatory Overview—Legal Supervision over Property Management Services and Other Related Services—Fees Charged by Property Management Enterprises.” In December 2014, the NDRC issued the Circular of NDRC on the Opinions on Relaxing Price Controls in Certain Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》)(發改價格[2014]2755號)(the “**NDRC Price Control Circular**”), which requires provincial-level price administration authorities to abolish all price control or guidance policies on residential properties other than affordable housing, housing-reform properties and properties in old residential areas and preliminary property management agreements. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. Although we expect the price controls on residential properties to be relaxed over time pursuant to the NDRC Price Control Circular, our property management fees will continue to be subject to price controls until the relevant authorities pass local regulations to implement the NDRC Price Control Circular.

As of December 31, 2018, 2019 and 2020, we managed 53, 138 and 174 properties, respectively. The limits on fees imposed by government authorities may negatively affect our pricing capability and profit margin. We may experience diminished profit margins should our labor and other operating costs increase but we are unable to raise property management fees accordingly. If a property is managed on a lump sum basis, we may experience a decrease in profit margin. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments. Such cost saving measures to mitigate impact of uncollected property management fees may also adversely affect our service quality and customer satisfaction.

The PRC Government may also unexpectedly promulgate new laws and regulations related to other aspects of our industry. To the extent that they increase our compliance and operational costs, our business, financial position and results of operation could be materially and adversely affected.

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Our business is significantly influenced by various factors affecting our industry and general economic conditions and may be adversely affected by fluctuations in the global economy and financial markets.

Our business, financial position and results of operations are and will continue to be dependent on various factors affecting the property management industry, the real estate industry and general economic conditions, most of which are beyond our control. For example, any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment could result in fewer new property development projects, or a decline in the purchasing power of residents living in the communities we manage, resulting in a lower demand for our property management services and value-added services. As such, our business, financial position, results of operations and prospects would be materially and adversely affected.

In addition, the outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union, or Brexit. On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The UK-EU trade agreement, which contains new rules for living, working and trading together, took effect on December 31, 2020. 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 and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, property owners and potential property purchasers, which may lead to a decline in the general demand for our services and erosion of their prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

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

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

The PRC Government has implemented various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. In particular, the PRC Government may introduce other initiatives or implement more stringent measures in the future, such as setting caps on certain debt ratios, with a view to controlling the increase of the debt levels in the real estate sector. Such potential initiatives or measures, once in place, may further limit property developers’ access to capital and slow down the overall growth of the real estate sector and expansion of property developers, including Leading Holdings Group, which may in turn negatively impact the growth of the property management industry and the supply of new properties for management by property management companies like us. In addition, property sales are also heavily regulated by the PRC Government, which may hinder the ability to generate sales proceeds by the property developers, including Leading Holdings Group, to fund their project development. In extreme cases that Leading Holdings Group encounters financial difficulties that may result in delays in completion of its projects, the growth of our GFA under management will be affected, which in turn will adversely affect the growth of our property management services and other services. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of residents or tenants of the properties we manage, resulting in lower demand for our services and lower revenue for us. As such, our business, financial condition and results of operations could be materially and adversely affected.

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If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws in PRC that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Although we have policies and procedures designed to ensure that we, our employees, our agents or any persons working on our behalf comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent them from engaging in bribery activities and our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees, agents or any persons working on our behalf. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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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 enterprise income tax rate in the PRC is 25%. We and our certain subsidiaries in the PRC are located in western cities and are subject to a preferential income tax rate of 15% in certain years. We cannot assure you that we will continue to enjoy the aforementioned preferential income tax treatment. 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 change or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

Although the PRC economy has transitioned from a planned economy to a more market-oriented economy for about four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. We may not in all cases be able to capitalize on such measures, and we may be adversely affected in some cases.

Natural disasters, acts of war, occurrence of epidemics and other disasters could affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other unpredictable or unforeseen events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood,

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earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the COVID-19 pandemic.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by an outbreak of any other epidemics, including, for example, the ongoing COVID-19 pandemic, especially in the cities where we have operations, may result in material disruptions to our operations. In addition, the outbreak of communicable diseases may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect the Chinese and other economies. Such outbreaks have resulted in restrictions on travel and public transportation and prolonged closures of retail businesses and workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial position and results of operations.

Fluctuations in exchange rates may have a material adverse impact on our business.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by many factors, such as the policies of the PRC Government and changes in international and domestic political and economic conditions. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates. The PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

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

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation

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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.

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

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

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

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

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

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

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

In April 2009 and July 2011, the SAT issued several circulars to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by the PRC enterprises, however, no official implementation rules have been issued regarding the determination of the “de facto management body” for foreign enterprises that are not controlled by the PRC enterprises. We are a holding company incorporated in the Cayman Islands and substantially all members of our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations. You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

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

Although we conduct substantially all of our business operations in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC

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resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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

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

We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

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 Relating to Foreign Investment.” We receive substantially 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

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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.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on the ability of our PRC subsidiaries to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

SAFE promulgated the Circular on Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (Huifa [2014] No. 37) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號)) (“Circular 37”) in July 2014. Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through special purpose vehicles. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident’s increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (匯發[2015]13號) (Huifa [2015] No. 13), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to

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timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

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

Interest rate increases by the PBOC, or market disruptions such as those experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there was no public market for our Shares. The indicative offer price range and the Offer Price will be determined by negotiations between us and the Sole Global Coordinator (on behalf of the Underwriters), and they may differ significantly from the market price of our Shares following the Global Offering.

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

- variations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;

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- strategic alliances or acquisitions;
- industrial or environmental accidents, litigation or loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

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

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

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

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

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

Any declaration of dividends will be proposed by our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial position, capital requirements and surplus, contractual restrictions, future prospects and other factors which our Board of Directors may determine are important. See “Financial Information—Dividend.” There can be no guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our management has significant discretion as to how to use the net proceeds received by our Company from the Global Offering, and you may not necessarily agree on how we use them.

Our management may use the net proceeds received by our Company from the Global Offering 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 proceeds received by our Company from this Global Offering. For more information, see “Future Plans and Use of Proceeds.”

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Islands company law on protection of minority shareholders is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—3. Cayman Islands Company Law—(f) Protection of minorities and shareholders’ suits” to this prospectus.

Our Controlling Shareholders have substantial influence over our Company and their interests may not align with the interests of Shareholders who subscribe for Shares in the Global Offering.

Immediately upon completion of the Capitalization Issue, our Controlling Shareholders will directly or indirectly control the exercise of 74.25% of voting rights in the general meeting of our Company. See “Relationship with Controlling Shareholders.” The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate

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transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Since there will be a gap of several days between the pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when trading commences.

The Offer Price of our Shares will be determined on the Price Determination Date, which is expected to be on or around Monday, July 5, 2021, but in any event not later than Thursday, July 8, 2021. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be Monday, July 12, 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. 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 Price Determination Date and the Listing Date.

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

Certain facts, forecasts and statistics in this prospectus relating to the PRC, its economy and industries relevant to us were obtained from information provided or published by PRC Government agencies, Savills and EH Consulting, 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of their respective affiliates or advisors (excluding Savills and EH Consulting, our industry consultants). 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.

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

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business 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 prospectus. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Listing, our Group has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarter and principal business operations are located in the PRC, our management is best able to attend to its function by being based in the PRC. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Liu Yuhui (“**Mr. Liu**”), our executive Director and the chairman of our Board, and Ms. Ko Mei Ying (“**Ms. Ko**”), our joint company secretary, who will act as our Company’s principal channel of communication with the Stock Exchange. Ms. Ko is ordinarily resident in Hong Kong. Although Mr. Liu 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 Ms. Ko has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (b) both of our authorized representatives have means to contact all 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. Our 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. Each of our Directors has provided his/her mobile phone number, residential phone number, fax number and/or email address to our authorized representatives. In the event that a Director expects to travel, he/she will provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives will also provide his/her mobile phone number, office phone number, fax number and/or email address to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

- (c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Giraffe Capital Limited as our compliance advisor, which shall have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and
- (d) 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. Our Company will promptly inform the Stock Exchange of any changes 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-GL 108-20 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 academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Luo Hongping (羅紅萍) (“**Ms. Luo**”) and Ms. Ko as our joint company secretaries. Ms. Luo is our executive Director and chief financial officer and is responsible for the overall financial management of our Group. Our Directors are of the view that, having regard to Ms. Luo’s thorough understanding of the financial operations and overall management of our Group, she is therefore considered as a suitable person to act as a company secretary of the Company. In addition, as our headquarter and principal business operations are located in Chengdu, the PRC, our Directors believe that it is necessary to appoint Ms. Luo as a company secretary whose presence in Chengdu enables her to attend to the day-to-day corporate secretarial matters concerning our Group. However, as Ms. Luo does not possess a qualification as stated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Therefore, our Company has appointed Ms. Ko, an associate of The Hong Kong Institute of Chartered Secretaries and Administrators, an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom and a Certified Practising Accountant of CPA Australia, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to provide support to Ms. Luo on an ongoing basis.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the condition that Ms. Luo will be assisted by Ms. Ko as our joint company secretary throughout the three-year period from the Listing Date. Being a manager of SWCS Corporate Services Group (Hong Kong) Limited, and by virtue of her experience in corporate secretarial practice, Ms. Ko is, in our Directors' opinion, a person who is qualified and suitable to provide assistance to Mr. Luo for the three-year period from the Listing Date so as to enable her to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. In addition, Ms. Luo will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Luo has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Such waiver will be revoked immediately if and when Ms. Ko ceases to provide such assistance or the Company commits any material breaches of the Listing Rules during the three-year period from the Listing Date. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Luo, having had the benefit of Ms. Ko's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

The biographical information of Ms. Luo and Ms. Ko is set out in "Directors and Senior Management".

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "Connected Transactions—Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements". For more information, see "Connected Transactions".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering,” and the procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for the Hong Kong Offer Shares” and in the relevant Application Forms.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, subscription, sale or delivery made in connection with the Offer Shares, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Price Determination Date, subject to the agreement on the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters). If, for any reason, the Offer Price is not agreed upon among our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in “Underwriting.”

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offer and sale of the Offer Shares 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. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in China or the U.S..

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries or their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Listing is sponsored by the Sole Sponsor. We have applied to the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Except that we have applied for the listing to the Stock Exchange, no part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering” and “Underwriting.” Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Shares or exercising any rights attached to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company’s principal register of members will be maintained by its principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands. All Shares to be issued pursuant to the Global Offering and any Shares to be issued upon exercise of the Over-allotment Option will be registered on our Company’s register of members to be maintained in Hong Kong by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on the Stock Exchange. No stamp duty is payable by applicants in the Global Offering. Dealings in the Shares registered in our Company’s Hong Kong share register will be subject to Hong Kong stamp duty. For further details of Hong Kong Stamp duty, please seek professional tax advice.

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Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on the register of members of the Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, July 12, 2021, it is expected that dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Monday, July 12, 2021. Shares will be traded in board lots of 1,000 Shares each.

The stock code for our Shares is 2165.

Our Company will not issue any temporary document of title.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date ("T+2"). Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered on the branch share register of our Company in Hong Kong will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC Government authorities under the current PRC laws, rules and regulations.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars and between Renminbi and United States dollars were made at the rates of RMB0.8289 to HK\$1.00 and RMB6.4361 to US\$1.00, respectively, the exchange rates prevailing on June 18, 2021, set by the PBOC for foreign exchange transactions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Executive Directors

Liu Yuhui (劉玉輝)	Building 132, No. 2599 South Section of Tianfu Avenue Huayang Street Tianfu New District Chengdu, Sichuan PRC	Chinese
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Luo Hongping (羅紅萍)	Building 3, Jiaxiang Ruiting Nancheng No. 1918, Middle Section of Yizhou Avenue Gaoxin District Chengdu, Sichuan PRC	Chinese
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Non-executive Directors

Wang Tao (王濤)	Building 95, No. 2599 Tianfu Avenue South Section Huayang Street Tianfu New District Chengdu, Sichuan PRC	Chinese
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Hou Sanli (侯三利)	No. 1, 1/F, Unit 1, Building 133 No. 2599, South Section of Huayang Tianfu Avenue Tianfu New District Chengdu, Sichuan PRC	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Luo Ying (羅瑩)	No. 5, 34/F, Unit 2, Building 14 No. 80, Wandong Road Tianfu New District Chengdu, Sichuan PRC	Chinese
Zhang Qian (張倩)	Flat F 17/F Tower 1 Harbour Green No. 8 Sham Mong Road Kowloon Hong Kong	Chinese
Zou Dan (鄒丹)	Flat 1507, Shoucheng Guoji Block 5, No. 36 Guangqu Road Beijing PRC	Chinese

Please refer to “Directors and Senior Management” for further details of our Directors and senior management members.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Sole Global Coordinator

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Central
Hong Kong

Seazen Resources Securities Limited
Units 4503-07, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Vision Capital International Holdings Limited

Room A01-A02, 11/F
Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 19
28 Hennessy Road
Hong Kong

CMBC Securities Company Limited

45/F., One Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Lead Managers**CCB International Capital Limited**

12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Seazen Resources Securities Limited

Units 4503-07, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Vision Capital International Holdings Limited

Room A01-A02, 11/F
Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 19
28 Hennessy Road
Hong Kong

CMBC Securities Company Limited

45/F., One Exchange Square
8 Connaught Place
Central
Hong Kong

Co-lead Manager**I Win Securities Limited**

Room 1916, Hong Kong Plaza
188 Connaught Road West
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Company

As to Hong Kong law:

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central

Hong Kong

As to PRC law:

Commerce & Finance Law Offices

6th Floor, NCI Tower

A12 Jianguomenwai Avenue

Chaoyang District

Beijing

China

As to Cayman Islands law:

Conyers Dill & Pearman

29/F One Exchange Square

8 Connaught Place

Central

Hong Kong

Legal advisors to the Sole Sponsor and the Underwriters

As to Hong Kong law:

Paul Hastings

21-22/F, Bank of China Tower

1 Garden Road

Central

Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3, China Central Place

77 Jianguo Road

Chaoyang District

Beijing

China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and reporting accountants

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Industry consultants

**Savills Corporate Appraisal & Advisory
Limited**

2101 East Tower, Twin Tower

B-12 Jianguomenwai Avenue

Chaoyang District

Beijing

China

Ningbo EH Business Consulting

Co., Ltd. (寧波億翰商務諮詢有限公司)

6/F, Jingu Zhonghuan Building

1313, Jiangchang Road

Jing'An District

Shanghai

China

Receiving bank

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	44/F, Tower A Leading International Finance Center No. 151, 2nd Tianfu Street Gaoxin District Chengdu, Sichuan Province PRC
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai, Hong Kong
Company's website	<u>www.lingyue-service.com</u> (the information contained on this website does not form part of this prospectus)
Joint company secretaries	Ms. Luo Hongping (羅紅萍) Building 3, Jiaxiang Ruiting Nancheng No. 1918, Middle Section of Yizhou Avenue Gaoxin District Chengdu, Sichuan PRC Ms. Ko Mei Ying (高美英) (ACIS, ACS, CPA) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Liu Yuhui (劉玉輝) Building 132, No. 2599 South Section of Tianfu Avenue Huayang Street Tianfu New District Chengdu, Sichuan PRC

CORPORATE INFORMATION

	<p>Ms. Ko Mei Ying (高美英) (ACIS, ACS, CPA) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong</p>
Audit Committee	<p>Ms. Zou Dan (鄒丹) (<i>Chairlady</i>) Ms. Luo Ying (羅瑩) Ms. Zhang Qian (張倩)</p>
Remuneration Committee	<p>Ms. Zhang Qian (張倩) (<i>Chairlady</i>) Mr. Liu Yuhui (劉玉輝) Ms. Luo Ying (羅瑩)</p>
Nomination Committee	<p>Mr. Liu Yuhui (劉玉輝) (<i>Chairman</i>) Ms. Luo Ying (羅瑩) Ms. Zhang Qian (張倩)</p>
Principal Share Registrar and transfer office in the Cayman Islands	<p>Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Hong Kong Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
Compliance advisor	<p>Giraffe Capital Limited 3rd Floor 8 Wyndham Street Central Hong Kong</p>
Principal bank	<p>Agricultural Bank of China Chengdu High-tech Industrial Development Zone Branch No. 68 South Third Section Yihuan Road Chengdu PRC</p>

INDUSTRY OVERVIEW

The information presented in this section is derived from the Savills and EH Consulting Report and various official or publicly available publications. The information derived from the Savills and EH Consulting Report reflects estimates of the market conditions based on information from various sources. We believe that such sources of the information in this section are appropriate sources as Savills Corporate Appraisal & Advisory Limited (“Savills”) and Ningbo EH Business Consulting Co., Ltd. (“EH Consulting”) are both independent professional research agencies and have taken reasonable care in extracting and reproducing such information, and 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. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering (other than Savills and EH Consulting) has not independently verified, and make no representation as to, the accuracy of the information from official government or other third-party sources. The official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon. The Directors confirm that after making reasonable enquiries, there is no adverse change in the market information since the date of the Savills and EH Consulting Report up to the date of this prospectus which may qualify, conflict or have an impact on the information in this section.

BACKGROUND AND METHODOLOGY

We commissioned Savills and EH Consulting, both independent industry consultants, to conduct an analysis of the property management industry in China, and produce a report jointly issued by Savills and EH Consulting, for which RMB600,000 will be payable.

Savills is an international real estate consultancy group which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. Savills has an international network of more than 650 offices and associates throughout the US, the UK, continental Europe, Asia Pacific, Africa and the Middle East, and has a global workforce of approximately 39,000.

EH Consulting, a real estate industry research institution, has rich experience in researching and tracking the property development and property management industry in China. EH Consulting has conducted research on the Top 100 Property Management Companies since 2016 and published a series of research reports each year. EH Consulting mainly researches on property service companies which manage at least ten properties each year in the past three years or have a total GFA of more than 500,000 sq.m.

This Report was prepared by Savills and EH Consulting basing upon data collected from primary sources from government authorities and property management companies, interviews and surveys, and proprietary database. Savills and EH Consulting prepares the ranking of the

INDUSTRY OVERVIEW

property management companies mainly by evaluating their overall strength in terms of management scale, operating performance, service quality, growth potential, social responsibilities and customer satisfaction. Savills and EH Consulting assess the growth potential of property management enterprises mainly in relation to the growth rates of revenue, the growth rates of total GFA under management and the growth rates of net profit. The data analysis under this section is mainly based on the data of the Top 100 Property Management Companies. While preparing the industry report and ranking information, Savills and EH Consulting had relied on the following assumptions: (i) the economy of China will maintain a sustainable growth during the forecast period, (ii) the social, economic and political environments in relevant markets are expected to remain stable in the forecast period, (iii) key market drivers such as the continued urbanization, the continued growth of per capita disposable income and development of real estate market are continuously to boost the development of relevant markets, and (iv) where subscribed data were obtained from renowned public institutions, Savills and EH Consulting had relied upon the apparent integrity and expertise of such institutions.

THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Overview

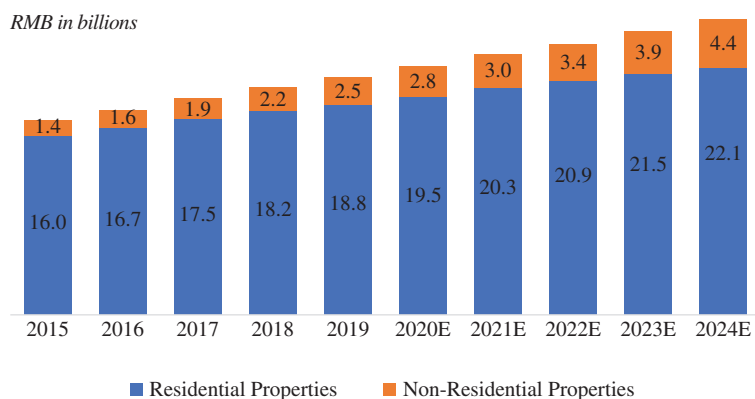
The history of the property management industry in China can be traced back to the 1980s when the first property management company was formed in Shenzhen, Guangdong. In 2000, China Property Management Institute (中國物業管理協會) was established. In June 2003, the Regulations on Property Management (《物業管理條例》) were promulgated, providing a regulatory framework for the development of the property management industry. Afterward, various local provincial governments promulgated new regulations gradually to set up an open and fair market system and stimulated significant growth and standardized operation of the property industry. The PRC property management industry now services a wide range of properties, such as residential properties, commercial properties, office buildings, public properties, industrial parks, schools and hospitals.

In the past four decades, with the rapid urbanization and continuous growth in the disposable income per capita, the GFA under management in the property management industry has increased rapidly. According to the data of Savills and EH Consulting Report, the GFA under management in the PRC property management industry increased from 17.4 billion sq.m. in 2015 to 21.3 billion sq.m. in 2019, representing a CAGR of 5.2%. According to the forecast by Savills and EH Consulting Report, the GFA under management in the PRC property management industry will increase from 21.3 billion sq.m. in 2019 to 26.5 billion sq.m. in 2024, representing a CAGR of 4.5%. Additionally, residential properties continue to be the dominant type of property in the property management industry in China. According to Savills and EH Consulting Report, the GFA of residential properties under management increased from 16.0 billion sq.m. in 2015 to 18.8 billion sq.m. in 2019, which accounted for 88.3% of the total in 2019.

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GFA under Management of the Property Management Industry in China

<u>CAGR</u>	<u>2015 – 2019</u>	<u>2019 – 2024E</u>
GFA of Non-residential Properties under Management	16.1%	11.9%
GFA of Residential Properties under Management	4.1%	3.3%
GFA of Properties under Management	5.2%	4.5%

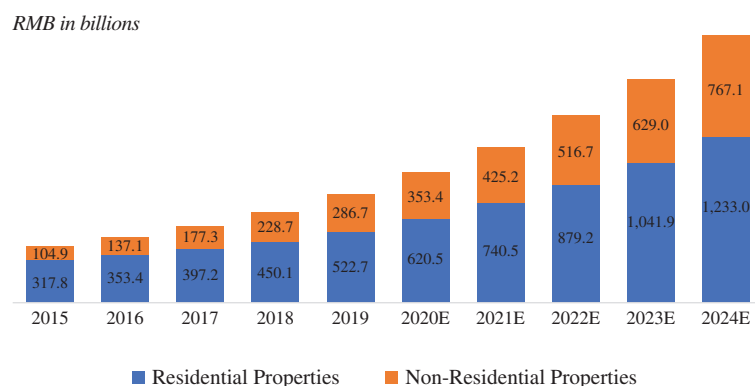


Source: Savills and EH Consulting Report

As the GFA under management of property management companies and customer demand for diversified services grow and the consumption channels broaden, property management companies are able to increase their revenue from property management services and diversified value-added services. According to the data of Savills and EH Consulting Report, the total revenue of the PRC property management industry increased from RMB422.7 billion in 2015 to RMB809.5 billion in 2019, representing a CAGR of 17.6%. According to the forecast of Savills and EH Consulting Report, the total revenue of the PRC property management industry will increase from RMB809.5 billion in 2019 to RMB2,000.1 billion in 2024, representing a CAGR of 19.8%. Additionally, revenue of residential properties under management increased from RMB317.8 billion in 2015 to RMB522.7 billion in 2019, representing a CAGR of 17.6%.

Revenue of the Property Management Industry in China

<u>CAGR</u>	<u>2015 – 2019</u>	<u>2019 – 2024E</u>
Revenue of Non-residential Properties under Management	28.6%	21.8%
Revenue of Residential Properties under Management	13.2%	18.7%
Revenue of Properties under Management	17.6%	19.8%

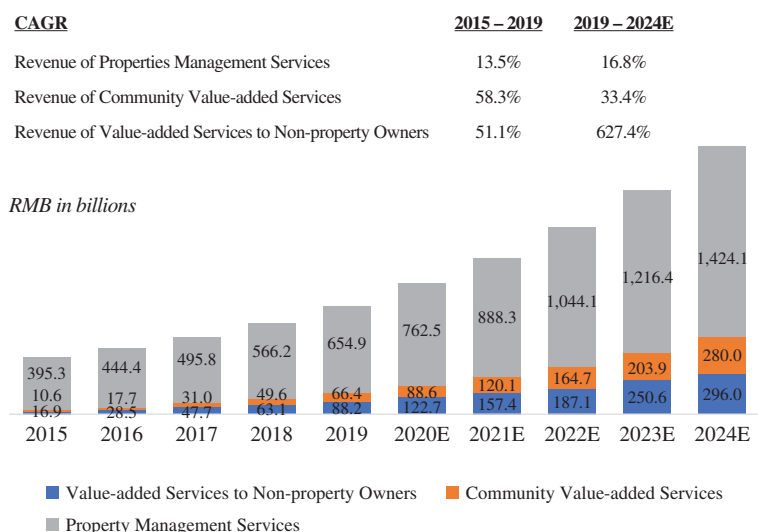


Source: Savills and EH Consulting Report

INDUSTRY OVERVIEW

In addition to revenue from property management services, property management companies in China also generate revenue from value-added services, including community value-added services and value-added services to non-property owners. According to Savills and EH Consulting Report, revenue from property management services in China increased from RMB395.3 billion in 2015 to RMB654.9 billion in 2019, representing a CAGR of 13.5%. Property management companies in the China are continuously diversifying the scope and content of value-added services. The revenue from value-added services rapidly increased from RMB27.5 billion in 2015 to RMB154.6 billion in 2019, representing a CAGR of 54.0%, and would reach RMB576.0 billion in 2024 with a CAGR of 30.1% from 2019 to 2024.

Revenue by Types of Property Management Services in China



MAJOR FEE MODELS IN THE PRC PROPERTY MANAGEMENT INDUSTRY

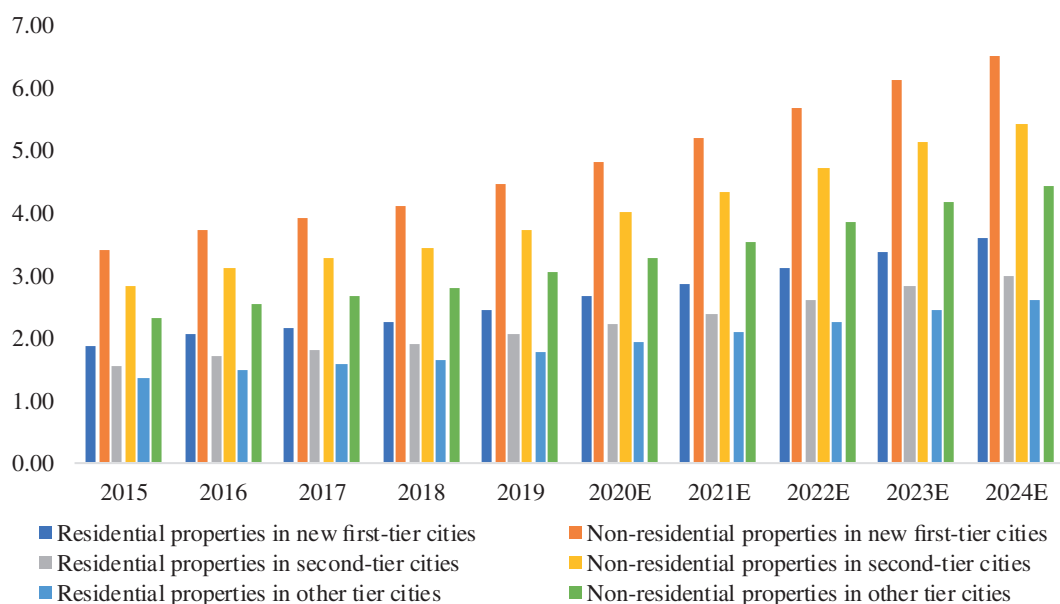
The basic property management service fees are either charged on a lump sum basis or a commission basis. At present, property management fees charged on a lump sum basis is the dominant fee model in the PRC market, especially for residential properties. A lump sum basis refers to the payment of fixed property management fees by property owners to a property management company who shall enjoy or assume the surplus or deficit. A lump sum basis is easier to implement as it avoids the supervision and auditing of the accounts of property management companies, and, to a certain extent, can motivate property management companies to innovate their management methods and reduce their costs. A commission basis refers that a property management company may collect its service fees in the proportion or amount as agreed from the property management proceeds collected in advance, the rest of which shall be used for the expenditure as stipulated in the property management agreement, and property owners shall enjoy or assume the surplus or deficit.

INDUSTRY OVERVIEW

According to Savills and EH Consulting Report, the average monthly property management fee for each city tier has continued to increase. For the first-tier cities, the average monthly property management fee of residential properties and non-residential properties was RMB2.80 per sq.m. and RMB5.74 per sq.m. respectively in 2019 and was projected to be RMB4.09 per sq.m. and RMB8.37 per sq.m. respectively in 2024. For the new first-tier cities, the average monthly property management fee of residential properties increased from RMB1.86 per sq.m. in 2015 to RMB2.45 per sq.m. in 2019, representing a CAGR of 7.2%, and it was projected to be RMB3.58 per sq.m. in 2024. For the non-residential properties in new first-tier cities, the average monthly property management fee was RMB4.46 per sq.m. in 2019 and was projected to be RMB6.51 per sq.m. in 2024. For the second-tier cities, the average monthly property management fee of residential properties increased from RMB1.55 per sq.m. in 2015 to RMB2.05 per sq.m. in 2019, and it was projected to be RMB2.99 per sq.m. in 2024. For the non-residential properties in second-tier cities, the average monthly property management fee was RMB3.72 per sq.m. in 2019 and was projected to be RMB5.43 per sq.m. in 2024. For the other tier cities, the average monthly property management fees of residential properties and non-residential properties was RMB1.78 per sq.m. and RMB3.03 per sq.m. respectively in 2019, which were projected to be RMB2.60 per sq.m. and RMB4.42 per sq.m. in 2024.

The following table sets forth certain information on the average monthly property management fees of residential and non-residential properties under management in new first-tier cities, second-tier cities and other tier cities respectively in China indicated.

**Average Monthly Property Management Fees by City Tiers in China,
from 2019 to 2024E**



Source: Savills and EH Consulting Report

INDUSTRY OVERVIEW

The following table sets forth certain information on the average monthly property management fees of residential and non-residential properties under management in six provinces of China indicated.

	Jiangsu Province		Guangdong Province		Hubei Province		Hebei Province		Henan Province		Jilin Province	
	Residential Properties	Non-Residential Properties	Residential Properties	Non-Residential Properties	Residential Properties	Non-Residential Properties	Residential Properties	Non-Residential Properties	Residential Properties	Non-Residential Properties	Residential Properties	Non-Residential Properties
2015	1.60	3.11	1.73	3.35	1.48	2.98	1.30	2.15	1.39	2.24	1.37	2.31
2016	1.72	3.35	1.86	3.61	1.59	3.22	1.40	2.31	1.49	2.41	1.48	2.49
2017	1.89	3.67	2.04	3.96	1.74	3.52	1.53	2.53	1.64	2.64	1.62	2.73
2018	2.07	4.02	2.23	4.33	1.91	3.86	1.68	2.77	1.79	2.89	1.77	2.98
2019	2.25	4.38	2.43	4.72	2.08	4.21	1.83	3.02	1.95	3.15	1.93	3.25
2020E	2.37	4.61	2.56	4.97	2.19	4.42	1.93	3.18	2.05	3.31	2.03	3.42
2021E	2.60	5.07	2.81	5.46	2.41	4.86	2.12	3.49	2.26	3.65	2.23	3.76
2022E	2.83	5.50	3.05	5.93	2.61	5.27	2.30	3.79	2.45	3.96	2.42	4.08
2023E	2.97	5.79	3.21	6.24	2.75	5.55	2.42	3.99	2.58	4.16	2.55	4.30
2024E	3.13	6.09	3.38	6.56	2.89	5.84	2.54	4.20	2.71	4.38	2.68	4.52

Source: Savills and EH Consulting Report

Overview of Property Management Industry in the Western China

Western China covers the most extensive land area in China. In 2019, GDP of Western China was RMB20,517.9 billion, representing a CAGR of 9.0% from 2015 to 2019 and Western China had a population of 0.4 billion in total. With the continuous growth of the economy and urbanization, real estate market in Western China had been steadily developing. In 2019, the real estate investment in Western China was RMB2,931.0 billion, representing a CAGR of 7.8% from 2015 to 2019. The total GFA of properties sold was 0.5 billion sq.m., representing a CAGR of 9.3% from 2015 to 2019.

Sichuan Province is one of the economic engines and a major regional property management industry in Western China. Its nominal GDP, total real estate investment and total revenue and GFA under management of the property management industry in 2019 accounted for 22.7%, 21.8%, 23.5% and 17.4%, respectively, of those for Western China, with its performance on each of the four indicators ranking first among all of the provinces, municipalities and autonomous regions in Western China. In addition to Sichuan Province, we have also expanded our business into Chongqing Municipality, Xinjiang Uygur Autonomous Region, Yunan Province and Guizhou Province in Western China among the 12 provinces, autonomous regions or municipalities in Western China, and recorded contracted GFA of 33.1 million sq.m. as of December 31, 2020 in these regions. The total nominal GDP, total GFA of commodity properties sold and total revenue and GFA under management of the property management industry for these five provinces, autonomous regions or municipalities in 2019

INDUSTRY OVERVIEW

accounted for 60.3%, 65.3%, 56.4% and 51.1%, respectively, of those for Western China. Accordingly, our market position in Western China was recognized and we were ranked 12th among Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強) by China Index Academy (中國指數研究院) in 2020.

Driven by the steady development of real estate market, the total GFA under management of Western China increased from 4.9 billion sq.m. in 2015 to 6.0 billion sq.m. in 2019, representing a CAGR of 5.2%. The total revenue of property management industry in Western China increased from RMB98.1 billion in 2015 to RMB168.9 billion in 2019, representing a CAGR of 14.5%. Additionally, GFA under management in Sichuan Province was 1.05 billion sq.m. in 2019 and would reach 1.28 billion sq.m. in 2024 with a CAGR of 4.2%. The revenue of property management industry in Sichuan Province was RMB39.8 billion in 2019 and it is projected to reach RMB99.3 billion in 2024 with a CAGR of 20.1%. According to the Savills and EH Consulting report, from 2015 to 2019, the average monthly property management fees of the property management industry in Western China were RMB1.71 per sq.m., RMB1.74 per sq.m., RMB1.79 per sq.m., RMB1.82 per sq.m., and RMB1.87 per sq.m., respectively, and is expected to be approximately RMB1.92 per sq.m. and RMB1.98 per sq.m. in 2020 and 2021.

In Sichuan Province, the average monthly property management fees of residential properties and non-residential properties was RMB2.05 per sq.m. and RMB4.26 per sq.m. respectively in 2019, which were projected to be RMB2.99 per sq.m. and RMB6.22 per sq.m. in 2024. In Xinjiang Uyghur Autonomous Region, the average monthly property management fees of residential properties and non-residential properties was RMB1.75 per sq.m. and RMB3.26 per sq.m. respectively in 2019, which were projected to be RMB2.55 per sq.m. and RMB4.76 per sq.m. in 2024. In Yunnan Province, the average monthly property management fees of residential properties and non-residential properties was RMB1.71 per sq.m. and RMB3.22 per sq.m. respectively in 2019, which were projected to be RMB2.50 per sq.m. and RMB4.70 per sq.m. in 2024. In Chongqing, the average monthly property management fees of residential properties and non-residential properties was RMB2.15 per sq.m. and RMB4.32 per sq.m. respectively in 2019, which were projected to be RMB3.14 per sq.m. and RMB6.31 per sq.m. in 2024. In Guizhou Province, the average monthly property management fees of residential properties and non-residential properties was RMB1.60 per sq.m. and RMB2.96 per sq.m. respectively in 2019, which were projected to be RMB2.34 per sq.m. and RMB4.32 per sq.m. in 2024.

INDUSTRY OVERVIEW

The following table sets forth certain information on the average monthly property management fees of residential and non-residential properties under management in five provinces of Western China indicated.

	Sichuan Province		Xinjiang Uyghur Autonomous Region		Yunnan Province		Chongqing		Guizhou Province	
	Residential Properties	Non- Residential Properties	Residential Properties	Non- Residential Properties	Residential Properties	Non- Residential Properties	Residential Properties	Non- Residential Properties	Residential Properties	Non- Residential Properties
2015	1.55	3.23	1.33	2.47	1.30	2.44	1.63	3.28	1.21	2.24
2016	1.71	3.55	1.46	2.71	1.42	2.68	1.79	3.60	1.33	2.47
2017	1.80	3.74	1.53	2.86	1.50	2.82	1.89	3.79	1.40	2.60
2018	1.89	3.93	1.61	3.01	1.58	2.97	1.98	3.99	1.48	2.73
2019	2.05	4.26	1.75	3.26	1.71	3.22	2.15	4.32	1.60	2.96
2020E	2.21	4.60	1.89	3.52	1.85	3.48	2.32	4.67	1.73	3.20
2021E	2.38	4.96	2.04	3.79	1.99	3.75	2.50	5.02	1.86	3.44
2022E	2.60	5.40	2.22	4.13	2.17	4.08	2.73	5.48	2.03	3.75
2023E	2.82	5.85	2.41	4.48	2.35	4.43	2.95	5.94	2.20	4.07
2024E	2.99	6.22	2.55	4.76	2.50	4.70	3.14	6.31	2.34	4.32

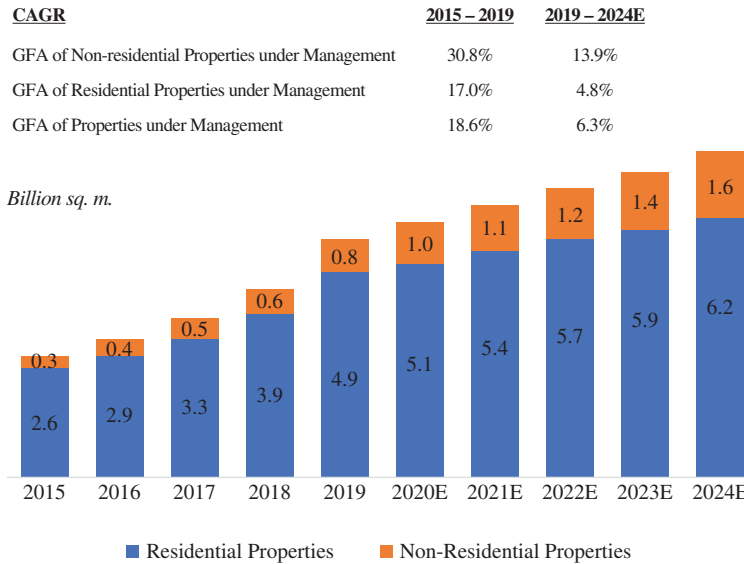
Source: Savills and EH Consulting Report

Overview of the Top 100 Property Management Companies

The GFA under management of the Top 100 Property Management Companies in China has grown rapidly, and the market share of the Top 100 Property Management Companies has also increased rapidly. According to the data of Savills and EH Consulting Report, the market share of the Top 100 Property Management Companies in terms of GFA under management has increased from 16.4% in 2015 to 26.9% in 2019, representing an increase of 4.8% from 22.1% in 2018. The GFA under management of the Top 100 Property Management Companies increased from 2.9 billion sq.m. in 2015 to 5.7 billion sq.m. in 2019, representing a CAGR of 18.4%. According to the forecast of Savills and EH Consulting Report, the GFA under management of the Top 100 Property Management Companies in China will increase from 5.7 billion sq.m. in 2019 to 7.8 billion sq.m. in 2024, representing a CAGR of 6.5%. In terms of GFA of different types of properties under management, residential properties continue to be the dominant type of property for the Top 100 property management companies. According to Savills and EH Consulting Report, the GFA of residential properties under management increased from 2.6 billion sq.m. in 2015 to 4.9 billion sq.m. in 2019, representing a CAGR of 17.0%.

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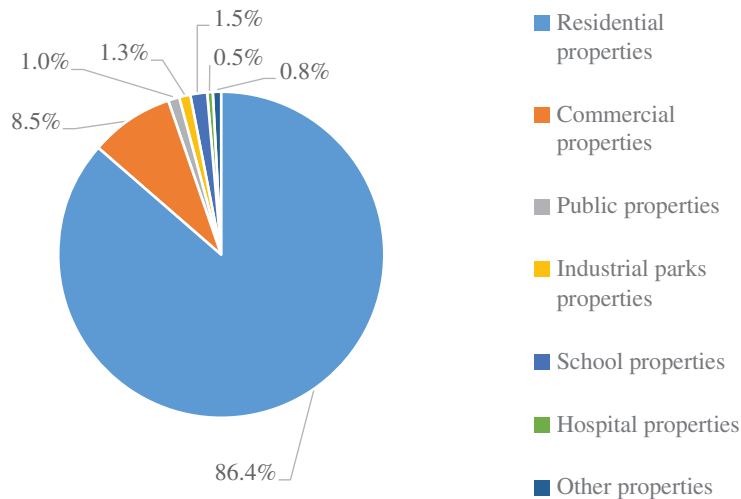
GFA under Management of the Top 100 Property Management Companies in China



Source: Savills and EH Consulting Report

While the Top 100 Property Management Companies continue to expand their GFA under management, the types of properties managed are also enriched. At present, residential properties are the principal properties under management in China. According to the data of Savills and EH Consulting Report, the GFA of residential properties under management of the Top 100 Property Management Companies in 2019 reached 5.0 billion sq.m., accounting for 86.4% of the total GFA under management of the Top 100 Property Management Companies.

Proportion of the types of Properties under Management of the Top 100 Property Management Companies in 2019



Source: Savills and EH Consulting Report

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According to Savills and EH Consulting Report, the average monthly property management fee for the Top 100 Management Companies has continued to increase. The average monthly property management fee of residential property under management of Top 100 Management Companies in new-first cities was RMB2.55 per sq.m. in 2019, and was projected to be RMB3.83 per sq.m. in 2024. For the non-residential property, it was RMB4.32 per sq.m. in 2019, and was projected to be RMB6.49 per sq.m. in 2024. The following table sets forth certain information on the average monthly property management fees of residential and non-residential properties under management of Top 100 Management Companies by city tiers indicated.

**Average Monthly Property Management Fees of
Top 100 Property Management Companies by City Tiers,
from 2019 to 2024E**

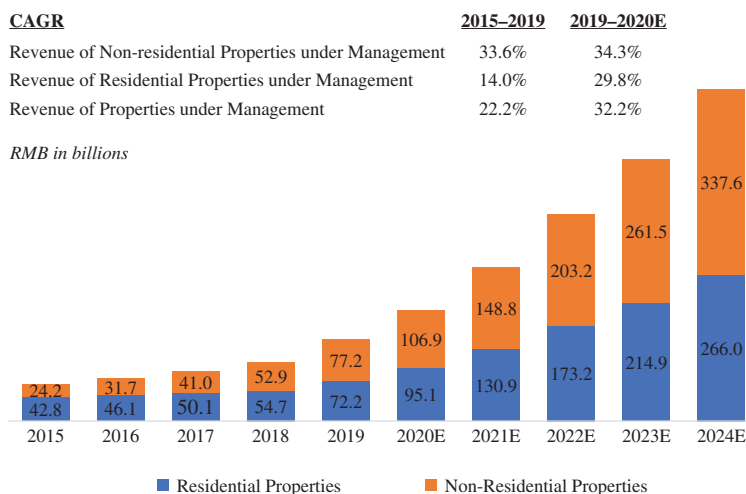


Source: Savills and EH Consulting Report

INDUSTRY OVERVIEW

From 2015 to 2019, the revenue and net profit of the Top 100 Property Management Companies continued to reach high records. According to the data of Savills and EH Consulting Report, the revenue of the Top 100 Property Management Companies increased from RMB67.0 billion in 2015 to RMB149.4 billion in 2019, representing a CAGR of 22.2%. Additionally, revenue of residential properties under management increased from RMB42.8 billion in 2015 to RMB72.2 billion in 2019, representing a CAGR of 14.0%.

Revenue of the Top 100 Property Management Companies in China

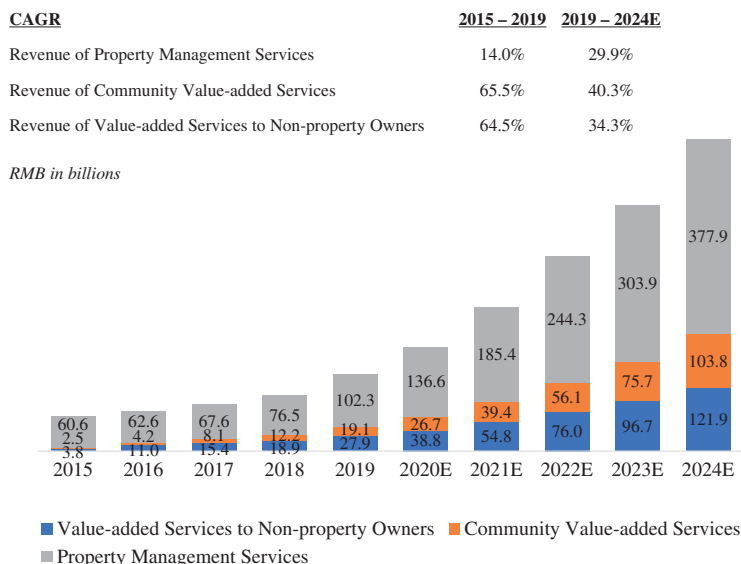


Source: Savills and EH Consulting Report

In terms of different types of property management services, revenue from property management services for the Top 100 property management companies increased from RMB60.6 billion in 2015 to RMB102.3 billion in 2019, representing a CAGR of 14%. Most of the Top 100 Property Management companies usually outsourced the daily works, such as cleaning, greening and security services. The revenue from value-added services rapidly increased from RMB6.4 billion in 2015 to RMB47.1 billion in 2019, representing a CAGR of 64.9%, and would reach RMB225.8 billion in 2024 with a CAGR of 30% from 2019 to 2024.

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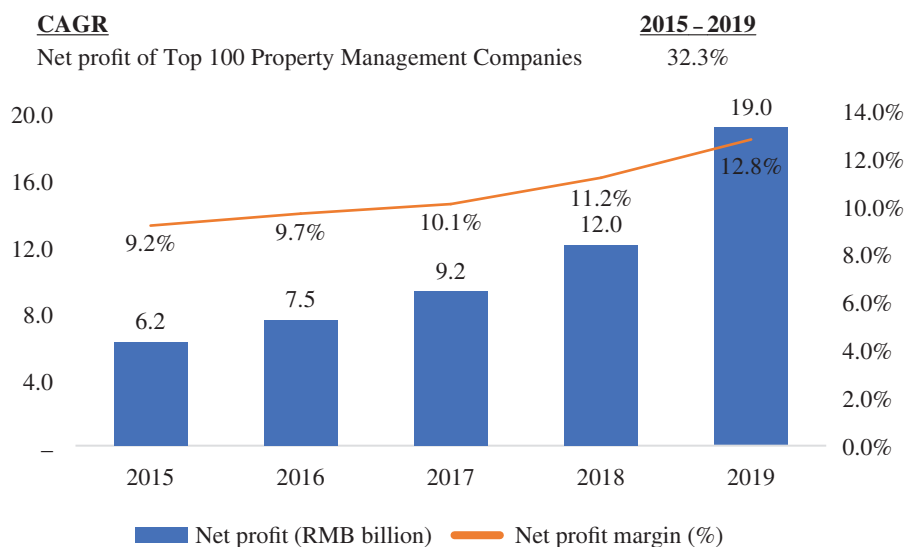
Revenue by Types of Property Management Services for the Top 100 Management Companies in China



Source: Savills and EH Consulting Report

The net profit of the Top 100 Property Management Companies increased from RMB6.2 billion in 2015 to RMB19.0 billion in 2019, representing a CAGR of 32.3%. While the revenue of the Top 100 Property Management Companies grows rapidly, their overall profitability also improves steadily. In 2019, the net profit margin of the Top 100 Property Management Companies reached 12.8%, an increase of 1.6 percentage points from 2018.

Net Profit and Net Profit Margin of the Top 100 Property Management Companies in China

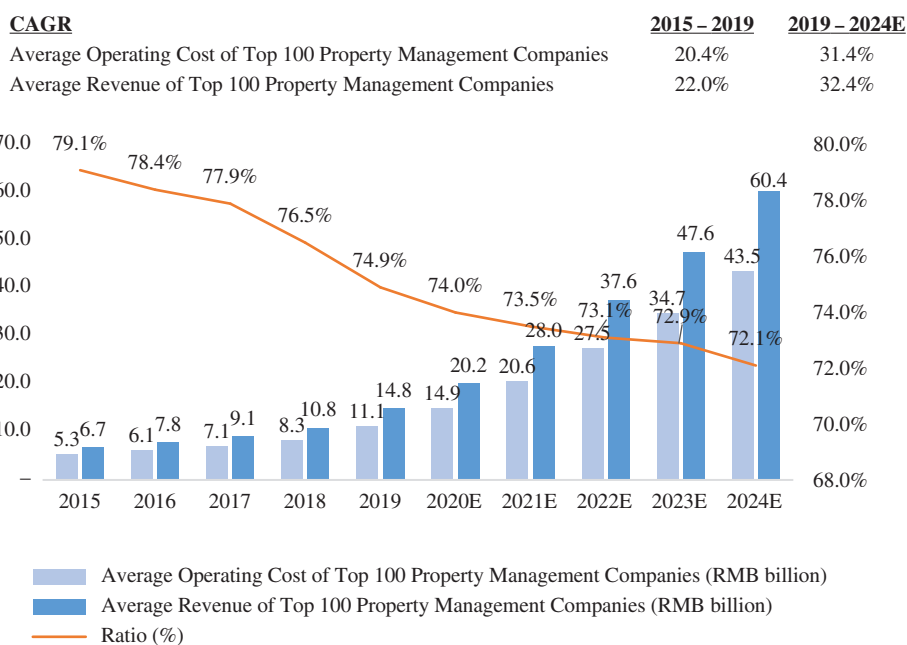


Source: Savills and EH Consulting Report

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As a result of the growth in GFA of properties under management, the average revenue of the Top 100 Property Management Companies increased from RMB6.7 billion in 2015 to RMB14.9 billion in 2019, representing a CAGR of 22.2%. Meanwhile, the average operating cost of the Top 100 Property Management Companies reached RMB11.1 billion in 2019. With new technologies adopted in the industry, the average operating cost to average revenue ratio of the Top 100 Property Management Companies showed a downwards trend from 79.1% in 2015 to 74.4% in 2019.

Average Operating Cost to Average Revenue Ratio of the Top 100 Property Management Companies in China



Source: Savills and EH Consulting Report

KEY DRIVERS OF THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Growth in Demand

From 2015 to 2019, China's economy grew steadily, and the nominal GDP increased from RMB68,886.0 billion in 2015 to RMB99,087.0 billion in 2019, representing a CAGR of 9.5%. During the same period, the urban households disposable income per capita in China increased from RMB31,195 in 2015 to RMB42,359 in 2019, representing a CAGR of 7.9%. China's urbanization rate rose from 33.4% in 1998 to 60.6% in 2019. According to the forecast of Savills and EH Consulting Report, with the ever-increasing urbanization level in China and the steady growth of the economy and the disposable income per capita of urban households, there will be higher demand for property management services, and the market size of the PRC property management industry is expected to continue to expand. At the same time, with the increase in the households disposable income per capita in China, property owners have higher

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demand for better living conditions and high-quality property management services. In addition, we believe that the emergence of middle- to upper-class in China and their ever-increasing consumption power will drive the demand for higher-quality products and services, which will have a significant impact on the development of mid-to-high-end property management services in China. Driven by the high demand and the increasingly fierce competition, property management companies have gradually standardized and improved their service quality and paid more attention to customer experience.

Growth in Supply of Commodity Properties

With the accelerating urbanization rate and continuous growth in the households disposable income per capita, the supply of commodity properties also surged. The real estate development investment in China increased from RMB9,597.9 billion in 2015 to RMB13,219.4 billion in 2019, representing a CAGR of 8.3%. The total GFA of commodity properties sold in China increased from approximately 1.3 billion sq.m. in 2015 to 1.7 billion sq.m., in 2019 representing a CAGR of 6.9%. The market size of the PRC real estate industry has maintained steady growth, driving the continuous growth of the market size of the property management industry.

Favorable Policies

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. The laws and regulations on property management are the main pillars for the property management industry, and favorable policy environment creates an important foundation for the sound development of the industry. To accelerate the development of the residential service industry and promote the consumption structure upgrade, on November 19, 2015, the General Office of the State Council promulgated the Guiding Opinions on Accelerating the Development of the Consumer Service Industry and Promoting the Upgrade 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》), proposing to promote the regulated and standardized development of property management and other consumer services. Furthermore, various provincial and municipal governments have issued their own laws and rules to establish the regulatory frameworks for the local property management industries.

On 29 October 2020, the NDRC and 14 other ministries jointly issued the Work Programme on The Promotional Fees for The Recent Expansion of Domestic Demand (《近期擴內需促銷費的工作方案》), 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.

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On 5 January 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.

Further Development of Capital Markets

The further development of the PRC capital markets provides growth opportunities and diversified funding channels for the property management industry. A number of policies regulating the capital markets have come into effect to improve the regulatory environment of capital markets, such as Several Opinions on Further Regulating the Exercise of Issuance Examination Power (《關於進一步規範發行審核權力運行的若干意見》), Several Opinions on Further Promoting the Development of National Equities Exchange and Quotations (《關於進一步推進全國中小企業股份轉讓系統發展的若干意見》) and the Measures for Hierarchical Management of Companies Listed on the National Equities Exchange and Quotations (Trial Implementation) (《全國中小企業股份轉讓系統掛牌公司分層管理辦法(試行)》). As of December 31, 2020, there were a property management company listed on the Shanghai Stock Exchange, three property management companies listed on the Shenzhen Stock Exchange, 36 property management companies listed on the Stock Exchange, and 35 property management companies listed on the National Equities Exchange and Quotations. The development of capital markets enables property management companies to gain access to more funding, diversify their funding sources and achieve business expansion.

Opportunities in the Property Management Industry

In the short term, the overall development of real estate market has generally slowing down, and the delay of real estate project delivery and the interruption of real estate sales led to a decline trend in the Chinese real estate market. However, according to Savills and EH Consulting Report, in the long run, the COVID-19 pandemic might have limited impact on the development of China's real estate market, and it would provide new opportunities for property management companies. Property management companies have always been committed to providing high-quality products and services to maintain the health and rights of clients, residents and tenants, which would help property management companies win positive reputation and increase customer satisfaction and loyalty. Due to the quarantine restrictions, property management companies were encouraged to accelerate the development of mobile applications, internet platforms and smart community technologies to provide online products and services to their residents. Furthermore, driven by the demand for public health and epidemic prevention, old residential communities will seek and entrust property management companies to provide necessary community services.

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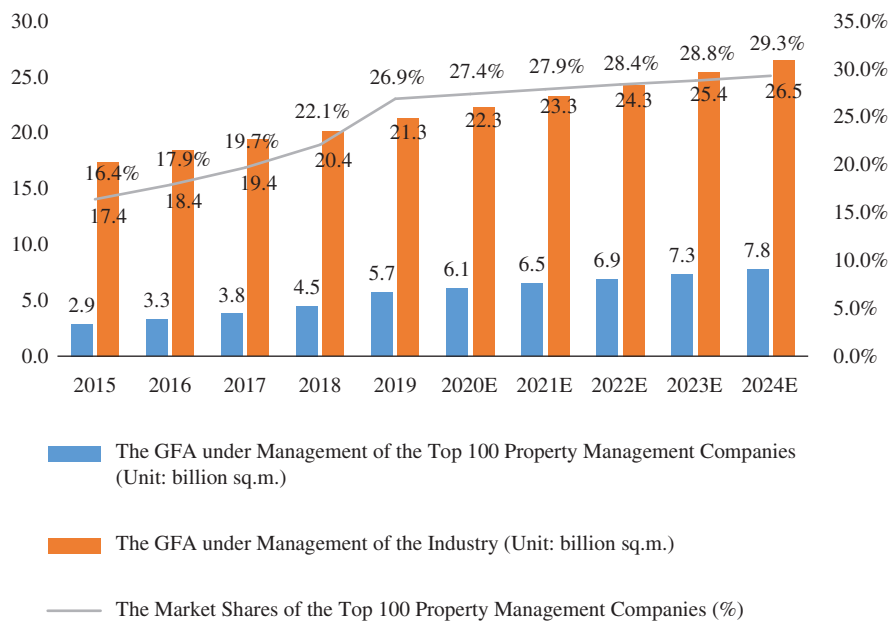
OPPORTUNITIES AND CHALLENGES IN THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Increased Market Concentration

After nearly 40 years of development from the 1980s to the present, the GFA under management of the major property management companies in China have been increasing steadily, while the market continues to become more concentrated. Participants in the property management industry in China are facing increasingly fierce market competition. Facing the current situation of the industry, major property management companies actively improve their strategic layout and accelerate their expansion in order to increase their market share and achieve better operating results, primarily through organic growth as well as mergers and acquisitions. According to Savills and EH Consulting, many property management companies in China that are listed on the Stock Exchange continuously seek opportunities to acquire or invest in other property management companies. As advised by Savills and EH Consulting, as of December 31, 2019, based on our criteria for strategic acquisitions and investments, there were approximately 300 suitable potential targets in Western China, Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區) for our consideration. See “Future Plans and Use of Proceeds—Use of Proceeds—Plans for Strategic Acquisitions and Investments—Criteria for Strategic Acquisitions and Investments” for further details on the criteria for our strategic acquisitions and investments. As advised by Savills and EH Consulting, these potential targets’ property project portfolios mainly consist of residential properties with commercial, public and other non-residential properties. There are risks that these acquisitions or investments may not be successful. See “Risk Factors—Risks Relating to Our Business and Industry—Our future acquisitions or investments may not be successful, and we may face difficulties in integrating acquired operations with our existing businesses” for details. According to the statistics of Savills and EH Consulting Report, the market share of the Top 100 Property Management Companies in terms of the GFA under management increased from 16.4% to 26.9% from 2015 to 2019.

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The GFA under Management of the Property Management Industry, the GFA under Management and the Market Shares of the Top 100 Property Management Companies



Source: Savills and EH Consulting Report

Increasing Demand for and Shortage of Professional Talents

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

It is one of the challenges for the property management industry to recruit competent professional staff to provide high quality services and expand businesses. The business development of the property management companies might be negatively affected by failing in recruiting professional talents.

The Property Management Industry Benefits from the Smart Technology

The property management industry is a labor-intensive industry. As labor costs and other cost expenses continue to increase, property management companies are facing the risk of a continued decline in their profit margin. Therefore, property management companies in China continue to leverage information technology such as cloud applications, e-commerce, Internet of Things, big data and artificial intelligence, and many of them are able to reduce labor costs

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and enhance profitability. For example, artificial intelligence technology such as smart entrance pass, smart building management, smart energy management, patrol robots, delivery robots and consultancy robots have largely reduced the labor costs of property management companies and improve their service capabilities and quality to meet diversified customer demands. In addition, by adopting new technologies and using e-service platforms, property management companies can effectively integrate and allocate resources to provide more diversified community value-added services and further expand their services to common space management, community finance, property agency and household services. As a result, the revenue generated from value-added services to non-property owners and community value-added services are increasingly becoming an important source of revenue for property management companies.

Increasing Cooperation and Platform Sharing among Industry Participants

With the transition to standardization and automation in the property management industry, more major property management companies have started to provide consultancy services to other property management companies and property developers to expand their geographical presence, showcase their services and abilities, enhance their brand reputation and promote their online service platforms. Such services include property management consulting, automation consulting, engineering consulting and sharing of online service platforms.

Increasing Labor Cost

The property management service market is a labor-intensive industry involving large amounts of labor costs. From 2015 to 2019, the labor costs of property management companies rose year by year. According to the data of Savills and EH Consulting Report, the labor costs of the Top 100 Property Management Companies accounted for 52.9%, 53.7%, 56.2%, 56.7% and 60.4% of the cost of sales, respectively. The minimum wage has increased in various regions in recent years, which has driven the increase in labor costs. The rising labor cost is becoming one of the major challenges to the sustainable growth of property management companies.

COMPETITION

Competitive Landscape

The property management market in China is highly fragmented and increasingly concentrated. According to Savills and EH Consulting Report, there are approximately 137,000 property management companies operating in the industry. According to the information of Savills and EH Consulting Report, in 2019, the market share of the Top 100 Property Management Companies was approximately 26.9% in terms of GFA under management.

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Our property management services primarily compete with national and regional property management companies. Our consultancy services compete with other property management companies and relevant industry participants that provide similar services. Our value-added services to property owners compete with other property management companies and engineering companies that provide similar services. For example, our value-added services to property owners may compete with vendors and e-commerce businesses that sell food and groceries, and our value-added services to property owners may also compete with property agents in selling and leasing services as well as with advertising companies for advertising services.

The following tables set forth the top five companies among the Top 100 Property Management Companies in terms of revenue, net profit and GFA under management.

Top five companies among the Top 100 Property Management Companies in terms of the revenue

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	Market share of Revenue in 2019
1	Company AA	Residential Property	Foshan	Yes	1.19%
2	Company BB	Residential Property	Hangzhou	Yes	1.06%
3	Company CC	Residential Property	Shenzhen	Yes	0.91%
4	Company DD	Residential Property	Shenzhen	Yes	0.75%
5	Company EE	Residential Property	Guangzhou	Yes	0.74%

Top five companies among the Top 100 Property Management Companies in terms of the net profit

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	Market share of Net Profit in 2019
1	Company AA	Residential Property	Foshan	Yes	1.85%
2	Company FF	Residential Property	Guangzhou	Yes	1.39%
3	Company CC	Residential Property	Shenzhen	Yes	1.00%
4	Company GG	Residential Property	Beijing	No	0.72%
5	Company HH	Residential Property	Shenzhen	Yes	0.58%

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Top five companies among the Top 100 Property Management Companies in terms of GFA under management

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	Market share of GFA under Management in 2019
1	Company II	Residential Property	Shenzhen	Yes	1.69%
2	Company EE	Residential Property	Guangzhou	Yes	1.35%
3	Company AA	Residential Property	Foshan	Yes	1.30%
4	Company CC	Residential Property	Shenzhen	Yes	1.12%
5	Company FF	Residential Property	Guangzhou	Yes	1.10%

Our Competitive Strength

According to Savills and EH Consulting Report, we were ranked 55th in the Top 100 Property Management Companies in China in terms of Overall Strength, 2020 (2020中國物業企業綜合實力百強), improving from 78th in 2018. Among the Top 100 Property Management Companies in China, we were ranked ninety-second, ninety-first, eighty-eighth, respectively, in terms of revenue, net profit and GFA under management in 2019, and our market share in 2019 was 0.035%, 0.038%, 0.067% respectively of the total of property management industry in China.

Additionally, in terms of revenue, net profit and GFA under management in 2019, we were ranked fifth, fifth and fourth, respectively, among the Top 100 Property Management Companies headquartered in Sichuan Province, and ranked 13th, 13th and 12th, respectively, among the Top 100 Property Management Companies headquartered in Western China. In the ranking of revenue per sq.m. in 2019, we were ranked fourth and eighth, respectively, among the Top 100 Property Management Companies headquartered in Sichuan Province and in Western China in 2019, and our revenue per sq.m. in 2019 was RMB19.7 per sq.m. per month.

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The following tables set forth the details of our ranking among the Top 100 Property Management Companies headquartered in Sichuan Province in 2019 in terms of revenue, net profit, GFA under management and revenue per sq.m.

Our ranking among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of the revenue

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	Revenue in 2019	Market Shares
					RMB'000'000	
1	Company A	Residential Property	Chengdu	Yes	2,100	0.259%
2	Company B	Residential Property	Chengdu	No	960	0.119%
3	Company C	Residential Property	Chengdu	No	570	0.071%
4	Company D	Residential Property	Chengdu	Yes	380	0.047%
5	Our Company	Residential Property	Chengdu	No	280	0.035%

Our ranking among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of net profit

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	Net profit in 2019	Market Shares
					RMB'000'000	
1	Company A	Residential Property	Chengdu	Yes	440	0.477%
2	Company B	Residential Property	Chengdu	No	120	0.132%
3	Company C	Residential Property	Chengdu	No	73	0.078%
4	Company D	Residential Property	Chengdu	Yes	64	0.069%
5	Our Company	Residential Property	Chengdu	No	35	0.038%

Our ranking among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of GFA under management

Ranking	Name of Property Management Companies	Main Property Type under Management	Location of Headquarters	Listed or Not	GFA under management in 2019	Market Shares
					sq.m.'000'000	
1	Company B	Residential Property	Chengdu	No	80	0.376%
2	Company A	Residential Property	Chengdu	Yes	71	0.337%
3	Company C	Residential Property	Chengdu	No	26	0.122%
4	Our Company	Residential Property	Chengdu	No	14	0.067%
5	Company E	Residential Property	Chengdu	No	13	0.063%

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Our ranking among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of revenue per sq.m.

<u>Ranking</u>	<u>Name of Property Management Companies</u>	<u>Main Property Type under Management</u>	<u>Location of Headquarters</u>	<u>Listed or Not</u>	<u>Revenue per sq.m. in 2019</u>
					RMB per sq.m. per month
1	Company D	Residential Property	Chengdu	Yes	58.0
2	Company A	Residential Property	Chengdu	Yes	29.0
3	Company C	Residential Property	Chengdu	No	22.0
4	Our Company	Residential Property	Chengdu	No	19.7
5	Company E	Residential Property	Chengdu	No	16.0

INDUSTRY BARRIERS

The PRC property management service industry has only developed for 40 years, and there are issues such as a large number of enterprises with relatively small size, a large number of property management service employees with a relatively low average education level, a large gap among companies in different geographical locations, and relatively low barriers to enter into the industry. The entry barriers include:

Market specialization: There are large differences in service and quality requirements among different types of properties. Segmented business markets have higher requirements for specialized services. New property management companies may not be able to provide services due to the lack of any management experience.

Talent specialization: With the extensive application of the Internet, new technology and new products, the demand for high-quality specialized talents in the property management industry has increased sharply, and there has been a loss of specialized talents due to imperfect talent promotion and retention mechanisms.

Operation and management standardization: In order to better control service costs and ensure service quality, property management companies need to standardize their services and operations. The companies that have been deeply involved in the property service industry already have well-established standards, while there are greater uncertainties and higher operating risks for new property management companies.

Brand specialization: Major property management companies in China have established brand reputation. This is a major factor in obtaining open market projects. New entrants encounter increasing difficulties in penetrating the market.

Capital requirement: In the stage of service specialization and smart service layout of property management companies, the companies need to purchase advanced technology and equipment and build smart communities and back-end IT platforms to improve corporate management and operation efficiency. As these requirements greatly appropriate corporate funds, limited financing capabilities have become a major obstacle to the development of new property management companies.

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DIRECTORS' CONFIRMATION

Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Savills and EH Consulting Report, are reliable and not misleading as Savills and EH Consulting are independent professional market research agencies with extensive experience, and there is no material adverse change in the overall market information since the date of the Savills and EH Consulting Report that would materially qualify, contradict or have an impact on such information.

REGULATORY OVERVIEW

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

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (No. 346 Order of the State Council) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects are divided into four categories, namely “encouraged”, “permitted”, “restricted” and “prohibited” categories. Foreign investment projects of the encouraged, restricted and prohibited categories are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). Foreign investment projects that are not of the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects which are not listed in the Catalogue of Industries for Guiding Foreign Investment.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “Foreign Investment Law”), which came into effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the People’s Republic of China (《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 People’s Republic of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the People’s Republic of China (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC.

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

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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》), which was promulgated on December 30, 2019 and came into effect on January 1, 2020, sets out the details of the foreign investment information report system.

The Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) (the “Catalogue”) was promulgated by the National Development and Reform Commission (the “NDRC”) and the Ministry of Commerce (the “MOFCOM”) on June 30, 2019, and came into effect on July 30, 2019. Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) released on June 28, 2017 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (2017 Revision) (《中西部地區外商投資優勢產業目錄(2017年修訂)》) released on February 17, 2017, were repealed simultaneously.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (Edition 2020) (《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)》), both promulgated by the NDRC and the MOFCOM on June 23, 2020 and taking effect on July 23, 2020, the property management service does not fall into such categories which foreign investment is restricted or prohibited.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES AND OTHER RELATED SERVICES

On May 28, 2020, the National People’s Congress approved the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “Civil Code”), which will come 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.

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) promulgated by the State Council on June 8, 2003, taking effect on September 1, 2003 and amended on August 26, 2007 and February 6, 2016, a qualification system for companies engaging in property management activities has been adopted.

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In accordance with 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 Construction on March 17, 2004, came into effect on May 1, 2004; was amended on November 26, 2007 and May 4, 2015, and abolished by the MOHURD 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.

On 19 November 2015, the General Office of the State Council promulgated the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Personal Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳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》), which sets out the general requirements, the main tasks and the policy measures to accelerate the development of personal services and upgrade consumption structures. Such main tasks focus on the development of the living services that are closely related to the people's livelihood with vast demand potential and strong driving forces to promote the standardization developments of the real estate intermediary, house leasing, property management, moving and cleaning, household vehicles maintenance and other personal services.

In accordance with the Decision of the State Council on Canceling the Third Batch of Administrative Licencing 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行政許可事項的決定》) promulgated by the State Council on January 12, 2017 and taking effect on the same day, the examination and approval of Level 2 and Level 3 qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Batch of Administrative Licencing 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.

In accordance with the Notice of the General Office of the MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《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》), which was promulgated on December 15, 2017 by the MOHURD and became effective on the same day, the application, change, renewal or re-application of the qualifications of property management enterprises shall no longer 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.

On March 19, 2018, the State Council promulgated the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (Order of the State Council No. 698), according to which the Regulations on Property Management (《物業管理條例》) was amended. The Regulations on Property Management (2018 Revision) (《物業管理條例》) (2018年修正) has removed the qualification accreditation of the property management enterprises.

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

According to the Regulations on Property Management (《物業管理條例》), the property owners within a single property management area shall, under the direction of street office or township people's government or the real estate administration department of the county or district people's government where the relevant real estate is situated, convene a general meeting of property owners and elect a property owners' association. However, where there is only one property owner or where there are relatively few property owners and they are all in agreement, the property owner(s) may choose not to convene a general meeting of property owners, in which case the functions assigned to both a general meeting of property owners and property owners' association shall be performed by the owner(s). The Circular on Issuing the Guidance Rules of the General Meeting of the Property Owners and the Property Owners' Association (關於印發《業主大會和業主委員會指導規則》的通知) (JF [2009] No. 274) (promulgated by MOHURD on December 1, 2009, which came into effect on January 1, 2010) provides a practical guideline for the establishment and governance of the general meeting of property owners and property owners' association, and the supervision of the real estate administrative department of the local government.

According to the Civil Code, the general meeting of property owners may vote to establish a property owners' association. The property owners' association is elected by the property owners, and represents their interest in matters related to property management, and the association's decisions are binding on the property owners. Property owners of non-residential properties are not required to establish a property owners' association under the relevant PRC laws and regulations.

Appointment of Property Management Enterprises

According to the Regulations on Property Management, which was promulgated by the State Council on June 8, 2003, came into effect on September 1, 2003, and was amended on August 26, 2007, February 6, 2016 and March 19, 2018, a system of joint incentive for honesty and joint punishment for dishonesty shall be improved in the supervision of property management enterprises by the State Council's construction administration department together with other relevant departments, to strengthen the credit management of the industry.

According to the Civil Code, 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 for certain other matters 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

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conducting operating activities in common space, the approvals requires 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.

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

According to the Regulations on Property Management (2018 Revision) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) promulgated by the Ministry of Construction on June 26, 2003 and taking effect on September 1, 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing 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 make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

Bid assessment shall be the responsibility of the bid assessment committee established by the bid inviter in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representative of the bid inviter and experts in the related property management fields and the number of members shall be an odd number at or above five. The

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expert members shall represent at least two-thirds of the total members. Expert members in the bid assessment committee shall be determined by random select from the roster of experts established by the competent real estate administrative department. A person having an interest with a bidder shall not join the bid assessment committee of the related project.

In addition, on May 15, 2009, the Supreme People's Court promulgated the Interpretation of the Supreme People's Court on Several Issues 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》) (the "Interpretation"), which came into effect on October 1, 2009. The Interpretation stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, the preliminary property management contract signed by the developer and the property management enterprise according to the relevant laws and regulations, and the property management contract signed by the property owners' association and property management enterprises hired by the general meeting according to the relevant laws and regulations are legally binding on property owners, the people's court shall not support a claim if property owners plead as property owners are not a party to the contract. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Pursuant to the Government Procurement Law, government procurement refers to the procurement of goods, projects and services within the lawfully made centralized procurement lists or above the procurement limits by the state organs, public institutions and bodies with public fiscal funds. Where any purchaser procures goods or services by public call for bids, the specific amount rates shall be prescribed by the State Council is the procurement item is to be paid by the budget of the Central Government or to be prescribed by the people's government of the province, autonomous region or municipality directly under the Central Government concerned if the procurement item is to be paid by the budget of local governments. Where it is necessary to make the procurement by any means other than the public call for bids, it shall be subject to the approval of the supervision and administration department of the people's government of the city with districts or prefecture or above before the procurement is initiated. Public invitation of bids shall be the principal method of government procurement. If any procurement that should be made by means of public call for bids is conducted by other means without approval, such procurement should be: (1) if the bid winner and the successful supplier have not been determined, the procurement should be terminated; (2) if the bid winner and the successful supplier have been determined but the procurement contract has not yet been performed, the contract should be voided, and the bid winner and the successful supplier should be chosen from qualified bid candidates; and (3) if the procurement contract has been performed, any losses incurred by the purchaser or supplier shall be borne by the responsible party.

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According to the Implementation Regulations for the Law of the People's Republic of China on Tenders and Bids promulgated by the State Council on March 2, 2019, and taking effect on the same day, where the tender invitation and bidding activities of a project required by law to call for tenders violate the provisions of the Tender Law and these Regulations, and have a substantive influence on the outcome of award of tender, if it is impossible to adopt remedial measures to rectify, the tender invitation, bidding, award of tender shall be void, the tender exercise or bid evaluation shall be organised anew pursuant to the law.

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (the "Measures on the Charges"), which was 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 permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to the property management contract.

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. The fees charged by property management can be either the government guidance price or market-based price depending on the basis of the nature and features of relevant properties. If the fees charged subject to the government guidance price, the specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the Central Government.

Dependent on the agreement 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. The lump sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses to property management enterprises who shall enjoy or assume the surplus or deficit. The commission basis refers that property management enterprises may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or deficit.

In accordance with 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 and the developer or property owners through negotiation.

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According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which was jointly promulgated by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management enterprises shall clearly mark the price, as well as state service items and standards and relevant information on services (including the property management services as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. 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.

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

At present, no uniform standard for the government guidance price of fees for property management services has been established at the national level. In accordance with the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》), which was promulgated by NDRC on December 17, 2014 and became effective on the same day, 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. Fees charged by property management service providers or parking service companies from property owners or users of residential areas for the providing and management of parking spaces and parking facilities are in accordance with the agreed parking service contract. For now, most provincial governments still impose government guidance prices for the fees charged under preliminary property

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management service agreements while the price control on property management service fee charged under the formal property management service contracts entered into between the property management service company and the property owners' association is generally relaxed.

According to the Measures on the Charges and the relevant local regulations, where property service charges are priced under government guidance, the competent price government department together with the competent real estate department shall set the benchmark prices and the range of variations, depending on such factors as (i) the specific property type, which may include high-rise apartment buildings with elevators and low-rise apartment building without elevators, (ii) service scope, which may specify different types of services, such as landscaping, repair and maintenance for common areas and elevator maintenance, and (iii) the grading criteria of property service charges, and publish these prices and the range of variations at regular intervals. For example, in Chengdu, according to the Notice of Sichuan Development and Reform Commission on implementing the Notice of the National Development and Reform Commission on Opinions for Decontrolling the Prices of Some Services (《四川省發展和改革委員會關於貫徹<國家發展改革委關於放開部分服務價格意見的通知>的通知》), fees for property management services for government-supported houses, houses under housing reform, old residence communities and preliminary property management service are subject to the government guidance price. The government guidance price shall be determined, based on the actual conditions, by the competent pricing departments jointly with the competent housing and urban-rural development administrative department of municipal or district (county) level. According to relevant local regulations, the residential property management services are judged from seven aspects, namely, (i) comprehensive services, including personnel, management systems and customer services, (ii) operation and maintenance of common areas and public facilities, (iii) decoration and furnishing management, (iv) maintenance of public order, (v) maintenance of environmental hygiene, (vi) green conservation, and (vii) community culture building. Pursuant to the above regulations, Chengdu divides the preliminary property management service into five levels, with different standards for each level. Requirements for higher levels are stricter and more comprehensive than those for lower levels. For residential properties with lift in the main districts of Chengdu (i.e. Jinjiang, Qingyang, Jinniu, Wuhou, Chenghua and Gaoxin district), the benchmark price for the first, second, third and fourth level is nil, RMB0.95/sq.m. per month, RMB1.35/sq.m. per month and RMB1.90/sq.m. per month, respectively. For residential properties without lift, the benchmark price for the first, second, third and fourth level is RMB0.40/sq.m. per month, RMB0.60/sq.m. per month, RMB0.85/sq.m. per month and RMB1.25/sq.m. per month, respectively. The price-float range for each level is $\pm 15\%$. The real estate management authority at the district level shall determine what management services belong to the fifth level services, the price of which shall be filed with the price management authority at the district level.

In Xinjiang, according to Measures on the Charges of Property Management Enterprise in Xinjiang Uyghur Autonomous Region (《新疆維吾爾自治區物業服務收費管理辦法》) (Xin Fa Gai Gui [2020] No. 8), which came into effect on October 1, 2020, the government guidance price shall be applied to the preliminary property public service fees for ordinary residence (i.e.

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unit residential buildings) and the public service fees for government-supported houses, which shall be determined by the municipal (districted city) and county (city) development and reform departments with reference to the average cost of property services in the society based on the property service standard grading, and the benchmark price and its floating range shall be announced. For ordinary residential communities where a owners' congress is established, the standards for property public service fees shall be determined upon negotiation of the property owners' association or the owners' congress with the property service provider. For ordinary residential communities where a owners' congress is not established, the standards for preliminary property public service shall be adopted.

In Guangdong, according to the Notice of Price Bureau and Housing and Urban Construction Department of Guangdong Province on the Measures of Property Service Fee (《廣東省物價局、廣東省住房和城鄉建設廳關於物業服務收費管理辦法的通知》) (Yue Jia [2010] No. 1), government guidance prices or market-regulated price shall be implemented for charges of property management in light of the nature and characteristics of different properties. The government guidance prices shall be implemented for the charges of property management of a residential property (including self-owned parking space and garages) before the establishment of the owners' congress, and market-regulated prices shall be implemented for the service fee of villas, residential properties (including self-owned parking space and garages) after the establishment of the owners' congress and other non-residential properties. According to the Notice on Further Standardization on Property Management Services Fees (《關於進一步規範物業服務收費的通知》) (Yue Fa Gai Jia Ge Han [2019] No. 2897) issued by the Development and Reform Commission of Guangdong Province and the Guangdong Provincial Bureau of Housing and Urban-rural Development which has taken effect on August 1, 2019, the property management charging standards for which government guidance prices are carried out will be determined by the property management companies and the property owners through negotiation, and will no longer be required to report to the local Development and Reform Commission for filing.

Accordingly, the specific government guidance prices in different cities vary mainly depending on the property type, the existing condition of the local property management market, and the local government departments' policies with respect to the property management market.

On December 25, 2020, 10 departments, including the Ministry of Housing and Urban-Rural Development, jointly issued the Notice on Enhancing and Improving Residential Property Management (Jian Fang Gui No. [2020] 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 further optimizes the pricing mechanism for property services. As stipulated in the Notice, prices for property services are primarily determined through market competition. Service price shall be agreed by property owner and property service company under the property service agreement, and subject to adjustment based on service standard, price index and other factors. The Notice advocates commission basis payment.

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Property Management Service Outsourcing

In accordance with the Regulations on Property Management (2018 Revision), a property management enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management business within such area to third parties.

Parking Service Fees

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) (Jian Cheng 2010 No. 74) (jointly promulgated by the MOHURD, the NDRC and the Ministry of Public Security of the PRC and came into effect on 19 May 2010), a licensed management system shall be adopted with market access and exit standards and the open, fair and equitable selection of professional urban parking service enterprises.

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) (Fa Gai Jia Ge [2015] No. 2975) (jointly promulgated by NDRC, MOHURD and Ministry of Transport on 15 December 2015 and came into effect on the same day), the fee charged in parking service shall be determined mainly by the market, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (promulgated by NDRC on 17 December 2014 and came into effect on the same day), price control on parking services in residence communities was also cancelled.

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 and April 23, 2019, property management enterprises of residential districts shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (No. 292 Order of the State Council) which was issued by the State on September 25, 2000, and amended on January 8, 2011, Internet information service refers to the provision of information through Internet to web users, and includes two categories: commercial and non-commercial. Commercial Internet information service refers to the service

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activities of charged provision to online subscribers through the internet of information or website production. Non-commercial Internet service refers to the provision free of charge of public, commonly-shared information through the Internet to web users.

Entities engaged in providing commercial Internet information service shall apply for a license for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, only record-filing is required. Internet information service provider shall provide services within the scope of their licenses or filing. Non-commercial Internet information service providers shall not provide services with charge of payment. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval of the change 30 days in advance at the relevant government department.

Where an entity provides commercial internet information service without a license or provides service beyond the scope of the license, the provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated, and a fine more than three times but less than five times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial internet information service without a filing, the provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

LEGAL SUPERVISIONS OVER LABOR PROTECTION IN THE PRC

According to Labor 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 was amended on August 27, 2009 and December 29, 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labor protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health checks for workers who engage in operations with occupational hazards. Laborers engaged in special operations must have received specialized training and obtained the pertinent qualifications.

According to Labor 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 was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, employers and employees shall enter into written labor contracts to establish their employment relationship. The labor contracts shall set forth

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the terms, duties, remunerations, disciplinary rules of the employment and conditions to terminate the labor contracts. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the date when the employee begins to work. Meanwhile, it is stipulated that labor contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees.

According to Social Security 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 since July 1, 2011, and was 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》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who fail 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 stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According 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 became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing fund and then, upon the verification by such administrative center of housing fund, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who fail to process housing provident fund registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. When an employer fails to pay up housing provident fund contributions in

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full amount as due, the housing provident fund administration center shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 24, 1982, taking effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002, amended on April 29, 2014, and went into effect on May 1, 2014. The trademark office under the Trademark Office of China National Intellectual Property Administration (中國國家知識產權局商標局) handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. For trademarks, trademark law adopts the principle of “prior application” with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others by improper means in registering a trademark which others have already begun to use and enjoyed certain degree of influence.

Patent

According 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 was amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 (to be taken into effect on June 1, 2021), the State Intellectual Property Office is responsible for managing patent work of the whole nation. 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. Others may use the patent after obtaining the permit or proper authorization of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

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Copyright

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 and was amended on October 27, 2001, February 26, 2010 and October 17, 2020 (to be taken into effect on June 1, 2021), specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

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 National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will 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 Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on December 20, 2001, came into effect on January 1, 2002 and was amended on January 8, 2011 and January 30, 2013.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for managing internet network domain names of China. The principle of “first to-file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder’s identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which was promulgated by the National People’s Congress 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 on the EIT Law (《企業所得稅法實施條例》) which was issued by the State Council on December 6, 2007, came into effect on

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January 1, 2008, and was amended on April 23, 2019, the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual administration institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in PRC, are deemed as resident enterprise. Thus, the tax rate of 25% applies to their income originating from both inside and outside PRC.

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

The PRC and the government of Hong Kong entered into 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稅和防止偷漏稅的安排》) (the “Arrangement”) on August 21, 2006 and implemented the Arrangement since December 8, 2006. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in a PRC company, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

In accordance with the Measures for Administration of Non-Resident Taxpayers’ Enjoyment of the 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 State Administration of Taxation (the “SAT”) on October 14, 2019, and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities’ post-filing administration.

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Value-added Tax

According to the Temporary 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 on December 13, 1993 by the State Council, came into effect on January 1, 1994 and was amended on November 10, 2008 and February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, became effective on the same day and was amended on December 15, 2008 and October 28, 2011 (collectively, the “VAT Law”), taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, leasing service of tangible movable property or import goods within the territory of the PRC shall pay value-added tax. Except those specified listed in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the MOF and the SAT on March 23, 2016 and taking effect on May 1, 2016, the state started to fully implement the pilot program 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.

City Maintenance and Construction Tax and Educational Surcharges

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

According to the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》), which was promulgated by the State Council on February 8, 1985, retroactive to January 1, 1985 and was amended on January 8, 2011, entities and individuals who pay consumption tax, value-added tax and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and shall be paid at the same time along with the above taxes.

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If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

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

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, taking effect on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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》) 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 but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. 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. This Notice reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《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, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

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HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 28, 2020 as the holding company of our Group. We are a reputable property management company rooted in Sichuan province with a well-established position in Western China and a presence across China.

Our history can be traced back to 2002 when our first operating subsidiary, Lingyue Property Services, was established by Mr. Liu Yuhui, Mr. Liu Shan and Leading Group to provide property management services to properties developed by Leading Holdings Group, a property developer with a leading market position among the Sichuan-based property developers and a nationwide presence. Leading Group, the principal onshore holding company of Leading Holdings Group, was then owned as to approximately 39.0% by Mr. Liu Yuqi, 30.5% by Mr. Liu Yuhui and 30.5% by Mr. Liu Shan. Mr. Liu Yuhui, Mr. Liu Shan and Mr. Liu Yuqi are brothers. For details of Lingyue Property Services, see “—Our Corporate Developments” below.

Leveraging our long-term and close cooperation with Leading Holdings Group and benefiting from our capabilities of expanding business with Independent Third Party property developers, we have experienced significant growth in our business scale. We primarily manage residential properties. We also manage commercial properties and public and other properties. The commercial properties that we manage primarily include office buildings, shopping malls and shopping centers. The public and other properties that we manage primarily include government buildings, public facilities, corporate buildings and schools. Since 2007, we have also expanded our service scope, and have introduced and upgraded our value-added services to non-property owners and since 2011, we started providing community value-added services to property owners and residents. As of December 31, 2020, we had been contracted to manage 234 properties with an aggregate contracted GFA of approximately 36.2 million sq.m., covering 31 cities in nine provinces, one autonomous region and one municipality, including Sichuan, Guangdong, Xinjiang, Jilin and others, and had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under our management.

As part of the family succession plan that encourages the young generation to succeed the property development business and participate in the investment of non-property development businesses, in December 2014, Mr. Liu Shan and Mr. Liu Yuqi bestowed their respective entire equity interests in Rong Liang Group, one of their investment vehicles, which was then used to hold their interests in Leading Group and other platforms engaging in non-property development businesses, including Lingyue Property Services, to Mr. Liu Haowei (being the son of Mr. Liu Shan) and Mr. Liu Ce (being the son of Mr. Liu Yuqi), respectively. As Mr. Liu Haowei and Mr. Liu Ce were at a young age and had no or limited experience in real estate industry and business investment, to ensure a smooth transition of the succession, Mr. Liu Shan and Mr. Liu Yuqi continued holding the equity interests in Rong Liang Group on trust for Mr. Liu Haowei and Mr. Liu Ce, respectively, until August 2019 when both Mr. Liu Haowei and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Mr. Liu Ce had gained sufficient experience and the trust arrangements of Mr. Liu Shan and Mr. Liu Yuqi were terminated. As a result, Mr. Liu Haowei and Mr. Liu Ce became the registered shareholders of Rong Liang Group and formally succeeded the business of our Group from Mr. Liu Shan and Mr. Liu Yuqi, respectively, accordingly.

Mr. Liu Yuhui, as one of our founders, has guided our business development and expansion for the past two decades since our establishment. See “Directors and Senior Management” for further details of the biography of Mr. Liu Yuhui. On January 29, 2021, Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli signed the Acting in Concert Deed. See “Relationship with Controlling Shareholders—Acting in Concert Deed” for details.

Business Development Milestones

The following events set forth the key milestones in the history of our business development:

<u>Year</u>	<u>Event</u>
2002	Lingyue Property Services was established on January 21, 2002 in Meishan, Sichuan Province, and we began offering property management services. We started providing property management services to Leshan Time Square (樂山時代廣場) and expanded our project portfolio to include commercial properties.
2007	We started providing value-added services to non-property owners.
2008	We expanded our business into Guangdong Province.
2010	We expanded our business into Ya’an, Sichuan Province.
2011	We started providing community value-added services to our property owners and residents.
2012	We expanded our business into Xinjiang Uygur Autonomous Region.
2013	We expanded our business into Jilin Province.
2014	We were recognized as one of China Top 100 Property Management Service Enterprises (中國物業服務百強企業TOP100) by China Index Academy (中國指數研究院) for the first time. We expanded our business into Chengdu, Sichuan Province.

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<u>Year</u>	<u>Event</u>
2016	<p>We successfully obtained the ISO9001:2015 quality management system certification, ISO14001:2015 environmental management certification and OHSAS18001:2007 international occupational health and safety management system certification in recognition of our service quality.</p> <p>We started providing property management services to Independent Third Party property developers.</p>
2018	<p>We acquired Meishan Tianfu and expanded our project portfolio to include new types of non-residential properties, such as public properties.</p>
2019	<p>We were contracted to provide property management services to Chengdu Leading Center (成都領地中心), a Super Grade-A Business Office Building (超甲級商務寫字樓) recognized by Chengdu Building Grade Rating Committee (成都市樓宇等級評定委員會).</p> <p>We acquired Ziyang Jiamei to further expand our project portfolio to include new types of public and other properties, such as schools and medical facilities.</p>
2020	<p>We were recognized as one of China Top 100 Property Management Companies in terms of Overall Strength (中國物業企業綜合實力百強) by EH Consulting (億翰智庫) for three consecutive years starting from 2018.</p> <p>We ranked the 59th among the China Top 100 Property Management Service Enterprises (中國物業服務百強企業排名第59位) according to China Index Academy (中國指數研究院).</p> <p>We ranked the 12th among the Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強排名第12位) according to China Index Academy (中國指數研究院).</p> <p>Leshan Leading International Mansion (樂山領地國際公館), a project under our management, was recognized as one of the China Five-Star Property Management Projects (中國五星級物業服務項目) according to China Index Academy (中國指數研究院).</p>

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OUR CORPORATE DEVELOPMENTS

We carry out our business through various subsidiaries in the PRC. During the Track Record Period, a substantial proportion of our subsidiaries were not wholly-owned subsidiaries of our Company. Most of the non-controlling shareholders of our subsidiaries are property developers, property management companies or individuals who we believe that they may have local resources to help us to develop our business. See “Business—Property Management Services—Source of Properties under Management” for further details. Our principal operating subsidiaries comprise major holding companies and/or subsidiaries which contributed a substantial amount of our Group’s revenue and profit during the Track Record Period. Details of the major corporate developments including major shareholding changes of our principal operating subsidiaries in the PRC are set out below:

Lingyue Property Services

Lingyue Property Services is principally engaged in the provision of property management services. It is also the principal onshore holding company of our Group and the centralized management platform for our property management services business operations. Lingyue Property Services was established in the PRC with limited liability on January 21, 2002 with an initial registered capital of RMB3.3 million, fully paid up by cash. As of the date of its establishment, Lingyue Property Services was owned as to approximately 63.64% by Leading Group, 18.18% by Mr. Liu Yuhui and 18.18% by Mr. Liu Shan. Leading Group was then owned as to approximately 39.0% by Mr. Liu Yuqi, 30.5% by Mr. Liu Yuhui and 30.5% by Mr. Liu Shan.

Subsequent to a series of equity transfers and a capital injection between November 2006 and July 2013, as of July 24, 2013, Lingyue Property Services became wholly owned by Leading Group with a registered and paid-up capital of RMB5.3 million. On January 22, 2018, the registered capital of Lingyue Property Services was increased to RMB50 million through a capital injection in the amount of RMB44.7 million by Rong Liang Group which was fully paid up by cash. Upon completion of such capital injection, Lingyue Property Services became owned as to 89.40% by Rong Liang Group (a company which was established by Mr. Liu Yuhui, Mr. Liu Shan and Mr. Liu Yuqi in May 2006 being used as the investment holding vehicle for businesses including our property management business since January 2018 prior to the Reorganization) and 10.60% by Leading Group.

On July 15, 2019, Leading Group transferred its entire 10.60% equity interest in Lingyue Property Services to Rong Liang Group at a consideration of RMB5.3 million, which was determined after arm’s length negotiations with reference to the then registered capital of Lingyue Property Services and was fully settled in cash on February 11, 2020. Upon completion of such equity transfer, Lingyue Property Services became wholly owned by Rong Liang Group. On October 23, 2020, the registered capital of Lingyue Property services was further increased to RMB60 million with RMB10 million contributed from its statutory surplus reserve.

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As part of our Reorganization, the registered capital of Lingyue Property Services was increased to RMB60,606,100 and became owned as to approximately 99% by Chengdu Rongyue Jinghui and 1% by Duyue Capital. See “—Reorganization” below in this section for details. There has been no change in the equity interest in Lingyue Property Services since then. As of the Latest Practicable Date, Lingyue Property Services was an indirect wholly-owned subsidiary of our Company.

Jilin Junyi

Jilin Junyi is principally engaged in the provision of property management services. It was established in the PRC with limited liability on January 29, 2013 with an initial registered capital of RMB0.5 million, fully paid up by cash. As of the date of its establishment, Jilin Junyi was wholly owned by Jilin Leading Real Estate Development Co., Ltd. (吉林省領地房地產開發有限公司) (“**Jilin Leading Real Estate**”), which was then owned as to 55% by Leading Group, an indirect wholly-owned subsidiary of Leading Holdings, and 45% by Changchun Shangyuan Real Estate Development Co., Ltd. (長春市上源房地產開發有限公司), an Independent Third Party.

In preparation for the reorganization and the listing of Leading Holdings’ shares on the Stock Exchange, given that Jilin Junyi was engaged in the provision of property management related services, which was not related to the core business of Leading Holdings Group, on July 2, 2019, Jilin Leading Real Estate transferred its 55% and 45% equity interest in Jilin Junyi to Sichuan Linghui, an indirect wholly-owned subsidiary of our Company, and Nuoruide Investment Holding Group Co., Ltd. (諾睿德投資控股集團有限公司) (“**Nuoruide Investment**”), an Independent Third Party (other than being a substantial shareholder of Jilin Junyi), respectively, at a consideration of approximately RMB0.43 million and approximately RMB0.35 million, respectively. The consideration was determined after arm’s length negotiation with reference to the unaudited net asset value of Jilin Junyi as of June 30, 2019 and was fully settled in cash as of November 18, 2019. Upon completion of such equity transfers, Jilin Junyi became owned as to 55% by Sichuan Linghui and 45% by Nuoruide Investment. There has been no change in the equity interest in Jilin Junyi since then. As of the Latest Practicable Date, Jilin Junyi was an indirect non-wholly owned subsidiary of our Company.

Acquisitions during the Track Record Period

Meishan Tianfu

Meishan Tianfu was established in the PRC with limited liability on March 25, 2010 and is principally engaged in the provision of property management services. Immediately prior to the completion of our acquisition of 51% equity interest in Meishan Tianfu, Meishan Tianfu was wholly owned by Meishan Tianfu Labor Service Subcontracting Co., Ltd. (眉山天富勞務分包有限公司) (“**Meishan Tianfu Labor Service**”), an Independent Third Party (other than being a substantial shareholder of Meishan Tianfu), and it provided property management services to 11 residential property projects and five non-residential property projects covering

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public and other properties located in Meishan, Sichuan Province with an aggregate GFA of approximately 1.5 million sq.m. under its management and an aggregated contracted GFA of approximately 1.6 million sq.m.. For the purpose of expanding our property management business in Meishan, Sichuan Province and our project portfolio to include public and other properties, on August 22, 2018, Sichuan Linghui, an indirect wholly-owned subsidiary of our Company, completed the acquisition of 51% equity interest in Meishan Tianfu from Meishan Tianfu Labor Service at a consideration of approximately RMB10.2 million. The consideration was determined after arm's length negotiations with reference to the estimated future profitability and prospect of Meishan Tianfu based on due diligence conducted before the acquisition. Such consideration was fully settled in cash on October 8, 2019. On September 30, 2018, Meishan Tianfu Labor Service pledged its 49% equity interest in Meishan Tianfu to Lingyue Property Services as a collateral in respect of any possible liabilities arising from any breach of the equity transfer agreement entered into between us and Meishan Tianfu Labor Service for the acquisition, indebtedness which may be suffered or incurred by Meishan Tianfu before the completion of the acquisition or those arising from the incidents occurred before the completion of the acquisition, and indebtedness incurred by Ms. Li Yunhui (李雲輝), the then ultimate beneficial owner of Meishan Tianfu prior to the completion of the acquisition. Such pledge was released on November 2, 2020 upon the fulfillment of the obligations of Meishan Tianfu Labor Service under the equity transfer agreement and the settlement of the relevant indebtedness. During the negotiation stage of the acquisition of Meishan Tianfu, Ms. Li Yunhui chose not to dispose her entire equity interest but retain 49% of the equity interest in Meishan Tianfu held through Meishan Tianfu Labor Service for investment purpose, taking into account the growth prospects and potential financial performance of Meishan Tianfu.

Upon completion of such equity transfer, Meishan Tianfu became owned as to 51% by Sichuan Linghui and 49% by Meishan Tianfu Labor Service and became a subsidiary of our Company. There has been no change in the equity interest in Meishan Tianfu since then. As of the Latest Practicable Date, Meishan Tianfu was an indirect non-wholly owned subsidiary of our Company.

Ziyang Jiamei

Ziyang Jiamei was established in the PRC with limited liability on March 3, 2004 and is principally engaged in the provision of property management services. Immediately prior to the completion of our acquisition of approximately 53.69% equity interest in Ziyang Jiamei, Ziyang Jiamei was owned as to approximately 53.69% by Ruzhou Jiasheng Enterprise Management Consulting Center (Limited Partnership) (汝州市佳盛企業管理諮詢中心(有限合夥)) (“**Ruzhou Jiasheng**”), which in turn is owned as to 92% by Mr. Li Yan’e (李雁鄂), an Independent Third Party (other than being a substantial shareholder of Ziyang Jiamei) and 8% by Mr. Luo Qiang (羅強), an Independent Third Party, and 46.31% by Mr. Li Yan’e, and it provided property management services to 14 residential property projects, one commercial property project and 88 projects covering public and other properties located in Ziyang, Sichuan Province with an aggregate GFA of approximately 6.3 million sq.m. under its management and an aggregated contracted GFA of approximately 6.3 million sq.m.. For the purpose of expanding our property management business in Ziyang, Sichuan Province and our

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project portfolio to include public and other properties, on July 12, 2019, Sichuan Linghui, an indirect wholly-owned subsidiary of our Company, completed the acquisition of approximately 53.69% equity interest in Ziyang Jiamei from Ruzhou Jiasheng at a consideration of approximately RMB18.9 million. The consideration was determined after arm's length negotiations with reference to the estimated future profitability and prospect of Ziyang Jiamei based on due diligence conducted before the acquisition. Such consideration was fully settled in cash on September 15, 2020. During the negotiation stage of the acquisition of Ziyang Jiamei, it was come to our notice that the ultimate beneficial owner of Ziyang Jiamei, Mr. Li Yan'e, has years of experience in property management industry and he is the senior expert of Sichuan Property Management Association (四川省物業管理協會), who may play a positive role in securing and expanding our client base and market share in Ziyang. We believe that our cooperation with Mr. Li Yan'e through the joint investment in Ziyang Jiamei is beneficial to our Group for securing and exploring business opportunities with other property developers.

Upon completion of such equity transfer, Ziyang Jiamei became owned as to approximately 53.69% by Sichuan Linghui and 46.31% by Mr. Li Yan'e and became a subsidiary of our Company. There has been no change in the equity interest in Ziyang Jiamei since then. As of the Latest Practicable Date, Ziyang Jiamei was an indirect non-wholly owned subsidiary of our Company.

Chengdu Xindi

Chengdu Xindi was established in the PRC with limited liability on July 7, 2006 and is principally engaged in the provision of property management services. Immediately prior to the completion of our acquisition of 100% equity interest in Chengdu Xindi, Chengdu Xindi was wholly owned by Ms. Weng Xuanzhi (翁玄芝), an Independent Third Party, and it provided property management services to two residential property projects located in Chengdu, Sichuan Province with an aggregate GFA of approximately 0.3 million sq.m. under its management and an aggregated contracted GFA of approximately 0.6 million sq.m.. For the purpose of expanding our property management business in Chengdu, Sichuan Province, Sichuan Linghui, an indirect wholly-owned subsidiary of our Company, completed the acquisition of 100% equity interest in Chengdu Xindi from Ms. Weng Xuanzhi at a consideration of RMB9 million on August 5, 2020. The consideration was determined after arm's length negotiations with reference to the fair value of the total equity interests in Chengdu Xindi of approximately RMB5.9 million as of December 31, 2019 as assessed by an independent valuer as well as the estimated future profitability and prospect of Chengdu Xindi based on due diligence conducted before the acquisition. Such consideration was fully settled in cash on July 17, 2020.

Upon completion of such equity transfer, Chengdu Xindi became wholly owned by Sichuan Linghui and a wholly-owned subsidiary of our Company. There has been no change in the equity interest in Chengdu Xindi since then. As of the Latest Practicable Date, Chengdu Xindi was an indirect wholly-owned subsidiary of our Company.

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The table below sets forth certain pre-acquisition financial and operational data of the above acquired subsidiaries and the goodwill arising from the acquisitions:

Name of acquired subsidiary	Amount of consideration per sq.m. calculated based on the GFA under management as of the date of acquisition	Average property management fee per sq.m. immediately prior to the completion of acquisition on a monthly basis	Net asset value as of the month-end immediately preceding the month of completion of acquisition ^(note 1)	Revenue for the financial year immediately prior to the completion of acquisition ^(note 2)	Net profit before taxation for the financial year immediately prior to the completion of acquisition ^(note 2)	Gross profit margin for the financial year immediately prior to the completion of acquisition ^(note 2)	Goodwill recorded ^(note 3)
	(RMB/sq.m.)	(RMB/sq.m.)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Meishan Tianfu	6.60	Approximately 1.35 for residential properties	11,565	14,200	3,032	31%	4,302
Ziyang Jiamei	3.02	Approximately 1.22 for residential properties and 1.20 for commercial properties	8,023	54,163	7,571	13%	14,553
Chengdu Xindi	32.12	Approximately 1.01 for residential properties	5,083	3,393	977	45%	3,917

Notes:

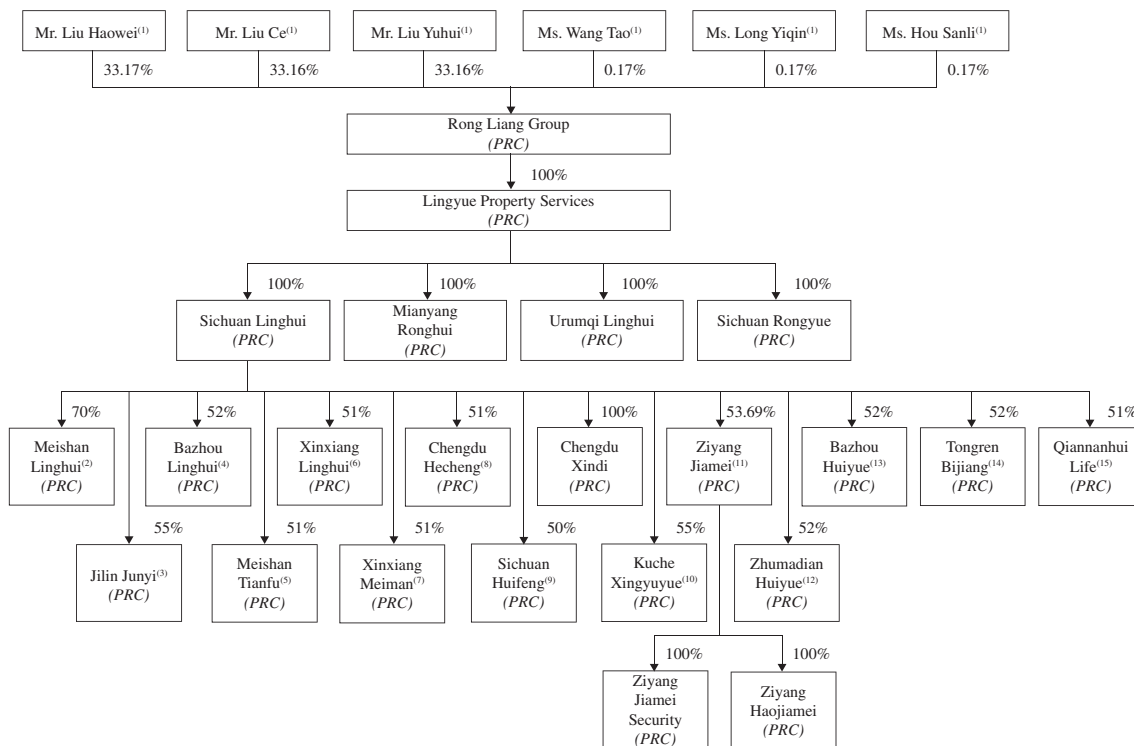
1. Please refer to note 30 of the Accountants' Report as set out in Appendix I to this prospectus for details.
2. The data is based on the financial due diligence reports prepared by independent accounting firms before completion of the acquisitions.
3. Please refer to the section "Financial Information—Description Of Certain Combined Balance Sheet Items—Goodwill" and note 15 of the Accountants' Report as set out in Appendix I to this prospectus for further details regarding the goodwill arising from the acquisitions.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of the abovementioned acquisitions of Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi exceeds 25%. Accordingly, the relevant pre-acquisition financial information of Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The following diagram illustrates our corporate and shareholding structure immediately before the Reorganization:



Notes:

- (1) Mr. Liu Haowei is the son of Ms. Wang Tao. Mr. Liu Ce is the son of Ms. Hou Sanli. Mr. Liu Yuhui is the spouse of Ms. Long Yiqin.
- (2) The remaining 30% equity interest in Meishan Linghui was held as to 15% by Meishan Wuxing Property Management Co., Ltd. (眉山市物興物業管理有限公司) and 15% by Meishan Mading Property Management Co., Ltd. (眉山馬丁物業管理有限公司), both of which are principally engaged in the provision of property management services and Independent Third Parties.
- (3) The remaining 45% equity interest in Jilin Junyi was held by Nuoruide Investment, which is a property developer and an Independent Third Party (other than being a substantial shareholder of Jilin Junyi). Nuoruide Investment is the business partner of Leading Group for a property development project and Jilin Junyi was set up to manage such project.
- (4) The remaining 48% equity interest in Bazhou Linghui was held by Mr. Shao Qingru (邵清如), an Independent Third Party. Bazhou Linghui was deregistered on October 29, 2020 as it was inactive and had no business operation.
- (5) The remaining 49% equity interest in Meishan Tianfu was held by Meishan Tianfu Labor Service, which is principally engaged in the provision of property management services and labor subcontracting and an Independent Third Party (other than being a substantial shareholder of Meishan Tianfu). Meishan Tianfu Labor Service was wholly owned by Ms. Li Yunhui.

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- (6) The remaining 49% equity interest in Xinxiang Linghui was held by Xinxiang Kunpeng Property Management Co., Ltd. (新鄉市鯤鵬物業管理有限公司) (“**Xinxiang Kunpeng**”), which is principally engaged in the provision of property management services and an Independent Third Party. Xinxiang Kunpeng has business cooperation with Xinxiang Kunpeng Hengfeng Real Estate Co., Ltd. (新鄉市鯤鵬恒豐置業有限公司) (“**Kunpeng Real Estate**”), the property developer of a residential project located in Xinxiang, and Xinxiang Linghui is managing the sales office of such project.
- (7) The remaining 49% equity interest in Xinxiang Meiman was held by Henan Meiman Property Management Co., Ltd. (河南省美滿物業管理有限公司) (“**Henan Meiman**”), an Independent Third Party. Sichuan Linghui disposed of its entire 51% equity interest in Xinxiang Meiman to Henan Meiman on December 17, 2020 as Xinxiang Meiman was inactive and had no business operation.
- (8) The remaining 49% equity interest in Chengdu Hecheng was held by Sichuan Yihe Chengbang Culture Communication Co., Ltd. (四川一和誠邦文化傳播有限公司) (“**Sichuan Yihe**”), which is a media and advertising company and an Independent Third Party. We jointly set up Chengdu Hecheng with Sichuan Yihe for engaging in property management business.
- (9) The remaining 50% equity interest in Sichuan Huifeng was held as to 25% by Sichuan Jiuding Jiasheng Enterprise Management Co., Ltd. (四川九鼎嘉盛企業管理有限公司) (“**Sichuan Jiuding Jiasheng**”) and 25% by Sichuan Hongda Chuanyi Group Co., Ltd. (四川省宏大川億集團有限公司) (“**Sichuan Hongda Chuanyi**”), both of which are property developers and Independent Third Parties. Sichuan Jiuding Jiasheng and Sichuan Hongda Chuanyi participated in the development of a residential property project located in Meishan which will be under the management of Sichuan Huifeng. Pursuant to (i) an acting in concert agreement entered into between Sichuan Linghui and Sichuan Hongda Chuanyi, Sichuan Linghui was entitled to exercise voting rights of 75% of the registered capital of Sichuan Huifeng; and (ii) the articles of association of Sichuan Huifeng, Sichuan Lingyue was entitled to appoint the sole director of Sichuan Huifeng. Sichuan Huifeng had therefore been accounted for as our subsidiary.
- (10) The remaining 45% equity interest in Kuche Xingyuyue was held by Mr. Wang Kewei (王科偉), an Independent Third Party who has the business connection with the local property developer of a residential property project located in Xinjiang Uygur Autonomous Region which is under the management of Kuche Xingyuyue.
- (11) The remaining approximately 46.31% equity interest in Ziyang Jiamei was held by Mr. Li Yan’e (李雁鄂), an Independent Third Party (other than being a substantial shareholder of Ziyang Jiamei). See above “—Our Corporate Developments—Acquisitions during the Track Record Period—Ziyang Jiamei” above for further details in relation to Mr. Li Yan’e.
- (12) The remaining 48% equity interest in Zhumadian Huiyue was held by Zhumadian Jianda Property Development Co., Ltd. (駐馬店建大房地產開發有限公司) (“**Zhumadian Jianda**”), which is a property developer and an Independent Third Party. Zhumadian Jianda is the local property developer of a residential property project located in Zhumadian which is under the management of Zhumadian Jianda.
- (13) The remaining 48% equity interest in Bazhou Huiyue was held by Mr. Li Kai (李愷), an Independent Third Party who has the business connection with the local property developer of a residential property project located in Xinjiang Uygur Autonomous Region which is under the management of Bazhou Huiyue.
- (14) The remaining 48% equity interest in Tongren Bijiang was held by Tongren Tiandu Property Services Co., Ltd. (銅仁市天都物業服務有限公司), an Independent Third Party. Tongren Bijiang was deregistered on December 9, 2020 as it was inactive and had no business operation.
- (15) The remaining 49% equity interest in Qiannanhu Life was held by Longli County Yu An Property Service Co., Ltd. (龍里縣宇安物業服務有限公司), which in turn is owned as to 70% by Mr. Tang Songping (唐松平) and 30% by Ms. Wang Liyang (王麗陽), both being Independent Third Parties. Sichuan Linghui disposed of its entire 51% equity interest in Qiannanhu Life to Mr. Shen Shunlin (申順林), an Independent Third Party, on January 9, 2020.
- (16) Percentages are rounded to two decimal places.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the Listing, the following Reorganization steps were implemented to establish our Group:

1. Disposal of certain companies

(a) *Disposal of Sichuan Rongyue*

Sichuan Rongyue was established in the PRC with limited liability on August 12, 2019 and was wholly owned by Lingyue Property Services prior to the disposal. Sichuan Rongyue, being a holder of the Internet Content Provider license (the “**ICP License**”), is principally engaged in the development and operation of online platforms for provision of commercial internet information services (經營性互聯網信息服務).

Taking into account that our Group did not plan to conduct any internet value-added services which requires an ICP License going forward, on September 28, 2020, Lingyue Property Services disposed of its entire equity interest in Sichuan Rongyue to Rong Liang Group at a nominal value of RMB1 as the registered capital of Sichuan Rongyue was not due for payment in accordance with its articles of association at the time of such disposal. Upon completion of such disposal, Sichuan Rongyue ceased to be a subsidiary of our Company and our Company is no longer interested in Sichuan Rongyue.

(b) *Disposal of Qiannanhu Life*

Qiannanhu Life was established in the PRC with limited liability on December 21, 2017 and was owned as to 51% by Sichuan Linghui, an indirect wholly-owned subsidiary of our Company, and 49% by Longli County Yu An Property Service Co., Ltd. (龍里縣宇安物業服務有限公司) (“**Longli County Yu An**”), which in turn is owned as to 70% by Mr. Tang Songping (唐松平) and 30% by Ms. Wang Liyang (王麗陽), both being Independent Third Parties, prior to the disposal. Qiannanhu Life is principally engaged in the provision of property management services.

Since our Group and Longli County Yu An had different views in business directions and development strategies of Qiannanhu Life, on January 9, 2020, Sichuan Linghui disposed of its entire 51% equity interest in Qiannanhu Life to Mr. Shen Shunlin (申順林), an Independent Third Party, at a consideration of RMB561,000, which was determined after arm’s length negotiation with reference to the then paid-up registered capital of Qiannanhu Life and the investment cost made by Sichuan Linghui, and was fully settled on January 17, 2020. Upon completion of such disposal, Qiannanhu Life ceased to be a subsidiary of our Company and our Company is no longer interested in Qiannanhu Life.

As confirmed by our Directors, each of Sichuan Rongyue, Qiannanhu Life and Xinxiang Meiman had complied with the applicable laws and regulations in all material respects, and had not been involved in any material legal, regulatory, arbitral or

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

administrative proceedings, investigations or claims prior to its disposal. As confirmed by our PRC Legal Advisors, the relevant procedures and steps involved in the aforesaid disposals had been properly and legally completed.

2. Incorporation of our Company

On August 28, 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued to the initial subscriber, an Independent Third Party and such Share was transferred to Yuelai Holding on the same date. On August 28, 2020, an additional 9,999 Shares were allotted and issued in the following manner:

- (a) 3,317 Shares to Tianyue Holding, which is wholly owned by Mr. Liu Haowei;
- (b) 3,316 Shares to Linghui Holding, which is wholly owned by Mr. Liu Ce;
- (c) 3,315 Shares to Yuelai Holding, which is wholly owned by Mr. Liu Yuhui;
- (d) 17 Shares to Tianyue Capital, which is wholly owned by Ms. Wang Tao;
- (e) 17 Shares to Fusheng Capital, which is wholly owned by Ms. Long Yiqin; and
- (f) 17 Shares to Linghui Capital, which is wholly owned by Ms. Hou Sanli.

Upon completion of the above allotments and issue of Shares, our Company became owned as to approximately 33.17% by Tianyue Holding, 33.16% by Linghui Holding, 33.16% by Yuelai Holding, 0.17% by Linghui Capital, 0.17% by Fusheng Capital and 0.17% by Tianyue Capital.

3. Incorporation of Ling Yue Investment

On September 18, 2020, Ling Yue Investment was incorporated in the BVI with limited liability. Upon its incorporation, one share of Ling Yue Investment was allotted and issued to our Company and Ling Yue Investment became a direct wholly-owned subsidiary of our Company.

4. Incorporation of Ling Yue Capital

On October 8, 2020, Ling Yue Capital was incorporated in Hong Kong with limited liability. Upon its incorporation, 10,000 shares of Ling Yue Capital were allotted and issued to Ling Yue Investment and Ling Yue Capital became an indirect wholly-owned subsidiary of our Company.

5. Capital injection in Lingyue Property Services by Duyue Capital

On December 1, 2020, Duyue Capital made a capital injection of RMB637,375 into Lingyue Property Services (of which approximately RMB606,100 was contributed to the registered capital of Lingyue Property Services and the remainder to its capital reserve). Upon completion of such capital injection, Lingyue Property Services became owned as to approximately 99% by Rong Liang Group and 1% by Duyue Capital and was converted into a sino-foreign joint venture. See “—Pre-IPO Investment” below.

6. Establishment of Chengdu Rongyue Jinghui and acquisition of approximately 99% equity interest in Lingyue Property Services by Chengdu Rongyue Jinghui

On December 11, 2020, Chengdu Rongyue Jinghui was established in the PRC with limited liability as a wholly foreign-owned enterprise with an initial registered capital of US\$5.0 million. Upon its establishment, Chengdu Rongyue Jinghui was wholly owned by Ling Yue Capital.

On December 17, 2020, Rong Liang Group transferred its approximately 99% equity interest in Lingyue Property Services to Chengdu Rongyue Jinghui at a consideration of approximately RMB63.1 million, which was determined after arm’s length negotiations with reference to the value of the equity interest held by the shareholders in Lingyue Property Services as of June 30, 2020, as assessed by an independent professional valuer and was fully settled on February 2, 2021. Upon completion of such equity transfer, Lingyue Property Services became owned as to approximately 99% by Chengdu Rongyue Jinghui and 1% by Duyue Capital.

7. Allotment of new Shares and the acquisition of Duyue Investment

On January 21, 2021, our Company further allotted and issued 16,386 Shares, 16,381 Shares, 16,381 Shares, 84 Shares, 84 Shares and 84 Shares to Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital, respectively.

On the same date, Duyue Holding transferred all the issued shares of Duyue Investment to our Company in exchange for the allotment and issue of 600 Shares by our Company to Duyue Holding. Upon completion of such share transfer, each of Duyue Investment, Duyue Capital and Lingyue Property Services became our wholly-owned subsidiary and our Company became owned as to approximately 32.83% by Tianyue Holding, 32.83% by Linghui Holding, 32.83% by Yuelai Holding, 0.17% by Tianyue Capital, 0.17% by Fusheng Capital, 0.17% by Linghui Capital and 1.00% by Duyue Holding.

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PRE-IPO INVESTMENT

On December 1, 2020, Duyue Capital made a capital injection of RMB637,375 into Lingyue Property Services (of which approximately RMB606,100 was contributed to the registered capital of Lingyue Property Services and the remainder to its capital reserve). Duyue Capital is a company incorporated in Hong Kong with limited liability and wholly owned by Duyue Investment. At the time of such capital injection, Duyue Investment was wholly owned by Duyue Holding, a company incorporated in the BVI with limited liability, which in turn was wholly owned by Mr. Wei Yue (“**Mr. Wei**”). Upon completion of such capital injection, Duyue Capital became interested in approximately 1% of the equity interest in Lingyue Property Services. On January 21, 2021, as part of the Reorganization, Duyue Holding transferred all the issued shares of Duyue Investment to our Company in exchange for the allotment and issue of 600 Shares by our Company to Duyue Investment. Details of the above investment by Mr. Wei are set forth below:

Name of the investor	:	Duyue Holding
Amount of cash consideration paid	:	RMB637,375 (equivalent to approximately HK\$768,941)
Date of investment agreement	:	November 20, 2020
Basis of determination of the consideration	:	Based on the value of the equity interest held by the shareholders in Lingyue Property Services as of June 30, 2020, as assessed by an independent professional valuer (the “ Valuer ”) after arm’s length negotiations among our Company and Duyue Holding
Date of settlement of the consideration	:	January 7, 2021
Cost per Share paid ⁽¹⁾	:	HK\$0.37
Discount to mid-point of the Offer Price range	:	Approximately 91.2%
Use of Pre-IPO Investment proceeds	:	The proceeds from the Pre-IPO Investment will be used for financing the projects under management by our Group. As of the Latest Practicable Date, approximately 89.0% of the proceeds from the Pre-IPO Investment had been utilized. It is expected that the proceeds from the Pre-IPO Investment will be fully utilized by June 30, 2021

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding in our Company immediately after the Pre-IPO Investment	:	1%
Shareholding in our Company immediately after the Global Offering ⁽²⁾	:	0.75%
Strategic benefits to our Company	:	Our Directors are of the view that our Group can be benefited from the Pre-IPO Investment as it demonstrates the pre-IPO investor's confidence in the operations of our Group and serves as an endorsement of our Group's performance, strength and prospects, which can assist us in broadening our shareholder base. In addition, we believe Mr. Wei's international footprint in Australia and the PRC will bring business foresight to our Group. Leveraging his extensive experience in real estate investment and property management sector and coupled with his personal network, we believe Mr. Wei will also be able to bring benefits to our Group by providing recommendations on investment and will add value to the profile of our Company. Mr. Wei, through his personal network, has assisted us in exploring business cooperation opportunities with various local property developers on property management projects and local property management companies located in Guizhou Province and Sichuan Province, respectively. We were subsequently contracted to provide property management services to some properties located therein. See “—Pre-IPO Investment—Information regarding Duyue Holding and Mr. Wei” below for details.
Special rights	:	None of Mr. Wei nor Duyue Holding is entitled to any special rights under the Pre-IPO Investment

Notes:

- (1) Being the cost of the Pre-IPO Investment per Share held by Duyue Holding immediately after the Capitalization Issue.
- (2) Without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

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The consideration for the Pre-IPO Investment was determined after arm's length negotiations between our Company and Duyue Holding with reference to the value of the equity interest held by the shareholders in Lingyue Property Services of approximately RMB63.1 million as of June 30, 2020, as assessed by the Valuer using the asset-based approach, which is based on the appraisal of the assets and liabilities of Lingyue Property Services (including the current assets and non-current assets such as the financial asset available for sale, long-term equity investment and fixed assets) as of June 30, 2020. According to the valuation report prepared by the Valuer, the appraised total assets and total liabilities of Lingyue Property Services amounted to approximately RMB222.5 million and approximately RMB159.4 million, respectively, as of June 30, 2020. Our Company and Duyue Holding had also considered the future prospects of the Group but in view of the uncertainty of the tendering process, delivery schedule of the properties and profitability of property projects, our Directors are of the view that the valuation using the asset-based approach is reasonable.

Other factors were also taken into account in the determination of the consideration including: (i) the investment risk assumed by the Pre-IPO Investor under the terms of the Pre-IPO Investment agreement in the case the Global Offering fails to proceed, the uncertainty of the success of Listing, as well as other investment risks assumed by the pre-IPO investor in investing in an unlisted company, including but not limited to, the lack of liquidity and open market for trading in our Shares and no guarantee in receiving dividend during the period from the completion of the Pre-IPO Investment to the completion of the Global Offering; (ii) Mr. Wei will bring strategic benefits to our Group as detailed in “—Information regarding Duyue Holding and Mr. Wei” in this section below; and (iii) Duyue Holding will be subject to lock-up for a period of six months after Listing. Taking into account that the Pre-IPO Investment was completed before the Offer Price and the market capitalization of our Company were determined for the purpose of Listing and such investment was considered a long term investment, as well as the aforesaid risks and restrictions borne by the Pre-IPO Investor, the expected market capitalization of our Group upon Listing was not factored into the determination of the consideration for the Pre-IPO Investment. Therefore, there is difference between the valuation of the Group at the time of the Pre-IPO Investment and that upon completion of the Global Offering, which resulted in the discount of approximately 91.2% to the mid-point of the Offer Price range. Such discount reflects the differences in position between the Pre-IPO Investor and the investors of the Global Offering.

Our PRC Legal Advisors are of the view that the Pre-IPO Investment was conducted in compliance with all applicable laws and regulations.

Information regarding Duyue Holding and Mr. Wei

Duyue Holding is an investment holding company incorporated in the BVI with limited liability and is wholly owned by Mr. Wei. Mr. Wei is an entrepreneur with years of experience in real estate investment and property management sector in Australia. Mr. Wei holds equity interests and serves as the executive director in various private companies in Australia across the residential and commercial properties development, property management, real estate projects marketing, asset and wealth management sectors. He has also invested in companies providing investment immigration services through offering investors with high-quality and diversified investment products and has established good cooperation relationships with high net worth individuals in the PRC. Mr. Wei became acquainted with Mr. Liu Yuhui and Ms. Long Yiqin at business and social events in Australia in around 2016. In August 2017, Mr. Wei and Ms. Long Yiqin set up Leading Group Development Pty Ltd for the purpose of property investment in Australia. Through regular contact with Mr. Liu Yuhui and Ms. Long Yiqin, Mr.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Wei became interested in the PRC real estate industry and developed confidence in the performance and prospect of Leading Holdings, which led to his participation in the pre-IPO investment in Leading Holdings in November 2019. It was through Mr. Wei's investment in Leading Holdings that he became familiar with the property management sector and our Group's business and prospects. After being introduced by Mr. Liu Yuhui with the investment opportunity, and in view of our Group's established track record and being confident of our prospects, Mr. Wei became our Shareholder through the Pre-IPO Investment.

With Mr. Wei's background and experience in real estate investment and property management sector and his business network, our Directors believe that Mr. Wei could provide our Group with insights and recommendations in formulating our strategy in future business expansion and acquisitions as and when required. By considering Mr. Wei's relationships and connections within his business network established through his years of business activities as well as his long-term strategic cooperation relationships with well-known developers, banks, educational institutions, industry associations, and large financial institutions, our Directors believe that the Pre-IPO Investment will bring synergies to our Group's property management business. For example, since the completion of the Pre-IPO Investment, Mr. Wei has shared with our Directors his insights on the outlook and prospects of the PRC property management industry and valuable suggestions on providing quality property management services to mid- to high-end properties based on his years of experience in property management sector, which helped our Directors to better formulate our business strategies. In addition, Mr. Wei's experience in commercial properties development and projects marketing has allowed him to provide insight to our Group in diversifying our portfolio in property management and strengthening our value-added services, which we have already taken into consideration. Also, leveraging on his personal network and contacts Mr. Wei has been and will be able to bring benefits to our Group by providing recommendations on investment and financing to support our future business expansion. Mr. Wei, through his personal network, has assisted us in exploring business cooperation opportunities with various local property developers on property management projects and local property management companies located in Guizhou Province and Sichuan Province, respectively. We were subsequently contracted to provide property management services to some properties located therein. Other than the shareholding in our Group, Duyue Holding and Mr. Wei are independent from our Group.

Lock-up and public float

The Shares held by Duyue Holding will be subject to lock-up for a period of six months after Listing. As neither Mr. Wei nor Duyue Holding is a core connected person of our Company, Shares held by Duyue Holding will be counted towards the public float upon Listing.

Compliance with interim guidance

On the basis that (i) the consideration for the Pre-IPO Investment has been settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange; and (ii) none of Mr. Wei nor Duyue Holding is entitled to any special rights under the Pre-IPO Investment, the Sole Sponsor has confirmed that the terms of the Pre-IPO Investment by Duyue Holding are in compliance with (a) the Guidance Letter HKEx-GL-29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; and (b) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Mr. Liu Haowei is the son of Ms. Wang Tao. Mr. Liu Ce is the son of Ms. Hou Sanli. Mr. Liu Yuhui is the spouse of Ms. Long Yiqin.
- (2) The remaining 30% equity interest in Meishan Linghui was held as to 15% by Meishan Wuxing Property Management Co., Ltd. (眉山市物興物業管理有限公司) and 15% by Meishan Mading Property Management Co., Ltd. (眉山馬丁物業管理有限公司), both of which are principally engaged in the provision of property management services and Independent Third Parties.
- (3) The remaining 45% equity interest in Jilin Junyi was held by Nuoruide Investment, which is a property developer and an Independent Third Party (other than being a substantial shareholder of Jilin Junyi). Nuoruide Investment is the business partner of Leading Group for a property development project and Jilin Junyi was set up to manage such project.
- (4) The remaining 49% equity interest in Meishan Tianfu was held by Meishan Tianfu Labor Service, which is principally engaged in the provision of property management services and labor subcontracting and an Independent Third Party (other than being a substantial shareholder of Meishan Tianfu). On March 8, 2021, Ms. Li Yunhui transferred 80% and 20% of her equity interest in Meishan Tianfu Labor Service to Ms. Li Qunying (李群英) and Ms. Zhao Ping (趙萍), respectively, each being Ms. Li Yunhui's associate and an Independent Third Party of our Group.
- (5) The remaining 49% equity interest in Xinxiang Linghui was held by Xinxiang Kunpeng Property Management Co., Ltd. (新鄉市鯤鵬物業管理有限公司) (“**Xinxiang Kunpeng**”), which is principally engaged in the provision of property management services and an Independent Third Party. Xinxiang Kunpeng has business cooperation with Xinxiang Kunpeng Hengfeng Real Estate Co., Ltd. (新鄉市鯤鵬恒豐置業有限公司), the property developer of a residential project located in Xinxiang, and Xinxiang Linghui is managing the sales office of such project.
- (6) The remaining 49% equity interest in Chengdu Hecheng was held by Sichuan Yihe Chengbang Culture Communication Co., Ltd. (四川一和誠邦文化傳播有限公司) (“**Sichuan Yihe**”), which is a media and advertising company and an Independent Third Party. We jointly set up Chengdu Hecheng with Sichuan Yihe for engaging in property management business.
- (7) The remaining 50% equity interest in Sichuan Huifeng was held as to 25% by Sichuan Jiuding Jiasheng and 25% by Sichuan Hongda Chuanyi. On April 27, 2021, Sichuan Jiuding Jiasheng and Sichuan Hongda Chuanyi transferred their entire equity interests in Sichuan Huifeng to Sichuan Jingbang Property Service Co., Ltd. (四川景邦物業服務有限公司) (“**Sichuan Jingbang**”) and Sichuan Chuanyi Huifeng Property Management Co., Ltd. (四川省川億滙豐物業管理有限公司) (“**Sichuan Chuanyi**”), respectively, both of which are Independent Third Parties. Sichuan Jingbang and Sichuan Chuanyi are principally engaged in the provision of property management services. Pursuant to (i) an acting in concert agreement entered into between Sichuan Linghui and Sichuan Chuanyi, Sichuan Linghui is entitled to exercise voting rights of 75% of the registered capital of Sichuan Huifeng; and (ii) the updated articles of association of Sichuan Huifeng, Sichuan Lingyue is entitled to appoint the sole director of Sichuan Huifeng. Sichuan Huifeng therefore continues to be our subsidiary.
- (8) The remaining 45% equity interest in Kuche Xingyuyue was held by Mr. Wang Kewei (王科偉), an Independent Third Party who has the business connection with the local property developer of a residential property project located in Xinjiang Uygur Autonomous Region which is under the management of Kuche Xingyuyue.
- (9) The remaining 46.31% equity interest in Ziyang Jiamei was held by Mr. Li Yan'e (李雁鄂), an Independent Third Party (other than being a substantial shareholder of Ziyang Jiamei). See above “—Our Corporate Developments—Acquisitions during the Track Record Period—Ziyang Jiamei” above for further details in relation to Mr. Li Yan'e.
- (10) The remaining 48% equity interest in Zhumadian Huiyue was held by Zhumadian Jianda Property Development Co., Ltd. (駐馬店建大房地產開發有限公司) (“**Zhumadian Jianda**”), which is a property developer and an Independent Third Party. Zhumadian Jianda is the local property developer of a residential property project located in Zhumadian which is under the management of Zhumadian Huiyue.

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- (11) The remaining 48% equity interest in Bazhou Huiyue was held by Mr. Li Kai (李愷), an Independent Third Party who has the business connection with the local property developer of a residential property project located in Xinjiang Uygur Autonomous Region which is under the management of Bazhou Huiyue.
- (12) Zhengzhou Huiyue was established in the PRC with limited liability on September 23, 2020, an indirect non-wholly owned subsidiary of our Company which is owned as to 52% by Sichuan Linghui and 48% by Xinxiang Shenneng Real Estate Development Co., Ltd. (新鄉申能房地產開發有限公司) (“**Xinxiang Shenneng**”), which is a property developer and an Independent Third Party. Xinxiang Shenneng is developing certain residential projects located in Xinxiang, and Zhengzhou Huiyue was established for the purpose of provision of the property management services to such projects subject to going through applicable tender and bidding procedures.
- (13) Sichuan Lingju was established in the PRC with limited liability on September 27, 2020 and is an indirect wholly-owned subsidiary of our Company.
- (14) Xichang Rongyue was established in the PRC with limited liability on December 7, 2020 and is an indirect wholly-owned subsidiary of our Company.
- (15) Kashi Hechuang was established in the PRC with limited liability on December 25, 2020 and is an indirect non-wholly owned subsidiary of our Company which is owned as to 65% by Sichuan Linghui and 35% by Kashi Huitai Real Estate Development Co., Ltd. (喀什慧泰房地產開發有限公司) (“**Kashi Huitai**”), an Independent Third Party. Kashi Huitai is the local property developer of a residential project located in Xinjiang Uygur Autonomous Region which is under the management of Kashi Hechuang.
- (16) Sichuan Linghui Yisheng was established in the PRC with limited liability on March 23, 2021 and is an indirect non-wholly owned subsidiary of our Company which is owned as to 51% by Sichuan Linghui and 49% by Sichuan Yisheng Industrial Co., Ltd. (四川頤升實業有限公司) (“**Sichuan Yisheng**”), an Independent Third Party. Sichuan Yisheng is the local property developer of a residential project located in Guizhou Province, and Sichuan Linghui Yisheng is managing the sales office of such project.
- (17) Ziyang Jiamei Cleaning became a direct wholly-owned subsidiary of Ziyang Jiamei on October 1, 2020.
- (18) Ziyang Jiamei Services became a direct wholly-owned subsidiary of Ziyang Jiamei on October 1, 2020.
- (19) Percentages are rounded to two decimal places.

INCREASE IN AUTHORIZED CAPITAL

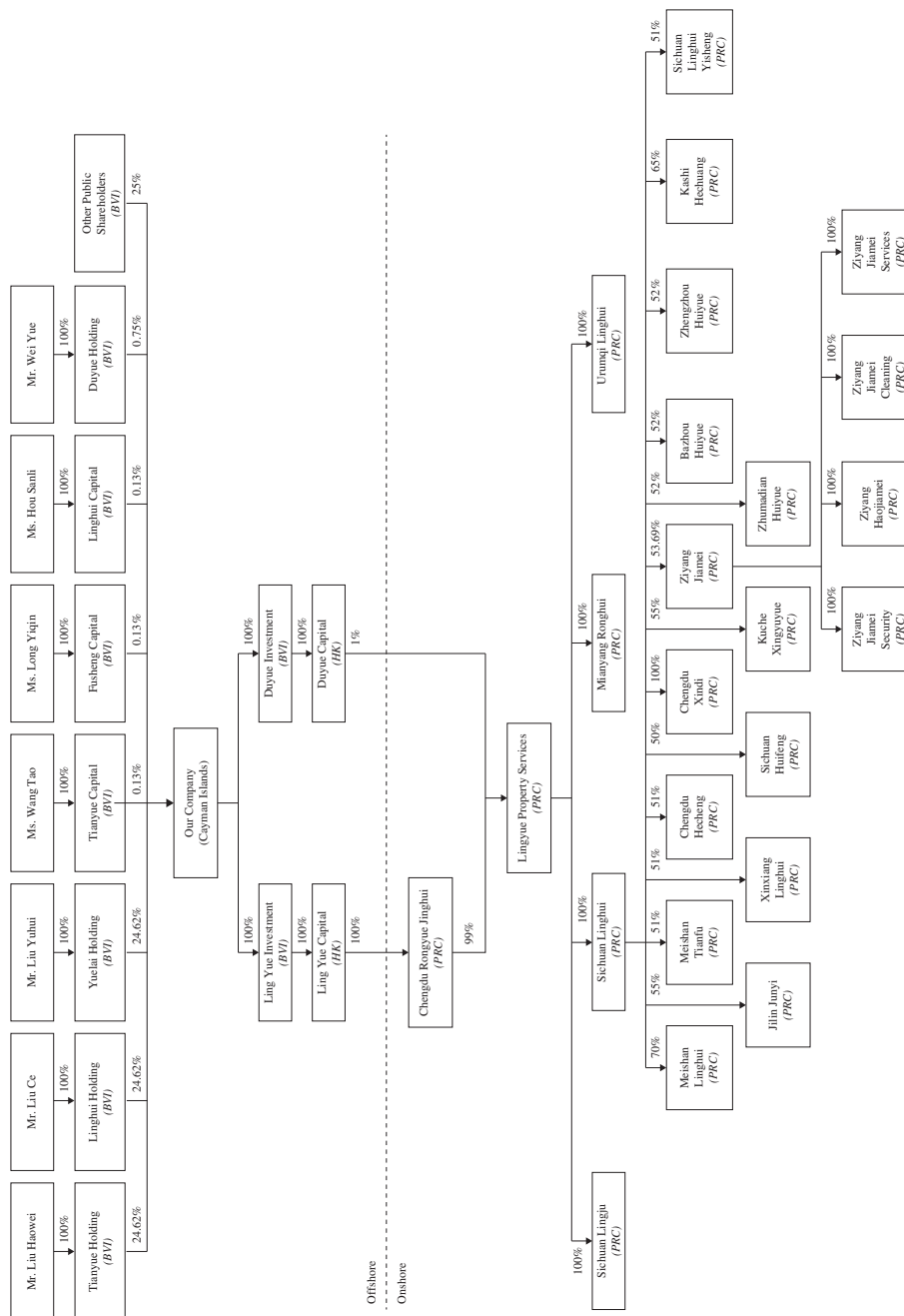
On June 22, 2021, our authorized share capital was increased from HK\$380,000 to HK\$6,000,000 by the creation of additional 562,000,000 Shares, and following such increase, the authorized share capital of our Company was HK\$6,000,000 divided into 600,000,000 Shares of HK\$0.01 each.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on June 22, 2021, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to capitalize an amount of HK\$2,099,400 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 209,940,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company. The Shares to be allotted and issued pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

CORPORATE STRUCTURE UPON COMPLETION OF THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth our corporate and shareholding structure upon completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):



Note: See the notes under “—Corporate Structure After the Reorganization and Immediately Before Completion of the Capitalization Issue and the Global Offering.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that all necessary government approvals and permits from the relevant PRC authorities in respect of the equity transfers and changes in registered capital of the PRC companies in our Group under “—Our Corporate Developments” in this section above have been obtained, and all the relevant legal procedures were completed in compliance with the relevant PRC laws and regulations. Our PRC Legal Advisors have further advised that, we have obtained all necessary approvals from the relevant PRC authorities required for the implementation of the Reorganization.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “**Foreign Investment Information Measures**”), since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in the PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures. As advised by our PRC Legal Advisors, Lingyue Property Services has submitted investment information through the unified platform of the Business System of the MOFCOM (商務部業務系統統一平臺) for the 1% capital contribution by Duyue Capital in Lingyue Property Services (the “**Capital Increase**”) pursuant to the Foreign Investment Information Measures and has obtained the new business license in December 2020.

Upon the completion of the Capital Increase, Lingyue Property Services became a foreign-invested enterprise. For the acquisition of 99% equity interests of Lingyue Property Services by Chengdu Rongyue Jinghui (the “**Acquisition**”), as advised by our PRC Legal Advisors, the Acquisition, which happened after Lingyue Property Services was converted into a foreign-invested enterprise, was deemed as having caused changes in shareholders due to the acquisition of equity interests of a foreign-invested enterprise. The M&A Rules do not apply to equity transfers of an established foreign-invested enterprise by the domestic party to foreign parties. Therefore, the M&A Rules are not applicable to the Acquisition. Instead, the Acquisition shall comply with the Foreign Investment Information Measures. Lingyue Property Services has submitted investment information through the unified platform of the Business System of the MOFCOM and completed the registration of the change of shareholders for the Acquisition pursuant to the Foreign Investment Information Measures, and obtained the new business license in December 2020.

SAFE Registration in the PRC

Pursuant to the Circular on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicles 《(關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)》 (“SAFE Circular No. 37”) issued by SAFE on July 4, 2014, where the PRC individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. SAFE Circular No. 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

As advised by our PRC Legal Advisors, Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli have completed the registration in November 2020 in accordance with SAFE Circular No. 37.

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You should read this prospectus in its entirety before you decide to invest in the Offer Shares, 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 prospectus. All market statistics quoted in this prospectus, unless otherwise specified, are from the Savills and EH Consulting Report. For the qualifications of Savills and EH Consulting as well as details of the industry report, see "Industry Overview" in this prospectus.

OVERVIEW

We are a reputable property management company rooted in Sichuan Province with a well-established position in Western China and a presence across China. In 2020, we were ranked 55th among the Top 100 Property Management Companies in China in terms of Overall Strength (中國物業企業綜合實力百強) by EH Consulting. We were also ranked 12th among Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強) by China Index Academy (中國指數研究院) in 2020 and recognized as one of Top 10 Sichuan Quality Property Company (四川十大品質物業) by West China City Daily (華西都市報) and Cover News (封面新聞) in 2020. As of December 31, 2020, we had been contracted to manage 234 properties with an aggregate contracted GFA of approximately 36.2 million sq.m., and had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under our management, covering 31 cities in nine provinces, one autonomous region and one municipality. As of the Latest Practicable Date, our aggregate contracted GFA and GFA under management reached approximately 37.7 million sq.m. and 20.7 million sq.m. In recognition of our service quality, we were recognized as one of 2020 Top 50 Model Chinese Property Management Companies for Customer Satisfaction (2020中國物業企業客戶滿意度模範企業50強) and Top 50 Chinese Property Management Companies for Superior Service Capabilities (2020中國物企超級服務力五十強) by EH Consulting. We were also awarded China Top Five Property Management Companies in terms of Quality Benchmarking Community Service (中國物企優質社區標桿服務五強) by EH Consulting in 2020 for our quality service provided to one of the exemplars of our property projects, namely Leshan Leading Lantai House (樂山領地蘭台府) and China Five-Star Property Management Projects (中國五星級物業服務項目) by China Index Academy (中國指數研究院) in 2020 for another exemplar of our property projects, namely Leshan Leading International Mansion (樂山領地國際公館).

During the Track Record Period, we generated revenue primarily from property management services, value-added services to non-property owners and community value-added services:

- *Property management services.* We offer a wide range of property management services to property owners, residents and property developers, as well as tenants in non-residential properties under our management. Our services typically include security services, cleaning and greening services, and repair and maintenance services. We manage a diverse portfolio of properties, including residential properties, commercial properties and public and other properties.

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- *Value-added services to non-property owners.* We offer value-added services to non-property owners, including (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services.
- *Community value-added services.* We offer community value-added services primarily to property owners and residents to make their lives more convenient, such as (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

We achieved rapid growth during the Track Record Period. Our GFA under management increased from approximately 8.0 million sq.m. as of December 31, 2018 to approximately 14.2 million sq.m. as of December 31, 2019 and further to approximately 20.2 million sq.m. as of December 31, 2020. Our revenue increased from RMB169.0 million for the year ended December 31, 2018 to RMB280.0 million for the year ended December 31, 2019, and further to RMB428.2 million for the year ended December 31, 2020, representing a CAGR of 59.2%. Our net profit increased from RMB14.1 million for the year ended December 31, 2018 to RMB35.4 million for the year ended December 31, 2019, and further to RMB70.3 million for the year ended December 31, 2020, representing a CAGR of 123.3%. According to EH Consulting, our ranking among the Top 100 Property Management Companies in China in terms of Overall Strength improved notably from 78th in 2018 to 55th in 2020. Our revenue per sq.m. in 2019 was RMB19.7 per sq.m. per month. We were ranked fifth, fifth, fourth and fourth, respectively, among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019. We were ranked 13th, 13th, 12th and eighth, respectively, among the Top 100 Property Management Companies headquartered in Western China in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019.

OUR COMPETITIVE STRENGTHS

We believe that our strong market position is mainly attributable to the following competitive strengths:

A reputable property management company rooted in Sichuan Province with a well-established position in Western China

We are a reputable property management company rooted in Sichuan Province with a well-established position in Western China and a presence across China. We are experiencing a rapid growth. Our GFA under management increased from approximately 8.0 million sq.m. as of December 31, 2018 to approximately 14.2 million sq.m. as of December 31, 2019 and further to approximately 20.2 million sq.m. as of December 31, 2020. Our revenue increased from RMB169.0 million for the year ended December 31, 2018 to RMB280.0 million for the year ended December 31, 2019, and further to RMB428.2 million for the year ended December 31, 2020, representing a CAGR of 59.2%. Our net profit increased from RMB14.1 million for

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the year ended December 31, 2018 to RMB35.4 million for the year ended December 31, 2019, and further to RMB70.3 million for the year ended December 31, 2020, representing a CAGR of 123.3%. According to EH Consulting, our ranking among the Top 100 Property Management Companies in China in terms of Overall Strength improved notably from 78th in 2018 to 55th in 2020. We were also ranked 12th among Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強) by China Index Academy (中國指數研究院) in 2020 and recognized one of Top 10 Sichuan Quality Property Company (四川十大品質物業) by West China City Daily (華西都市報) and Cover News (封面新聞) in 2020. Our revenue per sq.m. in 2019 was RMB19.7 per sq.m. per month. We were ranked fifth, fifth, fourth and fourth, respectively, among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019. We were ranked 13th, 13th, 12th and eighth, respectively, among the Top 100 Property Management Companies headquartered in Western China in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019.

Founded in 2002, we have developed into a well-established comprehensive property management service provider in Sichuan Province, and have been focusing on providing property management services in Western China. The GDP of Sichuan Province increased from RMB3,010.3 billion in 2015 to RMB4,859.9 billion in 2020, representing a CAGR of 10.1%. The GDP of Western China increased from RMB14,552.1 billion in 2015 to RMB21,329.2 billion in 2020, representing a CAGR of 7.9%. The local property management service market in Sichuan Province and Western China is experiencing a rapid growth. The total revenue of the property management industry in Sichuan Province increased from approximately RMB20.8 billion in 2015 to approximately RMB48.2 billion in 2020, representing a CAGR of 18.0%. The total revenue of the property management industry in Western China increased from approximately RMB98.1 billion in 2015 to approximately RMB183.3 billion in 2020, representing a CAGR of 13.3%. We believe that the rapid economic growth and the development of the local property management service market in Sichuan Province and Western China will continue to propel the growth of our business.

We also endeavor to expand our business into major cities in other regions in China. As of December 31, 2020, we had been contracted to manage 234 properties with an aggregate contracted GFA of approximately 36.2 million sq.m., covering 31 cities in nine provinces, one autonomous region and one municipality, including Sichuan, Guangdong, Xinjiang, Jilin and others, and had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under our management. In 2020, we were ranked 55th among the Top 100 Property Management Companies in China in terms of Overall Strength (中國物業企業綜合實力百強) by EH Consulting. In addition, we were awarded China Top 100 Blue Chip Property Management Companies (中國藍籌物業百強企業) and Regional Leading Value Enterprise (區域領先價值企業) at the 2020 Top 100 Blue Chip Property Management Companies Summit by the Economic Observer (經濟觀察報) in 2020 and Featured Brand of Property Management Service Enterprise-Healthy Living Service Provider (特色物業服務品牌企業-健康生活服務商) by E-house China R&D Institute (上海易居房地產研究院) and China Property Management Institution (中國物業管理協會) in 2019.

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Diversified business lines and service offerings to help us achieve rapid growth

Our property management services cover a wide variety of property types, including residential properties, commercial properties and public and other properties. Non-residential properties have been contributing to an increasing portion of the properties under our management. As of December 31, 2018, 2019 and 2020, non-residential properties under our management amounted to 0.6 million sq.m., 4.3 million sq.m. and 7.2 million sq.m., respectively, contributing to approximately 6.9%, 30.1% and 35.4%, respectively, of our GFA under management.

We offer a comprehensive portfolio of property management services in order to diversify our sources of revenue and achieve rapid growth. We primarily generate revenue from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. In recent years, we have been strengthening our community value-added service offerings. The community value-added services we provide include (i) community space management services, (ii) decoration and turnkey furnishing services, (iii) convenient living services, and (iv) community retail services. Leveraging our in-depth understanding of the needs of our residents, we endeavor to further diversify our community value-added services. Community value-added services have been enhancing our financial performance, as they typically generate higher profit margins, as compared to other types of property management services. For the years ended December 31, 2018, 2019 and 2020, the gross profit margins of our community value-added services amounted to 44.2%, 45.8% and 47.9%, respectively.

In addition, we keep developing our value-added services to non-property owners. Our value-added services to non-property owners include (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance; and (vi) security support services. As of December 31, 2020, we provided value-added services to 17 third-party property developers, including managing their 17 sales offices. Value-added services to non-property owners also help increase our profit margins. For the years ended December 31, 2018, 2019 and 2020, the gross profit margins of our value-added services to non-property owners amounted to 28.2%, 31.3% and 35.0%, respectively. Furthermore, we believe that the expertise and skills we demonstrate in providing value-added services to non-property owners help us establish cooperative relationship with property developers and secure post-delivery property management projects from them. During the Track Record Period, approximately 98.6% of the third-party property developers to whom we had provided value-added services engaged us to provide property management services after delivery of the properties.

Long-term support from Leading Holdings Group and independent business development capabilities bringing us significant growth opportunities

Leading Holdings Group is a property developer with a leading market position among the Sichuan-based property developers and a nationwide presence. It was recognized as one of the “Best 100 of China Real Estate Developers (中國房地產開發企業100強)” in 2020 in terms of comprehensive capabilities according to China Real Estate Industry Association (中國房地產協會). In addition, it was recognized as one of the “China Top 100 Real Estate Developers (中國房地產百強企業)” for four consecutive years starting from 2017 in terms of comprehensive capabilities, and ranked the 72nd in 2020, according to China Real Estate Top 10 Research (中國房地產TOP10研究組). Over the past 20 years, it has established a nationwide presence focusing on Chengdu-Chongqing Economic Zone (成渝經濟帶) and Sichuan Province, Central China (華中), Beijing-Tianjin-Hebei Region (京津冀地區) and Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), with projects located in more than 20 cities in China. As of December 31, 2020, it had 106 property development projects at various stages of development by its subsidiaries, joint ventures and associates. As of December 31, 2020, the total land bank attributable to it was approximately 16.5 million sq.m. It develops a variety of residential and commercial properties primarily under 11 series. We believe that the land reserves of Leading Holdings Group and its continuous expansion will bring about steady support to our business. During the Track Record Period, our tender success rate for properties developed by Leading Holdings Group was 100%. We expect to continue to win tender bids for properties developed by Leading Holdings Group.

Our rapid growth during the Track Record Period was also driven by our capabilities to successfully secure engagements from third parties. In addition to securing engagements independently, we have been seeking to enter into our target regions through mergers and acquisitions. We have formulated detailed guidelines to cover the execution of the entire merger and acquisition process, including target selection, decision-making and post-investment management mechanism. We have set up a stringent set of criteria to select acquisition targets, including legal compliance and minimum GFA under management, revenue and net profit margin. The targets should locate in regions where we are strategically developing our business with potential to expand in the local markets, such as selected cities with good economic performance in Western China, Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區). We implement a series of procedures to evaluate risks in our acquisition targets, such as finance audit, human resource audit and due diligence. We have assigned the investment development department to integrate our newly acquired companies into our business and have internal control policies in place to monitor such integration. After an acquisition agreement is executed, a dedicated team will be organized during the preparation period by including personnel from our various departments to take charge of the daily operation, quality control, human resources and other administrative aspects, accounting, brand and marketing, value-added business development, information technology, legal affairs of the acquired companies. Our investment development department will be in charge of monitoring the performance of the investment agreements. A supervisory team will be in charge of reviewing the planning and execution of the integration of the acquired companies. The works

in the delivery period, which typically lasts no longer than one month after the preparation period, involve transferring documents and files of the acquired company and its projects, changing company seals, examining the accounting record, assets and other resources, visiting the property projects under management to maintain customer relationship, tracking any key on-going events, such as contract renewal and litigation, and other delivery works. Then a break-in period of approximately two to six months follows, which involves training the decision-making and management teams of the acquire company, improving the quality of service to the property projects under its management, channeling the acquired company into our accounting, procurement, risk management and other internal systems, and reviewing the break-in results. Then a stabilization period of approximately six to 12 months follows, which involves continuous monitoring on the acquired company's daily operation, operating results and financial performance.

As of December 31, 2020, we had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under management, including approximately 11.0 million sq.m., or 54.6%, developed by third-party property developers. As of the same date, we were contracted to manage an aggregate GFA of approximately 36.2 million sq.m., including approximately 15.4 million sq.m., or 42.5%, being developed by third-party property developers.

Recognized “Lingyue” brand underpinned by our quality services

Since the inception of our business, we have been adhering to our brand concept of “Leading and Joy” (領於先,悅於心) and aiming to bring technologies into the communities that we manage. We endeavor to build on our quality property management service and offer services closely tied to what property owners and residents need in their daily lives. We believe in “flat communication structure, diversified promotion channels and energetic brand content” (傳播層級扁平化、推廣管道多元化、品牌內容年輕化) and directly reach out to our target audience in second-and third-tier cities with creative brand content integrated with our corporate culture through low-cost and easy-to-spread promotion channels such as we-media and short-form video sharing platforms.

We have established and implemented stringent quality control system, and have obtained ISO9001:2015 certification for our quality management system, ISO14001:2015 certification for our environment management system and ISO45001:2018 certification for our occupational health and safety management system. We have also formulated a set of procedures to standardize the operation of all of our business lines with an aim to enhance our operational efficiency and the quality of our services.

Benefit from our stringent quality control system and standardized operational procedures, we have been able to provide our customers with quality services consistently, which has won us a high level of customer satisfaction. Our retention rate remained above 90% for the years ended December 31, 2018, 2019 and 2020. In 2020, we were recognized as one of 2020 Top 50 Model Chinese Property Management Companies for Customer Satisfaction (2020中國物業企業客戶滿意度模範企業五十強) and 2020 Top 50 Chinese Property Management Companies for Superior Service Capabilities (2020中國物企超級服務力五十強)

by EH Consulting. We were awarded China Top Five Property Management Companies in terms of Quality Benchmarking Community Service (中國物企優質社區標桿服務五強) by EH Consulting in 2020 for our quality service provided to one of the exemplars of our property projects, namely Leshan Leading Lantai House (樂山領地蘭台府) and China Five-Star Property Management Projects (中國五星級物業服務項目) by China Index Academy (中國指數研究院) for another exemplar of our property projects, namely Leshan Leading International Mansion (樂山領地國際公館).

We strive to utilize internet technologies to further enhance our customer experience and facilitate our customers to enjoy our services. Since 2019, we have been strategically implementing our Lingyue Service Smart Property Management Platforms, which integrate business operation platform, community service platform, smart IoT platform, infrastructural support platform, big data platform, the Shi Xiang Yue (時相悅) mobile application and Lingyue Jia (領悅家) mobile application. Through the Shi Xiang Yue (時相悅) mobile application, our residents can pay property management fees online without having to visit our offices. The residents can also submit repair and maintenance requests and file complaints through the Shi Xiang Yue (時相悅) mobile application. The Lingyue Jia (領悅家) mobile application allows our employees to review requests, reports and complaints from our customers in real-time and respond to our customers efficiently and also assist our employees in other ways to improve operation efficiency and service quality. We have integrated nine main functional modules through the Lingyue Jia (領悅家) mobile application, including data board, office management, customer management, request management, quality management, equipment basic management, safety management, environmental management and inspection management. Specifically, we have developed a customer relationship management system to assist us in understanding customers' service needs and improving our service quality, equipment management system and smart patrolling system to assist us in efficiently maintaining our equipment and facilities, and information digitalization center to display real-time operational data for our management to make informed judgments and business decisions.

Our experienced senior management team and capable workforce

We have an experienced management team. Our management team members have been working in the property management industry for an average of over 10 years. Many of them have work experience with large property management companies. Their extensive experience and strong management capabilities are key to our success.

We have established a talent pool management system. Through our new employee training program and mentoring program, we assign mentors to provide one-on-one training to our new employees and help them understand their tasks and integrate into our corporate culture. We train up our employees to follow our standardized operational procedures to ensure our service quality and efficiency. We also have a human resource succession plan under which we identify and train up our employees to step into more challenging roles. We train up project department heads, project managers and regional heads through “Excellence Program” (領優計劃), “Supremacy Program” (領越計劃) and “Elite Program” (領英計劃), respectively.

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Through these programs, we continue to enhance our employees' capabilities to support our business expansion. We motivate our employees with a series of incentive measures, including performance-based bonus and special bonuses for high customer satisfaction, high collection rate, successful business development and others, as well as promotion opportunities to encourage our personnel to pursue career advancement.

We believe that our experienced management team and established human resource management system can help us attract, train and retain talented employees, support our business expansion and distinguish us from our competitors.

OUR STRATEGIES

We strive to solidify our market position as one of the leading property management companies in Western China.

Continue to focus on developing our business in Western China and further penetrate into selected cities in other regions

As one of the leading property management service providers in Western China, we plan to continue to focus on this region to solidify our well-established position. In the meanwhile, we will keep exploring other regions in China, including selected cities with good economic performance in Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區) without regard to any specific city tiers. We will also take advantage of the support from Leading Holdings Group. By providing services to projects developed by Leading Holdings Group, we expect to further grow our business and expand into new regions following the footprint of Leading Holdings Group. After we have established our business in a city, we will seek opportunities to expand into its neighboring areas and increase our market share in the region.

In order to expand our business scale and regional coverage, we also plan to explore business opportunities with third party property developers by participating in tender processes to procure property management contracts or setting up joint ventures or associates with the third party property developers to manage provide property management services to the properties developed by such third party property developers. We may also pursue strategic acquisitions or investments in other property management companies to further expand our business scale. Our Directors believe that acquiring or investing in a well-established property management company typically can allow us to obtain the acquired company's existing projects and customers, local business contacts and resources and experienced personnel, which may reduce the time required for, and the uncertainties and additional costs associated with, expanding business by way of organic growth. In addition, based on our proven track record of historical acquisition and investment activities, we believe that we possess the capabilities and experience to successfully integrate the acquired companies into our business and maintain and further expand our business. See “—Our Competitive Strengths—Long-term support from Leading Holdings Group and independent business development capabilities bringing us significant growth opportunities” for more details on how we integrate the acquired

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companies. We plan to use 70.0% of the net proceeds from the Global Offering in acquisitions of and investment in other property management companies. See “Future Plans and Use of Proceeds—Use of Proceeds—Plans for Strategic Acquisitions and Investments” for more details on how we plan to identify and select suitable targets and to implement the plans for our strategic acquisitions and investments to be funded, in whole or in part, by the net proceeds from the Global Offering. As of the date of this prospectus, we had not identified any suitable target that met our standards.

The regulations and measures implemented by the PRC Government, such as those on property developers’ sale and financing activities, may affect the PRC real estate industry and the expansion of property developers. See “Risk Factors—Risks Relating to Our Business and Industry—We are affected by the PRC government regulations on the real estate industry.” However, we believe our business strategies and expansion plans remain feasible. According to Savills and EH Consulting, the housing demand in the PRC remains strong, as a result of the acceleration of urbanization, the upgrading of domestic consumption and the increase of income level. From 2014 to 2019, the aggregate GFA that commenced construction, the aggregate GFA under construction and the aggregate GFA sold for commodity properties increased steadily at CAGR of 4.8%, 4.2%, and 7.3%, respectively. We believe the continuous development of the PRC real estate industry still presents us with the opportunities to grow our business. In addition, while we plan to expand our regional coverage, we also intend to further diversify our property management portfolio in terms of property types and sources of properties. See “—Further diversify our property management portfolio.” We believe we may reduce our concentration risks in certain regions, certain types of properties and certain property developers to maintain our growth, even facing any potential regulatory impact on a sub-segment of the real estate industry.

Further diversify our property management portfolio

In addition to residential and commercial properties, we will continue to explore different types of properties to which we can provide property management services. For example, we may provide urban environmental hygiene services and property management services to public facilities such as hospitals and schools, leveraging our experience in managing such public and other properties. We may seek to obtain such projects through co-operation with local governments and joint ventures with local state-owned enterprises.

In addition to the support from Leading Holdings Group, we have also been proactively seeking to provide more services to third party property developers and property projects developed by them in order to diversify our property management portfolio. We are exploring different models to cooperate with third party property developers and secure business opportunities from them. For example, through providing preliminary planning and design consultancy services to third party property developers, we hope to win their trust and secure post-delivery property management projects from them. We may set up joint ventures with third party property developers and provide property management services to properties developed by them. We will also solidify our cooperative relationships with the third-party property developers who are our existing customers and seek to obtain further business

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opportunities from them. Furthermore, we intend to secure property management projects developed by third-party property developers through prudent acquisitions of and strategic investments in quality third-party property management companies at commercially reasonable costs. We may also pursue strategic acquisitions or investments in other property management companies to further expand our business scale and companies providing property management related services to support our strategy to diversify our property management portfolio. We plan to use 70.0% of the net proceeds from the Global Offering in acquisitions of and investment in other property management companies. For more information, please refer to “Future Plans and Use of Proceeds” in this prospectus. As of the date of this prospectus, we had not identified any suitable target that met our standards.

Continue to expand our value-added service offerings and enhance the quality of our services and the reputation of our brands

Leveraging on our experience in property management services and community value-added services, we plan to expand our service offerings by developing new businesses, such as conference reception services, elderly care services, community finance services, in order to build a quality service ecosystem. We intend to utilize our customer reach built by our daily property management services to work with third-party business partners to offer elderly care services and community finance services. We will work with third-party business partners who possess requisite licenses or permits to offer community finance services. We will promote these services in each property project under our management and try to identify the potential customers based on our understanding of the property owners and residents. As advised by our PRC Legal Advisors, no licenses or permits are required for us to enter into these new businesses under our planned business model, except for the regular business licenses for the operating entities. According to Savills and EH Consulting, there is vast market potential for value-added services provided to property owners, residents and tenants in residential communities and commercial properties, including conference reception services, elderly care services and community finance services, as they cater to the everyday living and business needs of our customers. Revenue from value-added services in China’s property management market had been growing from RMB27.5 billion in 2015 to RMB154.6 billion in 2019 with a CAGR of 54.0%, and it accounted for from 6.5% in 2015 to 19.1% in 2019 of the total revenue of the property management market in China. It is predicted that the revenue of value-added services will reach RMB576.0 billion in 2024. For example, as advised by Savills and EH Consulting, the demand and development for elderly care services are further supported by the growing elderly population in the PRC and government’s policies to establish an elderly care service network with community-based institutions and to encourage property management companies to develop elderly care services. Accordingly, as advised by Savills and EH Consulting, there is adequate demand for these services, which makes a property management company’s business expansion into these services feasible. In addition, in the course of providing property management services to and interaction with property owners, residents and tenants and through our internal studies, we learned the needs of property owners, residents and tenants, including the customer demands for these value-added services. Therefore, we believe that there will be sufficient demand for such new businesses that we plan to expand into.

We also plan to provide special and differentiated services particularly for special groups, such as the empty nest elderly, students, pregnant women and people with disabilities, and also for special property types such as low-density residential properties, serviced apartments and nursing home. We aim to enhance our customers' property service experience with more precise positioning of the customer group, better tailored service offerings and more professional service teams.

While expanding our value-added service offerings, we will continue to optimize our service standards on “three keys”, namely, key services (關鍵服務), key interaction with customer (關鍵觸點) and key moments (關鍵時刻) in order to enhance our property management and community value-added services. With “Achievement, Happiness, Sunshine and Healthiness” (成就、美好、陽光、健康) as our core values, our brand management is built around “Lingyue Service” as our primary brand. We plan to further to develop different brands to highlight our quality services provided to residential properties, commercial properties and public and other properties and also build our brand awareness for the living ecosystem empowered by information technologies that we offer to our residents.

Upgrade our information technology system to enhance our operational efficiency and competitiveness

We will continue to upgrade our Lingyue Smart Property Management Platform. We plan to further improve the data-related function module, so that it may generate real-time management reports based on customer information, service standards and other criteria, in order to increase our operation and management efficiency. We also plan to optimize the infrastructural management modules and add new modules related to recruitment management, asset management, management of value-added service to non-property owners and business development management, improve the data analytical capabilities of the platform. As of the Latest Practicable Date, we had applied Lingyue Smart Property Management Platform in 75 out of all the property projects under our management as of the Latest Practicable Date. We plan to further increase the coverage of Lingyue Smart Property Management Platform so that customers at each property project under our management can be benefited.

We expect to continue to upgrade the the Shi Xiang Yue (時相悅) mobile application to enhance the user experience of our customers. We work closely with our customers to collect their feedbacks on this mobile application when we provide services to them. We also intend to explore new functions on this mobile application to further enhance our customer experience. For example, we plan to add community bulletin board and barter forum to facilitate the property owners and residents' interaction and information on idle items, to promote a robust community cultural environment. We will also improve the functions on Lingyue Jia (領悅家) mobile application, including approval request, work order status, access to equipment remote control system, in order to enhance our employees' work efficiency. Through these efforts, we intend to further streamline our decision making process so as to increase our operational efficiency and reduce our operational costs, as well as strengthen our quality control.

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We will also increase our investment in intelligent equipment upgrades. We plan to upgrade our fee collection system and smart parking system and introduce them into more residential properties under our management to improve operation efficiency and reduce labor costs. We also plan to add video surveillance systems for a number of residential properties under our management, covering the main roads, common areas and main entrance points to ensure security for the communities. We will also introduce facial recognition technologies into property projects and upgrade their security system. We aim to create several exemplar projects where smart security systems, cloud surveillance system, smart parking system and equipment remote control system are implemented. Through the comprehensive use of intelligent information systems, we aim to further improve our operation efficiency and profitability, which enhance our customer satisfaction and brand image.

We plan to use 20.0% of the net proceeds from the Global Offering for upgrading our information technology system. For more information, please refer to “Future Plans and Use of Proceeds” in this prospectus.

Continue to attract, train and retain professional and dedicated employees

We will continue to attract talent through competitive remuneration packages and motivate our employees through a set of incentive measures. We plan to further enhance our training system to help our employees with their career development. We will continue to improve the courses we offer through our internal training platform “Lingyue College.” We also help newly hired employees to integrate into our team. We establish an evaluation system and further motivate our employees through promotion opportunities. In addition, we intend to recruit additional personnel to support the development of our diversified businesses, such as decoration and turnkey furnishing services and convenient living services, and new businesses such as property entrusted management services, and also recruit additional personnel to support the development of our information technology system.

OUR BUSINESS MODEL

We primarily generate revenue 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 offer a wide range of property management services to property owners, residents and property developers, as well as tenants in non-residential properties under our management. Our services typically include security services, cleaning and greening services, and repair and maintenance services. We manage a diverse portfolio of properties, including residential properties, commercial properties and public and other properties. We charge property management fees on a lump sum basis.

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- *Value-added services to non-property owners.* We offer value-added services to non-property owners, including (i) preliminary planning and design consultancy services in which we advise on various stages of property developers' business operations from a property management perspective; (ii) sales office management services in which we provide property management services to property developers' sales offices and display units; (iii) pre-delivery services in which we clean and inspect the properties to be delivered, as well as assist in the delivery process; (iv) repair and maintenance services in which we assist with the repair and maintenance of properties during their post-delivery quality warranty periods; (v) property transaction assistance services in which we facilitate property developers in selling parking spaces; and (vi) security support services in which we mainly help our customer with security needs as required.

- *Community value-added services.* We offer community value-added services primarily to property owners and residents to make their lives more convenient, such as (i) community space management services, in which we rent out leasable common area and advertising spaces; (ii) decoration and turnkey furnishing services, in which we help property owners and residents create a move-in ready residence; (iii) convenient living services, in which we help property owners and residents with house cleaning, household repair and maintenance and moving; and (iv) community retail services, in which we assist third-party vendors in marketing and promoting the consumer goods that they sell to property owners and residents, including groceries, food, cleaning supplies, home appliances and others.

The following table sets forth a breakdown of our total revenue by business line during the Track Record Period.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Value-added services to non-property owners	48,831	28.9	90,040	32.2	113,022	26.4
Community value-added services	6,450	3.8	7,636	2.7	16,240	3.8
Total	169,004	100.0	279,958	100.0	428,162	100.0

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The following table sets forth a breakdown by business line and by type of ultimate paying customers of gross profit and gross profit margin during the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services . . .	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group	2,573	25.3	2,342	29.8	7,935	32.3
Joint ventures of Leading Holdings Group	–	–	–	–	33	20.5
Other associates of our Controlling Shareholders	171	25.4	147	29.7	7,407	34.9
Independent Third Parties ⁽¹⁾	26,131	25.4	52,065	29.9	82,118	32.5
Value-added services to non-property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group	835	28.4	5,300	31.4	4,614	35.2
Other associates of our Controlling Shareholders	–	–	–	–	–	–
Independent Third Parties ⁽¹⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group	–	–	–	–	–	–
Joint ventures of Leading Holdings Group	–	–	–	–	–	–
Other associates of our Controlling Shareholders	–	–	–	–	–	–
Independent Third Parties ⁽¹⁾	2,854	44.2	3,494	45.8	7,775	47.9
Total	45,495	26.9	86,225	30.8	144,789	33.8

Note:

- (1) Mainly consist of (i) property owners, residents, tenants and occupants for our property management services and community value-added services, and (ii) independent third-party property developers and other entities for our value-added services to non-property owners.

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

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services . . .	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group ⁽¹⁾	24,804	25.4	39,208	31.9	73,087	35.0
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	131	20.5

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	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	4,071	25.0	15,346	25.9	24,275	27.2
Value-added services to non-property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group ⁽¹⁾	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group ⁽²⁾	835	28.4	5,300	31.4	4,614	35.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group ⁽¹⁾	2,181	44.6	2,696	46.1	6,954	48.3
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	74	46.4
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	673	43.3	798	44.6	747	44.8
Total	45,495	26.9	86,225	30.8	144,789	33.8

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

PROPERTY MANAGEMENT SERVICES

We have been providing property management services since our establishment in 2002. As of December 31, 2020, our aggregate contracted GFA amounted to approximately 36.2 million sq.m., covering 31 cities across nine provinces, one autonomous region and one municipality. As of the same date, we managed 174 properties with an aggregate GFA under management of approximately 20.2 million sq.m. As of the Latest Practicable Date, our aggregate contracted GFA and GFA under management reached approximately 37.7 million sq.m. and 20.7 million sq.m., respectively. Our revenue from property management services reached RMB113.7 million, RMB182.3 million and RMB298.9 million in 2018, 2019 and 2020, respectively, accounting for 67.3%, 65.1% and 69.8% of our total revenue for the same years, respectively.

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The following table sets forth the number of properties and GFA under our management, as well as the number of properties we were contracted to manage and corresponding contracted GFA as of the dates indicated.

	As of December 31,		
	2018	2019	2020
Number of properties under management ⁽¹⁾	53	138	174
Number of properties we were contracted to manage ⁽²⁾	85	198	234
GFA under management (<i>sq.m. in thousands</i>). . .	8,005	14,183	20,223
Contracted GFA (<i>sq.m. in thousands</i>).	14,240	27,928	36,237
Undelivered GFA (<i>sq.m. in thousands</i>) ⁽³⁾	6,235	13,745	16,014

Notes:

- (1) Refers to properties that have been delivered to us for property management purposes.
- (2) Refers to all properties for which we have entered into the relevant property management service agreements, which may include properties that have not been delivered to us for property management purposes in addition to properties under management.
- (3) Undelivered GFA is calculated as the difference between contracted GFA and GFA under management as of the dates indicated. The estimated time of delivery and revenue generation of the undelivered projects as of December 31, 2020 ranges from January 2021 to June 2023.

Scope of Services

We provide quality property management services to property owners, residents and property developers. We provide the following major types of property management services:

- *Security services.* We provide security services to ensure that the properties we manage are safe and in good order. Our daily security services include patrolling, visitor management, car park security, emergency response and fire safety. We provide security services through our own employees and through third-party subcontractors.
- *Cleaning and greening services.* To create a clean and tidy living environment, we provide general cleaning, garbage collection and pest control services for common areas of buildings and public facilities in properties under our management. We also provide greening and gardening services to common areas of the properties we manage. We provide cleaning and greening services through our own employees and through third-party subcontractors.
- *Repair and maintenance services.* We are generally responsible for the maintenance of (i) common area facilities and construction structures such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates, fences and surveillance cameras; and (iv) utility facilities such as electricity

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generators, power distribution equipment, water pump rooms, water supply and drainage systems. We provide repair and maintenance services through our own employees and through third-party subcontractors.

Our Geographic Presence

Since our establishment in 2002, we primarily focus on managing property projects in Sichuan province and have expanded our presence nationwide. We were contracted to manage 234 property projects and had achieved an aggregate contracted GFA of approximately 36.2 million sq.m., covering 31 cities across nine provinces, one autonomous region and one municipality as of December 31, 2020, among which we managed 174 properties with an aggregate GFA under management of approximately 20.2 million sq.m. as of the same date. The following map illustrates the locations of properties we were contracted to manage as of December 31, 2020.

Chongqing

1. Chongqing

Guangdong

2. Foshan

3. Shanwei

4. Huizhou

Guizhou

5. Bijie

6. Kaili

7. Zunyi

Hebei

8. Chengde

Henan

9. Xinyang

10. Zhumadian

Hubei

11. Jingzhou

Jiangsu

12. Xuzhou

Jilin

13. Changchun

Sichuan

14. Chengdu

15. Emeishan

16. Guangyuan

17. Leshan

18. Luzhou

19. Meishan

20. Mianyang

21. Nanchong

22. Panzhihua

23. Xichang

24. Ya'an

25. Yibin

26. Ziyang

Xinjiang

27. Changji

28. Kashgar

29. Korla

30. Urumchi

Yunnan

31. Zhaotong



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

	As of/for the year ended December 31,														
	2018				2019				2020						
	Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue	
		sq.m.'000	RMB'000	%	sq.m.'000		RMB'000	%	sq.m.'000	RMB'000		%			
Sichuan Province ⁽¹⁾	35	5,176	58,757	51.7	124	11,768	123,934	68.0	151	17,090	238,917	80.0			
Xinjiang Uygur Autonomous Region ⁽²⁾	5	955	17,691	15.6	5	1,107	20,436	11.2	10	1,518	23,149	7.7			
Jilin Province ⁽³⁾	3	598	19,508	17.1	3	598	18,923	10.4	3	598	21,486	7.2			
Guangdong Province ⁽⁴⁾	6	710	14,337	12.6	6	710	14,910	8.2	7	801	15,059	5.0			
Guizhou Province ⁽⁵⁾	4	566	3,430	3.0	–	– ⁽⁷⁾	4,079	2.2	1	76	– ⁽⁸⁾	–			
Hebei Province ⁽⁶⁾	–	–	–	–	–	–	–	–	2	140	289	0.1			
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0			

Notes:

- (1) We provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an, Nanchong and Ziyang.
- (2) We provided property management services to properties located in Korla.
- (3) We provided property management services to properties located in Changchun.
- (4) We provided property management services to properties located in Foshan.
- (5) We provided property management services to properties located in Qiannan and Bijie.
- (6) We provided property management services to properties located in Chengde.
- (7) During the Track Record Period, we managed four property projects in Qiannan with GFA under management of approximately 566,000 sq.m. in 2018 and 2019 and ceased to manage such property projects during 2019 and therefore did not record GFA under management for these property projects as of December 31, 2019. See “—Property Management Services—Expiration Schedule of Property Management Service Agreements” for details.
- (8) We did not recognize revenue generated from managing the property in 2020 because the property was delivered in December 2020.

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The following table sets forth a breakdown of our total number of contracted projects, contracted GFA and undelivered GFA by geographic region as of the dates indicated.

	As of December 31,								
	2018			2019			2020		
	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA
		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000
Sichuan Province ⁽¹⁾	58	9,553	4,377	161	20,037	8,268	191	27,784	10,693
Xinjiang Uygur Autonomous Region ⁽²⁾	9	1,739	783	15	2,725	1,618	20	3,293	1,775
Jilin Province ⁽³⁾	3	598	–	3	598	–	3	598	–
Guangdong Province ⁽⁴⁾	8	1,182	472	8	1,182	472	8	1,182	381
Guizhou Province ⁽⁵⁾	4	566	–	3	1,471	1,471	3	1,471	1,395
Hebei Province ⁽⁶⁾	1	86	86	2	140	140	3	202	63
Henan Province ⁽⁷⁾	1	404	404	2	553	553	2	485	485
Chongqing Municipality ⁽⁸⁾	–	–	–	1	86	86	1	86	86
Hubei Province ⁽⁹⁾	–	–	–	1	396	396	1	396	396
Jiangsu Province ⁽¹⁰⁾	1	113	113	1	113	113	1	113	113
Yunnan Province ⁽¹¹⁾	–	–	–	1	628	628	1	628	628
Total	85	14,240	6,235	198	27,928	13,745	234	36,237	16,014

Notes:

- (1) We were contracted to provide property management services to properties located in Chengdu, Emeishan, Guangyuan, Leshan, Luzhou, Meishan, Mianyang, Nanchong, Panzhihua, Xichang, Ya'an, Yibin and Ziyang.
- (2) We were contracted to provide property management services to properties located in Changji, Kashgar, Korla and Urumchi.
- (3) We were contracted to provide property management services to properties located in Changchun.
- (4) We were contracted to provide property management services to properties located in Foshan, Shanwei and Huizhou.
- (5) We were contracted to provide property management services to properties located in Qiannan, Kaili, Bijie and Zunyi.
- (6) We were contracted to provide property management services to properties located in Chengde.
- (7) We were contracted to provide property management services to properties located in Xingyang, Xinxiang and Zhumadian.
- (8) We were contracted to provide property management services to properties located in Chongqing Municipality.
- (9) We were contracted to provide property management services to properties located in Jingzhou.
- (10) We were contracted to provide property management services to properties located in Xuzhou.
- (11) We were contracted to provide property management services to properties located in Zhaotong.

The significant growth of property management portfolio in Sichuan Province from 2018 to 2019 was the result of our acquisition of Ziyang Jiamei in 2019. See “History, Reorganization and Corporate Structure—Our Corporate Developments—Acquisitions during the Track Record Period—Ziyang Jiamei” for details.

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Source of Properties under Management

We primarily offer property management services to properties developed by Leading Holdings Group. The following tables set forth a breakdown by developer type as of the dates indicated or the years indicated of our (i) total number of projects under management and GFA under management, as well as revenue from property management services; and (ii) our total number of contracted projects, contracted GFA and undelivered GFA.

Breakdown of Our Total Number of Projects under Management, GFA under Management and Revenue from Property Management Services by Developer Type

	As of/for the year ended December 31,														
	2018				2019				2020						
	Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue	
		sq.m.'000	RMB'000	%	sq.m.'000		RMB'000	%	sq.m.'000	RMB'000		%			
Leading Holdings Group ⁽¹⁾	28	5,333	97,464	85.7	31	6,150	123,000	67.5	51	8,941	209,002	69.9			
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	-	-	-	-	2	246	640	0.2			
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	25	2,672	16,259	14.3	107	8,033	59,282	32.5	121	11,036	89,258	29.9			
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0			

Breakdown of Our Total Number of Contracted Projects, Contracted GFA and Undelivered GFA by Developer Type

	As of December 31,														
	2018			2019			2020								
	Number of contracted projects	Contracted GFA		Undelivered GFA		Number of contracted projects	Contracted GFA		Undelivered GFA		Number of contracted projects	Contracted GFA		Undelivered GFA	
		sq.m.'000	sq.m.'000	sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000	sq.m.'000	sq.m.'000		sq.m.'000			
Leading Holdings Group ⁽¹⁾	50	9,494	4,161	67	14,340	8,190	85	18,434	9,493						
Joint ventures of Leading Holdings Group ⁽²⁾	3	367	367	8	1,610	1,610	11	2,405	4,362						
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	32	4,378	1,707	123	11,977	3,944	138	15,398	2,158						
Total	85	14,240	6,235	198	27,928	13,745	234	36,237	16,014						

Notes:

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

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- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

During the Track Record Period, a substantial proportion of our subsidiaries were not wholly-owned subsidiaries of our Company. Most of the non-controlling shareholders of our subsidiaries are property developers, property management companies or individuals who we believe have local resources to help us develop business. See “History, Reorganization and Corporate Structure” and note 1 to the Accountants’ Report set out in Appendix I to this prospectus for more details. The non-controlling shareholders bring in their resources and experiences through participation in the governance and daily operation of the non-wholly-owned subsidiaries. According to the articles of associations of the non-wholly-owned subsidiaries and/or the relevant cooperation agreements, we are generally entitled to appoint the majority of the board of directors or the only executive director (as the case may be), the board chairman, the legal representative and the general manager, while the non-controlling shareholders are generally entitled to appoint a director (if there is a board of directors) and a supervisor. The non-controlling shareholders may in some case be entitled to appoint certain management and accounting personnel, such as deputy general manager or accounting personnel, while we are generally entitled to appoint the majority of the management team and control the daily operation of these subsidiaries. Some of the cooperation agreements may also specify that the relevant non-controlling shareholders shall assist the relevant non-wholly-owned subsidiaries in obtaining certain target property projects. If the non-controlling shareholders also hold interest in other property management companies, the relevant cooperation agreements may also stipulate the non-competition measures, such as requiring the non-controlling shareholders to dispose of such interest. We believe that we may benefit from this type of corporate structure by cooperating with other property developers to procure property management services for their property projects, cooperating with other property management companies and other resourceful businesses or individuals to utilize their customer base or other local resources to explore business opportunities and optimize our operation. According to Savills and EH Consulting, it is common in the industry for a property management company to cooperate with non-controlling shareholders to utilize mutual resources, control investment costs and risks, accelerate the business development and therefore strengthen its competitiveness. At the same time, we are subject to certain risks under this type of corporate structure. See “Risk Factors—Risks Relating to Our Business and Industry—Our business and prospects are dependent on and may be adversely affected by our non-wholly-owned subsidiaries” for more details.

The following table sets forth our revenue, gross profit and profit for the year attributable to our non-wholly-owned subsidiaries for the years indicated, both in absolute amount and as a percentage of our total revenue, gross profit and profit for the year, respectively.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	21,989	13.0	68,456	24.5	117,108	27.4
Gross profit	8,125	17.9	18,785	21.8	29,269	20.2
Profit for the year	4,519	32.1	7,316	20.7	11,319	16.1

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Type of Properties under Management

We primarily manage residential properties. We also manage other types of properties such as commercial properties and public and other properties. The commercial properties that we manage primarily include office buildings, shopping malls and shopping centers. The public and other properties that we manage primarily include government buildings, public facilities, corporate buildings, medical facilities and schools. The following table sets forth a breakdown of our total GFA under management by property type as of the dates indicated, and revenue from property management services by property type and stage of projects for the years indicated, both in absolute amount and as a percentage of revenue from property management services.

	As of/for the year ended December 31,														
	2018				2019				2020						
	Number of projects under management	GFA under management		Revenue	%	Number of projects under management	GFA under management		Revenue	%	Number of projects under management	GFA under management		Revenue	%
		sq.m.'000	RMB'000				sq.m.'000	RMB'000				sq.m.'000	RMB'000		
Residential properties . . .	46	7,450	99,617	87.6	60	9,915	125,344	68.8	85	13,059	161,567	54.1			
- Preliminary stage ⁽¹⁾	33	5,883	83,919	73.8	44	8,104	109,172	59.9	64	9,253	108,028	36.2			
- Property owners' association stage ⁽²⁾ . . .	13	1,567	15,698	13.8	16	1,811	16,172	8.9	21	3,806	53,539	17.9			
Commercial properties . . .	1	99	12,505	11.0	3	411	28,427	15.6	5	645	85,915	28.7			
Public and other properties	6	456	1,601	1.4	75	3,857	28,511	15.6	84	6,519	51,418	17.2			
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0			

Notes:

- (1) Refers to residential property projects for which property owners' associations were not established as of the dates indicated.
- (2) Refers to residential property projects for which property owners' associations were established as of the dates indicated.

Property Management Service Agreements

During the Track Record Period, we procured a majority of our preliminary property management agreements from property developers through (i) tender procedures regulated by applicable PRC laws or (ii) commercial negotiation pursuant to approvals obtained from relevant local authorities or otherwise not compulsorily required by the relevant local authorities. With respect to residential property management, tender processes are required unless a property is considered by the relevant local real estate administration authorities as insignificant and does not warrant a tendering process, or there are fewer than three bidders and the relevant local real estate administration authorities allow the engagement of a property management company directly through negotiations without going through the tender process.

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With respect to commercial properties, according to applicable PRC laws and regulations, it is not required for property developers to go through a tender and bidding process to engage property management companies. A tender process is also required for engaging property management service providers for services over a designated amount in relation to non-residential properties owned by the PRC governmental agencies, institutions or public organizations at all levels according to the Government Procurement Law of the PRC (《政府採購法》) and relevant laws and regulations. Apart from these, certain property management agreements obtained by Ziyang Jiamei prior to our acquisition and certain other property management agreements obtained by us did not go through the tender process which is required by PRC laws and regulations and the compulsory requirement of relevant local authorities. See “Risk Factors—Risks Relating to Our Business and Industry—We expanded our business through acquisitions during the Track Record Period and may fail to achieve the desired benefits from such acquisitions, which could have a material adverse effect on our results of operations” and “Risk Factors—Risks Relating to Our Business and Industry—Some of our property management service agreements were obtained without going through the required tender and bidding process” for details.

The bidders other than ourselves are generally regional or national property management companies that possess the necessary qualifications to submit a bid for the tendering process. We do not enjoy any preferential treatments in the selection process for properties developed by Leading Holdings Group and are not automatically granted preliminary property management service contracts or given extra weight in the selection processes simply due to our relationship with Leading Holdings Group. For details of our business relationship with Leading Holdings Group, see “Relationship with Controlling Shareholders—Independence from our Controlling Shareholders—Mutual and Complementary Relationship with Leading Holdings Group.” The tender process will 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》) where neither the property developer nor we would be able to exert influence on the selection process. The tender evaluation committee shall consist of an odd number of at least five members, including: (i) at least a two-thirds majority of property management experts who are independent of the relevant developer and our Group and are selected on a random basis from a list of experts compiled by the local real estate administrative department; and (ii) the representative members from the property developer.

Tender invitations are usually issued by property developers for properties under development. After receiving the tender invitations from property developers, including Leading Holdings Group and its joint ventures, or property owners’ associations, we evaluate the potential projects with various factors taken into account, such as (i) the types, sizes and locations of the properties; (ii) the scope of services required; (iii) our estimated costs and expenses and target profit margins; and (iv) our business relationship with property developers. For suitable potential projects, we submit tender documents to the property developer or property owners’ associations which generally include proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. We may be required to provide pre-qualification documents for vetting before submitting the formal tender

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documents. The property developers and property owners' associations will then evaluate the tenders received, and select the winner based on factors such as reputation, quality of service, management system, human resources management, the proposed management plan and proposed pricing and, to the best knowledge and belief, Leading Holdings Group takes into accounts one or more of these factors when evaluating the tenders received. After winning the tenders, we enter into property management service agreements with the relevant property developers and property owners' associations, and then file the agreements with the relevant authorities. The following flow chart illustrates each stage of a typical tender process.



We provide property management services to substantially all residential properties developed by Leading Holdings Group. We started to provide property management services to properties solely developed by third-party property developers in 2016. We procure a majority of our property management service agreements through the tender process regulated by applicable PRC laws and a small portion through commercial negotiations as permitted by relevant local authorities. Our overall tender success rate were 91.9%, 94.3% and 92.9% in 2018, 2019 and 2020.

The following table sets forth a breakdown of our tender success rates for property management services contracts by developer type for the years indicated.

	Tender success rate		
	2018	2019	2020
	%		
Leading Holdings Group ⁽¹⁾	100.0	100.0	100.0
Joint ventures of Leading Holdings Group ⁽²⁾	100.0	100.0	100.0
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	72.7	84.6	80.0
Total	91.9	94.3	92.9

Notes:

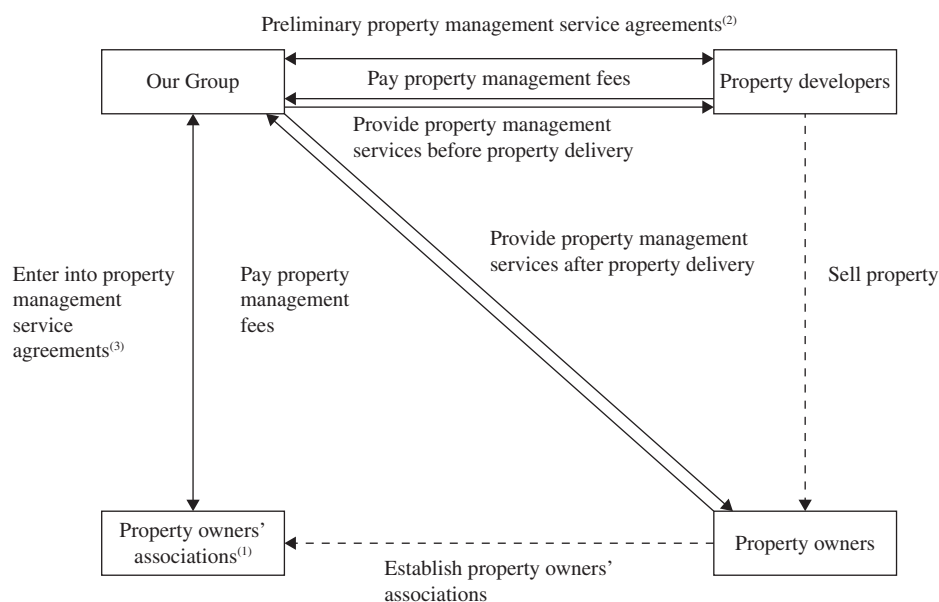
- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

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During the Track Record Period, our tender success rate for the property projects developed by Leading Holdings Group and joint ventures of Leading Holdings Group were generally higher than that for the property projects developed by third-party property developers primarily due to our long-term cooperation history with Leading Holdings Group and deep understanding of the service needs for the property projects developed by them. We expect our tender success rate for the property projects developed by third-party property developers to increase in the future as we gain more experience in competing with other property management companies under these circumstances and obtain more knowledge regarding the service needs of such third-party property developers.

As of December 31, 2018, 2019 and 2020, 66.0%, 70.7% and 83.3%, respectively, of our property management service agreements obtained from Leading Holdings Group and joint ventures of Leading Holdings Group were awarded through tender procedures.

The following diagram illustrates our relationships with various parties under our property management agreements.



Notes:

- (1) A property owners' association is authorized under PRC laws to act on behalf of the property owners.
- (2) A preliminary property management service agreement entered into between a property developer and us before the property is delivered to property owners is legally binding on all future property owners in accordance with the relevant PRC laws and regulations.
- (3) A property management service agreement entered into between a property owners' association and us is legally binding on all property owners in accordance with the relevant PRC laws and regulations.

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During the Track Record Period, we obtained 15 residential property projects under our management without going through the required tender and bidding process under the applicable PRC laws and regulations. Such residential property projects had an aggregate GFA under management of approximately 2.6 million sq.m. as of December 31, 2020. Two of these residential property projects were developed by Leadings Holdings Group and we accepted the engagements through regular business negotiations at arm's length as we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations. The remaining 13 projects were obtained by Ziyang Jiamei before our acquisition in June 2019. See "Risk Factors—Risks Relating to Our Business and Industry—Some of our property management service agreements were obtained without going through the required tender and bidding process."

Key Terms of Property Management Service Agreements for Residential Properties

Key Terms of Agreements with Property Developers

Our preliminary property management service agreements with property developers for residential properties typically include the following key terms.

- *Scope of services.* A typical agreement with a property developer sets out the scope of services, which typically includes the formulation of property management policies and protocols, facility management, security, cleaning, greening and gardening and maintaining common area traffic order and road conditions. We may outsource certain services to qualified subcontractors.
- *Performance standards.* The agreement sets forth specific standards and frequency for our main services.
- *Property management fees.* The agreement sets forth the amount of property management fees and the GFA covered, as well as the fee is payable on a lump sum basis. The property developer is responsible for paying the property management fees for unsold property units, which typically begin to accrue upon the execution of the property management service agreement and end upon delivery of the relevant unit to a property purchaser. We also charge a late fee for overdue property management fees, which is typically a percentage of the overdue amount. For properties with carparks, we also set out our fee rate for each carpark space per month.
- *Property developer's rights and obligations.* The property developer is entitled to (i) supervise our services according to the standards included in the agreement; and (ii) review and approve property management service plans and management policies. The property developer is typically responsible for (i) offering us the necessary office space to carry out our services; (ii) cooperating with our work; (iii) informing property owners and residents of their obligations to pay property management fees and follow property management policies; (iv) handling certain repair and maintenance obligations; and (v) offering records, blueprints and other documents and materials as necessary.

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- *Our rights and obligations.* We are entitled to receive property management fees according to the relevant provisions in the agreement. We are responsible for (i) providing the services included in the agreement; (ii) cooperating with the supervision by property developers; (iii) monitoring property use; (iv) publicly disclosing collection and spending of public maintenance funds; and (v) maintaining relevant records and materials.
- *Term of service.* The agreement typically expires after the property owners' association is established and a new property management service agreement between the property owners' association and the property management service provider becomes effective.
- *Dispute resolution.* Parties are typically required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

After delivery of the properties by property developers, property owners may form and operate property owners' associations. For properties where we have entered into property management service agreements with property developers without fixed terms, property owners and/or residents are obligated to pay property management fees to us until the property owners' associations enter into new property management service agreements with the property management companies selected by the general meetings of the property owners and the new agreements become effective. For agreements with fixed terms that expire prior to the formation of property owners' associations, the property developer is responsible for renewing the agreements with us or selecting a new property management company. If, upon the expiration of a preliminary property management service agreement, 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 agreement will be renewed automatically until a new property management service agreement with the property owners' association is entered into if there is applicable provision in the preliminary property management service agreement to that effect.

As of December 31, 2020, 21 residential property projects under our management established property owners' associations, which accounted for approximately 24.7% of the total number of residential properties under our management. The property owners' associations are independent from us. In 2018, 2019 and 2020, property owners' associations had been newly established in one, one and seven, respectively, property projects that we managed under preliminary property management service agreements and, as of the Latest Practicable Date, the success rate in maintaining our property management service business with these newly formed property owners' associations was 100% by having successfully entered into new property management service agreements with the property owners' associations or continuing to provide property management services under the relevant effective preliminary property management service agreements while negotiating for new property management service agreements with these newly formed property owners' associations. Such preliminary property management service agreements continue to be

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effective until the new property management service agreements with the property owners' associations become effective. With respect to these nine property projects, there were no material differences in terms of property management fee level or scope of services between the preliminary property management service agreements and the property management service agreements with property owners' associations.

With respect to the renewal of our property management service agreements for non-residential property projects, if the renewal involves services over a designated amount in relation to public and other non-residential properties owned by the PRC governmental agencies, then a tender process is required according to the applicable laws and regulations. All of our public and other non-residential properties owned or occupied by the PRC governmental agencies during the Track Record Period are located in Sichuan Province. According to the applicable laws and regulations in Sichuan Province, the thresholds that require tender process for procurement of property management services are RMB0.5 million for provincial level and Chengdu City, RMB0.3 million for other cities and counties, cities and districts under Chengdu, and RMB0.2 million for counties, cities and districts under other cities. Otherwise, the renewal process depends on our customers' internal policies on service procurement and either involves a tender process or merely commercial negotiation.

Our contract management department will conduct everyday contract management to keep track of the terms of our property management service agreements. Around three months prior to the expiration date of a property management service agreement, our contract management department will inform the relevant business unit, who will then designate the personnel to take charge of contacting our customer to learn the service needs and the procedural requirements and supporting the entire renewal process. When a tender notice or invitation is received, the relevant team will prepare and submit the tender documents and participate in the tender process. If commercial negotiation is required for the renewal process, we will organize a team based on the specific circumstances of the relevant property project and the customer's service needs to negotiate for the renewal.

Key Terms of Agreements with Property Owners

Our property management service agreements with property owners' associations and property owners for residential properties typically include the following key terms.

- *Scope of services.* The agreement sets forth our scope of services, which typically includes property management services to common areas and facilities, such as security, cleaning, greening and gardening, managing common area traffic and parking, repairing and maintaining public facilities, managing the carparks, setting up community activities, and recordkeeping. We may outsource certain services to qualified subcontractors.
- *Performance standards.* The agreement sets forth specific standards and frequency for our main services.

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- *Property management fees.* The agreement sets forth the amount, the lump sum basis and calculation method of property management fees. The amount of property management fees for each period is dependent on the GFA occupied by property owners and residents, as well as property types. For properties with carparks, we also set out our fee rate for each carpark space per month. We may impose surcharges on property owners or residents who fail to pay property management fees on time.
- *Rights and obligations of property owners' associations.* The property owners' association has the right to (i) renew agreements with us or terminate us for cause; (ii) supervise the use of public funds and the management of common areas and public facilities; and (iii) review our annual budget and property management plans. Under the supervision of property owners, property owners' associations are responsible for (i) ensuring timely payment of property management fees and contributions to specialized repair funds; (ii) cooperating with our property management services; (iii) keeping necessary records; and (iv) offering us office space to carry out our work.
- *Our rights and obligations.* We are entitled to timely collection of property management fees as provided in the agreement. We are in turn responsible for offering services provided in the agreement pursuant to the relevant service standards. We are also responsible for recordkeeping, managing use of properties by occupants, and announcing major information such as collection and spending of fees.
- *Terms and termination.* The agreement term is typically one to three years from the date of entering into the agreement. We may be responsible for transitioning the property management work to our successor. The property owners' association and we both have the right to terminate the agreement prior to the expiration of the agreement term for causes listed in the agreement. Such causes typically include our failure to offer satisfactory services pursuant to the service standards included in the agreements, or property owners' association's failure to cooperate with our work which led to our economic losses.
- *Dispute resolution.* Parties are required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interests in matters concerning property management. The property owners' association's decisions are binding on all property owners. As advised by our PRC Legal Advisors, the agreements between property owners' associations and property management companies are valid and legally binding on property owners represented by property owners' association, even if the property owners are not themselves parties to such agreement. As a result, we have legal claims against property owners for accrued and outstanding property management fees.

Key Terms of Property Management Service Agreements for Commercial Properties

We enter into property management service agreements with customers such as property owners and property developers for the management of commercial properties. Our property management service agreements for commercial 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.

Key Terms of Agreements to Provide Property Management Services for Public and Other Properties

Our agreements with occupants under which we provide property management services for public and other properties typically include the following key terms.

- *Scope of services.* The agreement sets forth our scope of services, which typically includes property management services to common areas and facilities and other designated areas, such as security, cleaning, greening and gardening, managing common area traffic and parking, repairing and maintaining public facilities. Some agreements also designate a single type of service or a combination of our service offerings to be provided by our staff at a designated work place for the relevant property projects as required by the occupants. We may outsource certain services to qualified subcontractors.
- *Performance standards.* The agreement sets forth specific standards and frequency for our main services, as well as the number of staff for each service.
- *Property management fees.* The agreement set forth the lump sum basis and the monthly package price for our services. The amount of property management fees for each period is dependent on the GFA under management and/or staffing required for the services.
- *Rights and obligations of occupant.* The occupant is typically entitled to (i) supervise our services according to the standards included in the agreement; and (ii) review and approve property management service plans and management policies. The occupant is typically obligated to (i) offer us the necessary office space and other supplies to carry out our services; and (ii) cooperate with our work.
- *Our rights and obligations.* We are entitled to timely collection of property management fees as provided in the agreement. We are in turn responsible for offering services provided in the agreement pursuant to the relevant service standards. We are also obligated to follow the relevant occupant's internal policies and not to disturb their operation.

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- *Terms and termination.* The agreement term is typically one to three years from the date of entering into the agreement. The occupant and we both have the right to terminate the agreement prior to the expiration of the agreement term for causes listed in the agreement. Such causes typically include our failure to offer satisfactory services pursuant to the service standards included in the agreements, or occupant's failure to cooperate with our work which led to our economic losses.
- *Dispute resolution.* Parties are required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

Property Management Fees

We charge property management fees on a lump sum basis. With respect to our property management projects other than package price projects, we charge a predetermined property management fee per sq.m. of revenue-bearing GFA on a regular basis which represents an all-inclusive fee for all property management services provided by us and our subcontractors. With respect to package price projects, which are all of the public and other properties under our management, we charge a package price of property management fees on a per project basis without reference to any GFA. In 2018, 2019 and 2020, RMB1.5 million, RMB26.5 million and RMB50.1 million, respectively, were generated from package price projects, while RMB112.2 million, RMB155.8 million and RMB248.8 million, respectively, were generated from our property projects other than package price projects. We are entitled to retain the full amount of property management fees received from property developers, property owners and residents. We also bear property management service costs, which we recognize as our cost of sales. If the property management fees we charge during the term of a property management service agreements are not sufficient to cover all the costs incurred, we bear the loss and may not request property developers, property owners or residents to pay us the shortfall.

In 2018, 2019 and 2020, we incurred losses of approximately RMB0.1 million, RMB0.02 million and RMB0.3 million, respectively, with respect to one, one and two property projects under our management, respectively. We incurred such losses with respect to one project in 2018 and another project in 2019 primarily because we just started to manage these two projects in 2018 and 2019, respectively, and we invested relatively more resources to ensure our service quality. We did not incur losses for these two projects subsequently. The other two projects for which we incurred losses in 2020 were managed by Chengdu Xindi, which we acquired in August 2020. We incurred losses for these two projects because they were developed and delivered for management approximately 10 years ago and the amount of property management fees received under the property management service contracts were insufficient to cover the increasing service costs, primarily including the labor costs and costs for raw materials. We plan to turn around our operations in relation to these two property projects by (i) negotiating for an increase in the property management fees with their respective property owners' associations; (ii) further streamlining our business operations and improve the efficiency of our employees leveraging economies of scale as well as our various information systems; and (iii) promoting community value-added services in those property

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projects, which typically generates higher profit margins than property management services. Our revenue from property management services from such loss-making property projects was approximately RMB0.04 million, RMB0.1 million and RMB1.2 million in 2018, 2019 and 2020, respectively, representing 0.0%, 0.1% and 0.3% of our total revenue for the same years, respectively. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to losses and our profit margins may decrease if we fail to control our costs in rendering our property management services on a lump sum basis.”

Our Pricing Policy

We generally price our services based on a number of factors, including (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.

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 and Other Related Services—Fees Charged by Property Management Enterprises.” As of December 31, 2018, 2019 and 2020, the number of projects that were subject to government guidance price was 19, 38 and 62, respectively, with an aggregate GFA under management of 3.3 million sq.m., 6.7 million sq.m. and 9.5 million sq.m., respectively, contributing to aggregate revenue of RMB61.7 million, RMB78.5 million and RMB107.9 million in 2018, 2019 and 2020, respectively, which accounted for 54.2%, 43.1% and 36.1% of our total revenue from property management services during the same periods, respectively. As advised by our PRC Legal Advisor, the property management fee charged by us during the Track Record Period complied with the relevant PRC laws and regulations in all material aspects in relation to such government price controls. As advised by Savills and EH Consulting, the property management fee charged by us during the Track Record Period was in line with the market trends with reference to the location, quality and other characteristics of the properties under our management. Among the 62 projects that were subject to government guidance price as of December 31, 2020, after comparing the property management fees of these properties with the highest guidance price enforced by the local PRC authorities in the cities where such properties are located, we estimated that there is room to increase the property management fees for 11 projects, two projects, eight projects and 12 projects by more than 100%, more than 50% but less than 100%, more than 25% but less than 50% and less than 25%, respectively. However, our ability to increase property management fees for a project is generally subject to negotiations upon contract renewal and a number of factors such as pricing of comparable projects and market conditions. There can be no guarantee that we will be able to increase property management fees for any of the aforementioned properties as estimated.

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The following tables set forth the average property management fee per sq.m. per month of the properties under our management (excluding package price projects) by developer type and by property type for the years indicated.

Breakdown of Our Average Property Management Fees by Developer Type

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Leading Holdings Group ⁽¹⁾	1.83	2.50	2.93
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	1.94
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1.25	1.25	1.35
Overall	1.70	2.08	2.48

Breakdown of Our Average Property Management Fees by Property Type and Developer Type

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Residential properties			
Leading Holdings Group ⁽¹⁾	1.68	1.74	1.79
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	1.94
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1.25	1.25	1.33
Overall average property management fee for residential properties	1.58	1.57	1.66
Commercial properties			
Leading Holdings Group ⁽¹⁾	9.02	14.37	18.47
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	–	1.20	2.18
Overall average property management fee for commercial properties	9.02	13.61	16.41
Overall average property management fee	1.70	2.08	2.48

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

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The following table sets forth a breakdown of our average property management fee per sq.m. per month for the years indicated by city tiers and property type.

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
New first-tier cities	2.19	5.03	6.33
Residential properties	2.14	2.15	2.03
Commercial properties.	3.46	14.96	19.53
Second-tier cities	3.75	3.48	3.46
Residential properties	2.30	2.29	2.29
Commercial properties	12.00	12.00	12.00
Third-tier cities and lower	1.43	1.44	1.56
Residential properties	1.43	1.44	1.56
Commercial properties	–	1.20	2.18
Overall	1.70	2.08	2.48

The following table sets forth a breakdown of our average property management fee per sq.m. per month for the years indicated by provinces and property type.

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Sichuan Province	1.49	2.10	2.59
Residential properties	1.47	1.46	1.54
Commercial properties	3.46	13.98	18.65
Xinjiang Uygur Autonomous Region	1.69	1.71	1.75
Residential properties	1.69	1.71	1.75
Commercial properties	–	–	–
Jilin Province	3.75	3.48	3.46
Residential properties	2.30	2.29	2.29
Commercial properties	12.00	12.00	12.00
Guangdong Province	2.01	2.02	2.13
Residential properties	2.01	2.02	2.13
Commercial properties	–	–	–
Guizhou Province	1.01	1.06	–
Residential properties	1.01	1.06	–
Commercial properties	–	–	–
Hebei Province	–	–	2.86
Residential properties	–	–	3.26
Commercial properties	–	–	2.59
Overall	1.70	2.08	2.48

See “Financial Information—Description of Selected Combined Statements of Comprehensive Income Line Items—Revenue—Property Management Services” for more details. As advised by Savills and EH Consulting, during the Track Record Period, in terms of the residential properties, generally our average property management fees are merely slightly lower than the market level for property projects in third- and lower-tier cities in Sichuan Province, in new first-tier cities in Guangdong Province and third- and lower-tier cities in Guizhou Province, primarily due to the location, quality and age of the property projects under our management in these cities are less favorable than the market average. In terms of shopping malls and shopping streets, generally our average property management fees are relatively lower than the market level in Sichuan Province during the Track Record Period, mainly because we began to provide property management services to Haolaiwu Commercial Square

(好萊塢商業廣場) in July 2019 upon the acquisition of Ziyang Jiamei. Haolaiwu Commercial Square is an old commercial property delivered in 2010 and is located in the suburb of a city lower than the third tier. Its average property management fee is comparable to the commercial properties under similar conditions in the same location, although it is relatively low compared to those for the other commercial properties under our management. Additionally, Haina Shidai Shopping Center (海納時代購物中心) under our management is located in the suburban area of Chengdu, for and thus which the property management fee is lower than the market level in Chengdu, a new first-tier city. In terms of the office buildings, during the Track Record Period, we mainly provided property management services to higher-end office buildings which generally tend to generate higher property management fees as compared to the average office buildings in Sichuan Province and Jilin Province. Specifically, during the Track Record Period, we provided property management services to Jilin International Trade Center (吉林環球貿易中心), a high-end residential and commercial complex in Changchun, a second-tier city in Jilin Province, and in Sichuan Province, we provided property management services to Chengdu International Finance Center (成都環球金融中心) and Chengdu Leading Center (成都領地中心), a Super Grade A Business Office Building (超甲級商務寫字樓) in Sichuan Province, leading to our higher property management fees in both Jilin Province and Sichuan Province. Accordingly, Savills and EH Consulting are of the view, and the Sole Sponsor concurs, that our average property management fees charged for residential properties and commercial properties during the Track Record Period are comparable to those for the residential properties and commercial properties in the same area with reference to the location, quality and other characteristics of the properties.

Payment and Credit Terms

Property management fees are generally due in advance on a monthly or quarterly basis in accordance with the agreement provisions. Property owners and residents pay us a fixed amount, and we retain the surplus and bear the losses after paying necessary operating costs and expenses.

We issue demand notes to property owners and/or property developers, including Independent Third Parties and related parties, prior to payment due dates, and typically receive payments of our property management service fees after the issuance of the demand note, which, according to Savills and EH Consulting, is consistent with the property management industry norm in the PRC. As of December 31, 2018, 2019 and 2020, our overdue property management fees were approximately RMB28.5 million, RMB51.7 million and RMB81.4 million, respectively.

We primarily accept payments for property management fees through bank transfers, online payment platforms and cash. We adopt different collection approaches, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters and filing lawsuits.

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Expiration Schedule of Property Management Service Agreements

The following table sets forth the expiration schedule of our property management service agreements and their corresponding contracted GFA, GFA under management and undelivered GFA as of December 31, 2020.

	Number of agreements		Contracted GFA		GFA under Management		Undelivered GFA	
		%	sq.m.'000	%	sq.m.'000	%	sq.m.'000	%
Property management service agreements without fixed term⁽¹⁾	130	55.6	26,976	74.4	11,605	57.4	15,371	96.0
Property management service agreements expiring/expired in								
Year ended December 31, 2020 ⁽²⁾	39	16.7	1,490	4.1	1,490	7.4	–	–
Year ending December 31, 2021	42	17.9	5,336	14.7	5,336	26.4	–	–
Year ending December 31, 2022	15	6.4	1,392	3.8	1,152	5.7	240	1.5
Year ending December 31, 2023 and beyond	8	3.4	1,043	2.8	640	3.1	403	2.5
Subtotal	104	44.4	9,261	25.6	8,617	42.6	643	4.0
Total	234	100.0	36,237	100.0	20,223	100.0	16,014	100.0

Notes:

- (1) Include preliminary property management service agreements we entered into with property developers. Such agreements can be terminated when the property owners' associations are formed and decide to select other property management companies.
- (2) As of Latest Practicable Date, among the 39 contracts that had expired as of December 31, 2020, we renewed the property service contracts for two property projects continued to provide property management services to the relevant projects under 29 contracts and negotiate for their renewal, and chose not to renew eight contracts in order to allow us to allocate our resources in a more efficient manner.

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In 2018, 2019 and 2020, our GFA under management increased by approximately 0.3 million sq.m., 0.8 million sq.m. and 3.5 million sq.m., respectively, through organic growth and our GFA under management increased by approximately 2.1 million sq.m., 5.9 million sq.m. and 2.8 million sq.m., respectively, through acquisitions. The following tables set forth movements during the years indicated by property type of (i) our total number of projects under management and GFA under management, and (ii) our total number of contracted projects, contracted GFA and undelivered GFA.

Breakdown of Our Total Number of Projects under Management and GFA under Management by Property Type

	As of/for the year ended December 31,					
	2018		2019		2020	
	Number of projects under management	GFA under management	Number of projects under management	GFA under management	Number of projects under management	GFA under management
		sq.m.'000		sq.m.'000		sq.m.'000
As of the beginning						
of the year	30	5,578	53	8,005	138	14,183
Residential properties . .	29	5,479	46	7,450	60	9,915
Commercial properties. .	1	99	1	99	3	411
Public and other properties	–	–	6	456	75	3,857
New engagements ⁽¹⁾	3	282	3	817	29	3,546
Residential properties . .	3	282	2	533	27	3,313
Commercial properties. .	–	–	1	284	2	233
Public and other properties	–	–	–	–	–	–
Acquisitions ⁽²⁾	20	2,144	86	5,927	13	2,765
Residential properties . .	14	1,688	16	2,498	–	–
Commercial properties. .	–	–	1	28	–	–
Public and other properties	6	456	69	3,401	13	2,765
Terminations ⁽³⁾	–	–	(4)	(566)	(6)	(271)
Residential properties . .	–	–	(4)	(566)	(2)	(168)
Commercial properties. .	–	–	–	–	–	–
Public and other properties	–	–	–	–	(4)	(104)
As of the end of the year	53	8,005	138	14,183	174	20,223
Residential properties . .	46	7,450	60	9,915	85	13,059
Commercial properties. .	1	99	3	411	5	645
Public and other properties	6	456	75	3,857	84	6,519

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Breakdown of Our Total Number of Contracted Projects, Contracted GFA and Undelivered GFA by Property Type

	As of/for the year ended December 31,								
	2018			2019			2020		
	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA	Number of contracted projects	Contracted GFA	Undelivered GFA
		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000		sq.m.'000	sq.m.'000
As of the beginning of the year ⁽¹⁾	34	6,379	801	85	14,240	6,235	198	27,928	13,745
Residential properties . . .	33	6,280	801	77	13,604	6,154	117	23,345	13,430
Commercial properties . . .	1	99	-	2	180	81	6	726	315
Public and other properties	-	-	-	6	456	-	75	3,857	-
New engagements ⁽²⁾	31	5,662	5,379	31	8,248	7,431	29	5,956	2,410
Residential properties . . .	30	5,581	5,298	28	7,730	7,197	29	5,956	2,643
Commercial properties . . .	1	81	81	3	518	234	-	-	(233) ⁽⁴⁾
Public and other properties	-	-	-	-	-	-	-	-	-
Acquisitions ⁽³⁾	20	2,199	55	86	6,006	79	14	2,772	7
Residential properties . . .	14	1,743	55	16	2,577	79	-	-	-
Commercial properties . . .	-	-	-	1	28	-	-	-	-
Public and other properties	6	456	-	69	3,401	-	14	2,772	7
Terminations ⁽⁴⁾	-	-	-	(4)	(566)	-	(7)	(420)	(149)
Residential properties . . .	-	-	-	(4)	(566)	-	(3)	(316)	(149)
Commercial properties . . .	-	-	-	-	-	-	-	-	-
Public and other properties	-	-	-	-	-	-	(4)	(104)	-
As of the end of the year	85	14,240	6,235	198	27,928	13,745	234	36,237	16,014
Residential properties . . .	77	13,604	6,154	117	23,345	13,430	143	28,985	15,925
Commercial properties . . .	2	180	81	6	726	315	6	726	82
Public and other properties	6	456	-	75	3,857	-	85	6,526	7

Notes:

- (1) Primarily include (i) preliminary property management service agreements entered into with property developers for new properties; and (ii) property management service agreements for residential properties that replaced their previous property management companies. The renewed agreements are not regarded as new engagements entered into during such period. The newly engaged GFA under management includes the newly delivered GFA we contracted in prior periods.
- (2) Refer to new GFA we obtained through our acquisitions of other property management companies.
- (3) Primarily arose out of non-renewal of certain property management service agreements, reflecting our reallocation of resources to more profitable engagements in an effort to optimize our property management portfolio. The number of contracted projects terminated in 2020 includes (i) six projects under management which were terminated or not renewed in 2020 and (ii) one contracted and undelivered property project which was terminated in 2020 due to the termination of Leading Holdings Group's cooperation arrangement with the independent third-party property developer for this property project.
- (4) Refers to the GFA contracted prior to 2020 and delivered for management in 2020.

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During the Track Record Period, our agreement renewal rates and retention rates remained relatively favorable, which we believe reflects on our capabilities in offering quality property management services. In 2018, 2019 and 2020, our property management service agreement renewal rates were 100%, 96.4% and 89.8%, respectively. For residential property projects, our property management service agreement renewal rates were 100%, 100% and 83.3%, respectively, for the same years. For non-residential property projects, no property management service agreements expired in 2018 and our property management service agreement renewal rates were 94.7% and 91.5%, respectively, for 2019 and 2020. In 2018, 2019 and 2020, our property management service agreement retention rates were 100%, 95.8% and 96.7%, respectively. The following table sets forth a breakdown of our renewal rates and retention rates for property management services contracts by developer type for the years indicated.

	Renewal rate			Retention rate		
	2018	2019	2020	2018	2019	2020
			%			
Leading Holdings Group ⁽¹⁾	100.0	100.0	100.0	100.0	100.0	100.0
Joint ventures of						
Leading Holdings						
Group ⁽²⁾	-	-	-	-	-	100.0
Non-Leading Holdings						
Group and non-joint						
ventures of Leading						
Holdings Group ⁽³⁾	-	95.8	89.4	100.0	94.7	95.3
Total	100.0	96.4	89.8	100.0	95.8	96.7

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

During the Track Record Period, we voluntarily chose not to renew one and four property management service agreements in 2019 and 2020, respectively, due to their low profit margins. In addition, in 2020, we had two property projects for which we did not successfully renew the property management service agreements, because both of these two property projects that were originally managed by Meishan Tianfu before our acquisition had low property management fees at RMB0.5 per sq.m. per month, we intended to raise the property management fees for these property projects to remain profitable and suitable for our business strategies, but the negotiation with the relevant property owners' associations did not result in the successful renewal of the property management service agreements. Therefore, our renewal rates in 2019 and 2020 were lower than 100%. In 2019, we also voluntarily chose to terminate the property management service agreements for five property projects under our management

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prior to the expirations of the relevant property management service agreements in order to allow us to allocate our resources in a more efficient manner. None of our property management service agreements was terminated by property owners' associations or property owners prior to the expiration date of such agreements. Therefore, our retention rates in 2019 and 2020 were lower than 100%.

Saved as one contract that was terminated in 2020 before the delivery of the relevant property project for our management due to the termination of Leading Holdings Group's cooperation arrangement with the independent third-party property developer, all of the aforementioned property projects for which non-renewal or termination of property management service agreements for property projects under our management occurred during the Track Record Period were those obtained through our acquisitions. Accordingly, in 2018, 2019 and 2020, the retention rate for property projects that we obtained from organic growth was 100%, and the retention rates for property projects that we obtained from acquisitions were 100%, 94.4% and 94.8%. Saved as eight projects of Meishan Tianfu that were already loss-making or we believed would not have been profitable after our acquisition based on our financial due diligence, we initially took over all the property projects managed by the acquired companies at the time of the relevant acquisitions under the relevant acquisition agreements. Our financial due diligence and risk assessment prior to the completion of the acquisitions did not indicate that the property projects that were subsequently not renewed or terminated were loss-making at that time, and we were in no position to negotiate for fee raise with the counter-parties of the property management service agreements for these property projects before the acquisitions. The inclusion of such property projects was only one of the factors considered in the commercial negotiation the relevant equity interest acquisition agreements, while other factors such as the proportion of the equity interest to be acquired, the consideration to be paid, the payment schedule, the corporate governance and business operation of the acquired companies after acquisitions had also been considered. After the acquisitions, we started to bring in our standardized service upgrades into these and other acquired property projects, in which we upgraded the old equipment and facilities in certain of these property projects that required repair and maintenance work leading to the drive up of the operation costs. Meanwhile, we intended to raise the property management fees, but the negotiation with the counter-parties of the relevant property management service agreements for these property projects did not lead to the successful results. Accordingly, after further profitability assessment, although none of these property projects was loss-making during the Track Record Period, we decided to reallocate our resources from these property projects by voluntarily terminating or not renewing such property projects. Such non-renewal or termination of the acquired property projects primarily resulted from our proactive approach to optimize the acquired project portfolio and to reallocate our resources from these acquired property projects with relatively low profit margins to more profitable property projects. The slight drop in our renewal rates and retention rates was in line with the increase of the acquired property projects during the Track Record Period and our continuous efforts to optimize the acquired project portfolio for better operational and financial results. See "Risk Factors—Risks Relating to Our Business and Industry—We expanded our business through acquisitions during the Track Record Period and may fail to achieve the desired benefits from such acquisitions, which could have a material adverse effect on our results of operations."

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VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Our value-added services to non-property owners include (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services. The following table sets forth a breakdown of our revenue from value-added services to non-property owners for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Preliminary planning and design consultancy services	4,397	9.0	11,326	12.6	5,324	4.7
Sales office management services. . .	41,514	85.0	70,045	77.8	84,476	74.8
Pre-delivery services	85	0.2	452	0.5	834	0.7
Repair and maintenance services . . .	774	1.6	1,789	2.0	3,697	3.3
Property transaction assistance services	2,061	4.2	2,917	3.2	266	0.2
Security support services.	–	–	3,511	3.9	18,425	16.3
Total	48,831	100.0	90,040	100.0	113,022	100.0

Preliminary Planning and Design Consultancy Services

We offer various preliminary planning and design consultancy services which address property developers' needs at different stages of their business operations. At the construction planning stage, we review developers' construction blueprints and offer recommendations from a property management perspective, such as advice on energy conservation, fire safety and general security. We also inspect key milestones of construction processes to ensure compliance with original design and relevant construction regulations. After construction completion and before delivery, we inspect units within the property to ensure compliance with applicable quality standards on fire safety, general security and the minimum GFA requirements and other aspects of the construction. We provide preliminary planning and design consultancy services mainly through our own employees. We typically charge a fixed service fee per sq.m. for our preliminary planning and design consultancy services. Generally, 30.0% of the service fees become payable to us within 30 days after signing of contract, 40.0% within six months after project commencement and 30.0% within 30 days after such property project passes the inspection and acceptance procedure. We generally accept payments via bank transfers.

Sales Office Management Services

We offer property management services to sales offices and display units of property developers, such as security services, cleaning services and visitor reception. We provide sales office management services through our own employees and third-party subcontractors. We

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typically charge property developers service fees on a cost-plus basis for our sales office management services. We typically invoice our customers by the 15th day each month for the services rendered in the previous month and generally get paid within the next 30 days via bank transfers.

Pre-delivery Services

We offer a series of services to property developers before they deliver completed properties to property owners, including pre-delivery property cleaning, property inspection and preparatory works for the upcoming property management services after delivery. Property developers request our inspections after construction is complete. After our initial round of inspections, we provide feedback to property developers in relation to properties that need further work, and conduct follow-up inspections until such properties meet our delivery standards. On the date of property delivery to property owners, we accompany property owners and record their feedback and complaints on the property. We provide pre-delivery services through our own employees and third-party subcontractors.

We typically charge property developers service fees on a per sq.m. basis for our pre-delivery services. For pre-delivery property cleaning services, we typically invoice our customers for pre-delivery property cleaning services after we have completed providing the cleaning services and the service fees are paid via bank transfers generally within 30 to 90 days after the collective delivery of the relevant properties to property purchasers. For pre-delivery property inspection services, we typically invoice our customers for pre-delivery property inspection services after such property project passes the inspection and acceptance procedure and generally the service fees are paid via bank transfers within 90 days after the invoice date. For pre-delivery preparatory works, the service fees are generally paid via bank transfers within 90 days after signing of contracts and before the delivery of relevant property projects.

Repair and Maintenance Services

We assist with the repair and maintenance of properties during their post-delivery quality warranty periods that typically last for 27 months. We receive requests from property owners and residents for repair and maintenance services through our customer service hotline, our Shi Xiang Yue (時相悅) mobile application and in-person visits. After recording such requests, we dispatch relevant personnel onsite to evaluate the situation and formulate solutions. We then liaise with construction companies to provide the requested services. Under certain circumstances, such as when the construction companies fail to provide the requested services in a timely manner, we may step in and provide the services directly. We provide repair and maintenance services through our own employees and third-party subcontractors. We charge a fixed service fee per sq.m. for our repair and maintenance services. Generally, 50.0% of the service fees become payable to us within 30 days after signing of contract with the remaining payable in the 13th month after the collective delivery of the relevant property projects. We generally accept payments via bank transfers.

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Property Transaction Assistance Services

We assist property developers in selling parking spaces in exchange for service fees calculated as a pre-agreed percentage of the transaction value. Leveraging the customer relationship we build through our daily property management services, we promote the parking spaces to property owners in the property projects under our management and help the property developers identify the customers who have needs for parking spaces. We provide property transaction assistance services through our own employees. We typically charge property developers service fees calculated as a pre-agreed percentage of the transaction value for our property transaction assistance services. We typically invoice our customers monthly for the property transaction assistance services rendered in the previous month according to the sales record and the service fees are paid via bank transfers generally within 30 days after invoice date.

Security Support Services

We also provide security support services to other customers tailored to their specific needs by dispatching staff to help our customers with patrolling, public order maintenance and public safety. We charge a monthly lump sum amount for our security support services, representing a markup on top of our labor costs. We provide security support services mainly through our own employees. We typically invoice our customers at the end of every month and the service fees are paid via bank transfers generally within 30 days after the invoice date.

COMMUNITY VALUE-ADDED SERVICES

We believe our quality community value-added services help improve the living experience and environment of property owners and residents of properties under our management, leading to higher overall customer satisfactions. We offer community value-added services to property owners and residents, including (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services. The following table sets forth a breakdown of our revenue from community value-added services during the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Community space management services	1,273	19.7	1,289	16.9	4,498	27.7
Decoration and turnkey furnishing services	3,057	47.5	3,938	51.6	5,887	36.2
Convenient living services	1,996	30.9	2,243	29.3	5,206	32.1
Community retail services	124	1.9	166	2.2	649	4.0
Total	6,450	100.0	7,636	100.0	16,240	100.0

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Community Space Management Services

We assist property owners in renting out certain common areas as temporary parking spaces and leasable facilities in the common areas of properties under our management to third parties seeking a place to operate or promote their businesses, and assist property developers in leasing out parking space. We charge a fixed amount as our service fees based on different location and size of the space being rented and the term of the lease. We also acquire parking spaces from the property developers and then lease out such parking spaces and collect rents. We collect a fixed monthly rent for long-term parking customers or temporary parking fees based on the length of the parking time. We also provide certain onsite services to promote and facilitate such third parties' businesses in exchange for service fees, such as facilitating their promotional events and equipment maintenance in the properties we manage. We generally get paid immediately for temporary parking fees or within 30 days after entering into the relevant contracts for other services. Our customers generally pay us via bank transfers. We provide community space management services mainly through our own employees.

We handle the proceeds generated from operation of common areas (i) according to the relevant property management service agreements, (ii) if the allocation is not specified in the relevant property management service agreements, according to the local regulations on the allocation where the relevant property project is located, and (iii) if the allocation is not specified in the relevant property management service agreements and there are no local regulations on the allocation where the relevant property project is located, according to the applicable laws and regulations. According to the Civil Code of the PRC (中華人民共和國民法典), the income generated from the operation of common areas, after deducting reasonable costs, belongs to the property owners. As advised by our PRC Legal Advisors, the above-mentioned arrangement on proceeds generated from the operation of common areas does not violate the applicable PRC laws and regulations.

Decoration and Turnkey Furnishing Services

We offer basic home decoration services which typically include construction, purchases of furniture, home appliances and decoration, and also offer turnkey furnishing services to property owners and residents, which help them furnish and decorate the entire property unit to create a move-in ready residence. We enter into collaboration agreements with third-party merchants and make their products and services, primarily including furniture, home appliances, construction materials, accessories and decoration services, available to property owners and residents. We generally collect a pre-determined percentage of the third-party merchant's sales amount, depending on the specifics of the products or services, as our service fees. The service fees generally become payable in installments after signing of the contracts. We provide decoration and turnkey furnishing services mainly through our own employees.

Convenient Living Services

We also offer convenient living services, which mainly include house cleaning, household repair and maintenance services and moving services, if requested by property owners or residents. We provide these services through our own employees and third-party subcontractors, and we charge the service fees based on the nature and amount of services rendered according to a pre-determined fee schedule. We generally get paid via bank transfer immediately after the services are provided.

Community Retail Services

We also assist third-party vendors in marketing and promoting the consumer goods that they sell to property owners and residents, by arranging exhibition stands in the communities, distributing fliers and sending group text messages to property owners and residents. The products we promote primarily include groceries, food, cleaning supplies, home appliances and others. We generally enter into contracts with such third party vendors and charge a pre-determined percentage of the sales amount as our service fees, which varies based on different types of goods. We typically invoice the third-party vendors monthly and get paid via bank transfer. We operate community retail services mainly through our own employees.

EFFECTS OF THE COVID-19 PANDEMIC

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and expanded 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.

Effects of the COVID-19 Pandemic on Our Business Operations

According to Savills and EH Consulting, the PRC property management industry is under pressure in the short term as property management companies are required to suspend certain services and incur additional costs to comply with additional regulations and government measures. In particular, our following services have experienced certain short-term impacts as a result of the COVID-19 pandemic.

- *Property management services.* To comply with government regulations and measures to combat the COVID-19 pandemic, we assigned additional staff and incurred additional costs for protective materials, which affected the short-term financial performance of our property management services. The outbreak of COVID-19 pandemic also resulted in the slower collection of property management fees in the first half of 2020. In Sichuan Province, Xinjiang Uygur Autonomous Region and Jilin Province, 13, two and three property projects, respectively, with property management fees in the amount of RMB0.5 million, RMB0.2 million and RMB1.4 million, respectively, were affected. The collection rate of property management fees for the first half of 2020 in Sichuan Province, Xinjiang Uygur

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Autonomous Region and Jilin Province decreased by approximately 2.0% compared to that for first half of 2019. In addition, we encountered difficulties to collect property management fees from property projects located in Jilin Province and Xinjiang Uygur Autonomous Region as a result of the resurgent COVID-19 pandemic in these regions towards the end of 2020. See “Financial Information—Description of Certain Combined Balance Sheet Items—Trade Receivables.” Five and two property projects in Xinjiang Uygur Autonomous Region and Jilin Province, respectively, with property management fees in the amount of RMB1.3 million and RMB1.9 million were affected. Our collection rate of property management fees for December 2020 in Xinjiang Uygur Autonomous Region and Jilin Province decreased by approximately 6.0% compared to that for December 2019.

- *Sales office management services.* Certain of the sales offices and display units we managed suspended operations after the outbreak of the COVID-19 pandemic, generally between January 2020 and March 2020 and, for certain property projects in Xinjiang Uygur Autonomous Region, between July 2020 and August 2020, as a result of government requirements, decrease in demand, and changes in property developers’ business plans. It is estimated that the suspension caused reduction of our relevant revenue from approximately RMB1.6 million to approximately RMB0.9 million.
- *Community space management services.* During the COVID-19 pandemic, due to lock-down measures in place in many properties under our management, our ability to rent out community spaces was negatively affected. The revenue in 2020 from community space management services provided to the property projects which we already managed in 2019 decreased by approximately 25.9%, compared to the revenue in 2019 from community space management services provided to the same property projects, due to the COVID-19 pandemic.

To the best of our Directors’ knowledge, as of the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of our staff. 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. Our Directors consider that while the supply chains in all industries may be affected to a certain extent by the COVID-19 pandemic, particularly due to the prolonged suspension of business operations and the instability of a workforce arising from the mandatory quarantine requirements, in view of the nature of our business, our Directors do not expect that we 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 subcontractors and suppliers in the market as back-up. In view of the foregoing, our Directors believe that we can continue to provide our services and discharge our obligations under existing contracts.

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To the best knowledge of our Directors after consulting Leading Holdings Group and third-party property developers, we do not anticipate there will be any material delay in sales, construction and delivery of the properties developed by Leading Holdings Group and third-party property developers for our management as scheduled. We were informed by Leading Holdings that while Leading Holdings Group anticipated certain delay in certain stages of its overall property development progress as a result of the business suspension imposed by the PRC Government in curbing the COVID-19 pandemic, Leading Holdings Group expected that it has sufficient resources, capability and capacity to catch up with the process of developments and did not anticipate significant delay in completing the developments of the aforesaid properties. After consulting with Leading Holdings Group, our Directors are of the view that nothing has come to their attention which would suggest otherwise. Accordingly, we believe such delay would not be significant and will unlikely have material adverse impact on our financial condition. In addition, the COVID-19 pandemic did not affect the availability of tender opportunities for us to further expand our businesses.

In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control as a result of the COVID-19 pandemic, we estimate our existing financial resources (including cash and cash equivalents and non-trade related amounts due from related companies to be repaid before Listing) as of December 31, 2020 could satisfy our necessary costs for at least 36 months. Key assumptions of the above estimates primarily include: (i) no revenue would be generated due to suspension of business; (ii) overall operating and administrative expenses and estimated monthly fixed costs will be incurred to maintain our operations at a minimum level; (iii) the expansion plan is suspended under such condition; (iv) we would only use the immediate cash and deposits available, including our cash and cash equivalents as of December 31, 2020, and there will be no further internal or external financing from Shareholders or financial institutions; (v) no further dividend will be declared and paid under such situation; (vi) 10% of the net proceeds from the Global Offering that will be used as our general working capital, based on the Offer Price at the low-end of the Offer Price range; (vii) the non-trade amount due from or to related parties as set out in the audited consolidated financial statements as of December 31, 2020 would be received or paid, respectively, by our Group upon the Listing; (viii) our trade payables will be settled when due, while we will be able to collect trade receivables and trade-related amounts due from related companies from our customers based on historical settlement pattern; and (ix) there are no material changes in the near future that would significantly affect the aforementioned key assumptions.

In the long term, however, the COVID-19 pandemic is expected to bring about opportunities to the property management industry. During the fight against the COVID-19 pandemic, property management companies played a significant role, serving as a bridge among the government, community workers and residents. We believe our efforts to control the outbreak has earned us higher degrees of trust and reliance from property owners and residents at properties under our management. The lockdown measures imposed in many regions have also led to residents' increasing reliance on community value-added services to address their

daily living needs, which we believe presents us significant opportunities to expand our related service offerings. 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.

Our Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, we have adopted the following hygiene and precautionary measures across the properties under our management since late January 2020.

- *Communications with the relevant government authorities.* We have been closely following the latest regulatory measures on combating the COVID-19 pandemic in terms of checking the health status of property owners, residents and our employees, and timely reporting potential issues to the relevant authorities.
- *Entrance management.* We verify the identities of all people and vehicles entering properties under our management, and check the body temperature of every person that pass through our gates.
- *Activity suspension.* We suspended various playgrounds and recreation centers and other facilities under our management, and cancelled various community cultural events to reduce gathering of people.
- *Disinfection.* We spray disinfectants in public facilities, building corridors, elevators and other public spaces under our management at least twice a day.
- *Garbage disposal.* We timely remove and transport garbage away from properties under our management, and designate specialized collection and disposal sites for used masks, gloves and other potentially hazardous materials.
- *Property owner and resident education.* We actively inform property owners and residents through WeChat groups and community posters regarding the latest policies and measures on the COVID-19 pandemic as well as our plans as the property management service provider.

We had incurred additional costs for implementing these enhanced measures, which primarily represented costs for purchasing protective materials. We had incurred additional costs of approximately RMB0.6 million in 2020 for purchasing protective materials, such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. Our Directors confirm that the additional costs associated with the enhanced measures will not have a significant impact on our Group's financial position or results of operations in the near future.

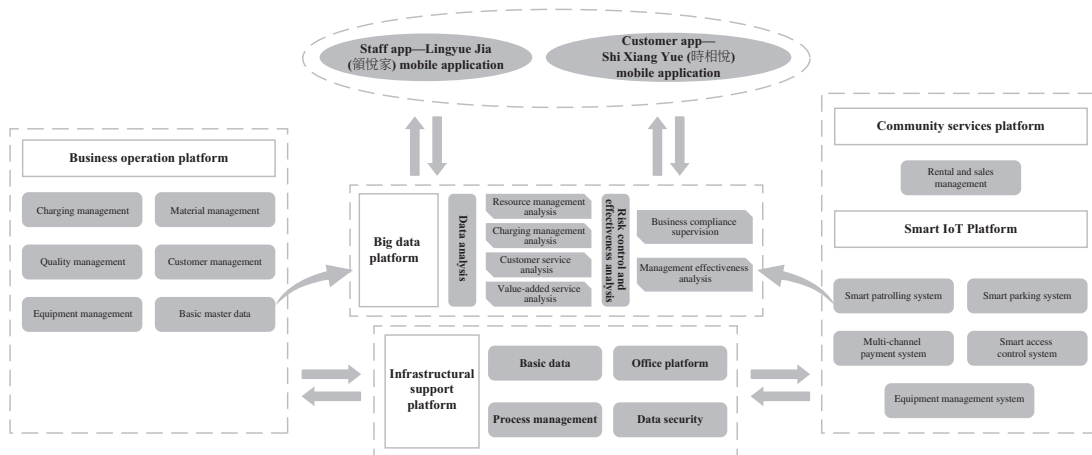
Effects of the COVID-19 Pandemic on Our Business Strategies

According to Savills and EH Consulting, the COVID-19 pandemic is expected to bring about opportunities to the property management industry. We therefore believe that our expansion plan as discussed in “—Business Strategies” is feasible, and we currently expect that it is unlikely that we would change the use of the net proceeds received by our Company from the Global Offering as disclosed in “Future Plans and Use of Proceeds” in this prospectus as a result of the COVID-19 pandemic.

SMART INFORMATION PLATFORM

We have implemented a smart information platform, which we believe enhances our capabilities to improve customer experience, reduce reliance on manual labor, and lower operating costs. Our information systems primarily include (i) Lingyue Service Smart Property Management Platforms; (ii) Shi Xiang Yue (時相悅) mobile application; and (iii) Lingyue Jia (領悅家) mobile application. We also operate an online official account with WeChat, where our residents and property owners may make online payments for property management fees and submit complaints.

The following diagram illustrates our smart information platform.



Lingyue Service Smart Property Management Platforms

We implemented Lingyue Service Smart Property Management Platforms leveraging information and intelligent technologies, such as IoT technologies, to improve customer experience, reduce reliance on manual labor and lower operating costs. Lingyue Service Smart Property Management Platforms, which were developed by Independent Third Parties, integrate business operation platform, community service platform, smart IoT platform, infrastructural support platform, big data platform, Shi Xiang Yue (時相悦) mobile application and Lingyue Jia (領悦家) mobile application. Lingyue Service Smart Property Management Platforms primarily include the following systems to help us achieve management centralization, digitalization and standardization:

Customer management system. The customer management system has centralized reporting management function which allows service requests and complaints submitted on computers or mobile devices to be managed and analyzed at our headquarters, which assists us in understanding customers' service needs and improving our service quality.

Quality management system. The quality management system assists us in monitoring each property project's status, such as the construction or engineering work status and the status of their security and greening works. The system generates such status data for the purpose of service quality control.

Inventory management system. The inventory management system digitally categorizes and records our inventories, streamlines the inventory processing and review and allows us to reallocate our inventory resources according to real-time operation needs.

Equipment management system and smart patrolling system. Each piece of our equipment bears a unique identification and the equipment management system records our equipment's basic information, operation status and other information, formulates inspection and maintenance schedules based on equipment information and automatically assigns work orders to our employees for inspecting and maintaining our equipment. Our employees may use Lingyue Jia (領悦家) mobile application to track the work orders.

Smart parking system. The smart parking system uses car plate recognition technology and sensors to allow our property owners and residents to pass the entrance smoothly. Registered users may pass the entrance without noticing the checking process. Temporary users to the car parks are able to pay parking fees through online payment methods to improve the experience.

Smart door control system. The smart door control system uses facial recognition technology to allow our property owners and residents to pass the entrance without showing key cards or other identification documents. Our property owners and residents may open entrance gates on Shi Xiang Yue (時相悦) mobile application through Wi-Fi or Bluetooth connections. Our property owners and residents may also manage visitors' access on Shi Xiang Yue (時相悦) mobile application to streamline their visitation process.

Online to offline service system. The online to offline service system assists our employees in precise marketing and improving the service quality of our community value-added services based on customer portraits generated from the analysis of customer information that we collect from our daily operation. This system is deployed on our private network and can be completely isolated from external networks, which enhances the network security and secures our data.

Information digitalization center. The information digitalization center gathers and displays real-time operational data, such as property management fee collection rate, property management fee rate, work order status and completion rate, patrolling assignment status and completion rate, in order for our management to make informed judgments and business decisions.

Shi Xiang Yue Mobile Application

Since September 2020, we use our Shi Xiang Yue (時相悅) mobile application to provide certain services online, which primarily include:

- *Online payment.* Users are able to verify their identities and then may pay for various services online instead of physically visiting our offices. In particular, users can monitor the amount of property management fees, carpark related fees and other temporary service fees that are due, past due and paid, and make the relevant payments on the mobile application.
- *Service request.* Users may easily find the contact information of the butler at their service. Users can request various property management services, such as housekeeping and household repair and maintenance services, and can also track the status of their requests and submit evaluation or complaints.
- *Suggestions and complaints.* Users can submit their suggestions and complaints on our services and track the status of their comments.
- *Community announcements.* Users can receive the latest announcements on the mobile application.
- *Door control.* Users can use the mobile application to open community gates and building doors through Bluetooth or Wi-Fi technologies.
- *Event Registration.* Users can also register for and participate in community events that we organize for communities under management.

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council which came into effect on September 25, 2000 and was revised on January 8, 2011, internet information services refer to the provision of information to web users through the internet, which can be divided into commercial internet

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information services and non-commercial internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the internet. Non-commercial internet information services refer to free services of providing public, commonly shared information to web users through the internet. Entities engaging in providing commercial internet information services shall apply for a license for value-added telecommunication services of internet information services. As for the operations of non-commercial internet information services, only filings with the relevant authority of the PRC Government are required.

The business conducted by us is regarded as “non-commercial Internet information services” because we use our Shi Xiang Yue (時相悅) mobile application as a tool to facilitate the provision of our services. We do not generate revenue from matching customers with third-party vendors or paid advertisement services through our mobile application. Therefore, as advised by our PRC Legal Advisors, the operations of our Shi Xiang Yue (時相悅) mobile application do not constitute value-added telecommunications services. As of the Latest Practicable Date, we had completed the necessary filings in relation to non-commercial internet information services.

Lingyue Jia Mobile Application

To improve our employees’ work performances, we have launched the Lingyue Jia (領悅家) mobile application, which has covered all of our onsite staff. Our staff can submit their routine work activities for approval, check status of service requests, perform assigned tasks, search customer information, apply for and return materials, respond to customer inquiries, verify visitor identities. We believe our Lingyue Jia (領悅家) mobile application helps our staff better manage their work performance and improve their efficiency by enabling our staff to achieve paperless online handling of the above-mentioned tasks. As advised by our PRC Legal Advisors, the business conducted by us through Lingyue Jia mobile application is regarded as “non-commercial internet information services” and only filings with the relevant authority of the PRC Government are required. As of the Latest Practicable Date, we had completed the necessary filings in relation to non-commercial internet information services.

Data Security and Privacy

We have adopted various internal control measures to ensure data security and privacy protection in relation to our internal operational data, as well as external data, such as customer data obtained through our information systems. We have displayed the terms and conditions to customers and have also gained their prior consent before collecting their data. In particular, we have adopted the following measures to control access and use of data.

- We implement strict access control to our physical server rooms and various online applications and systems, and only grant access to employees with legitimate business needs at the appropriate level.

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- All unnecessary access to our database is prohibited. In addition, employees can only view private data after logging into our intranet. We make explicit confidentiality requirements in our employment agreements and confidentiality agreements with our employees.
- We also conduct data backup and restoration tests periodically to protect the data integrity and set up fire walls and user behavior management system to protect our data security.
- We have installed anti-virus software in our system. We upgrade such software from time to time and carry out inspections to detect virus intrusion on a regular basis. We also scan all incoming data to ensure that it is free from virus.

Our PRC Legal Advisors have reviewed our information security management policy, information system user and authority management policy and information system development management policy, Shi Xiang Yue (時相悅) mobile application user agreement and user privacy agreement, and are of the view that we have taken relevant measures to prevent the leakage, damage, tampering or losses of personal information according to the applicable laws and regulations. The public information search results showed that we had not been subject to any administrative penalties related to data privacy protection matters as of the Latest Practicable Date, which was confirmed by our Directors. Accordingly, our PRC Legal Advisors are of the view that we are compliant with the applicable data privacy laws and regulations in all material aspects in the PRC during the Track Record Period and up to the Latest Practicable Date.

Our Brand

Our primary brand is “Lingyue Service” with “Achievement, Happiness, Sunshine and Healthiness” (成就、美好、陽光、健康) as our core values. We are committed to adhering to our brand concept of “Leading and Joy” (領於先,悅於心) and our service philosophy of “Friendship, Companionship and Warmheartedness” (親善相伴感動在) to offer quality property management service and services closely tied to what property owners and residents need in their daily lives. We continuously optimize our service standards on “three keys”, namely, key services (關鍵服務), key interaction with customer (關鍵觸點) and key moments (關鍵時刻).

Over the years, we have received various awards in the PRC in recognition of our brand, reputation, service quality and customer satisfaction. In 2020, we were recognized as one of 2020 Top 50 Model Chinese Property Management Companies for Customer Satisfaction (2020中國物業企業客戶滿意度模範企業五十強) and 2020 Top 50 Chinese Property Management Companies for Superior Service Capabilities (2020中國物企超級服務力五十強) by EH Consulting. In 2019, we were awarded 2019 Emerging Property Management Service Brand Company (2019新銳物業服務品牌企業) and 2019 Top 100 Influential WeChat Official Account for Property Management Service (2019物業管理微信公眾號影響力Top100) by China Property Management Institute (中國物業管理協會). Some of the exemplars of the property projects under our management have also been recognized by various accreditation institutes in the PRC property management industry. See “—Awards” for details.

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SALES AND MARKETING

Our market development department is primarily responsible for creating and implementing our marketing strategy, conducting market research and organizing our sales and marketing events. We have also established three regional market development teams to take charge of the sales and marketing in their respective regions. Our market development department and regional market development teams also actively communicates with leading property management companies and takes initiative to participate in industry events to learn from the advanced marketing strategy in the industry. Our market development department is also responsible for preparing for and participating in tenders to obtain new contracts with third-party property developers and maintain and strengthen our relationships with existing customers.

We also have our brand promotion department which is responsible for building up and managing our brand, and promoting our brand through online and offline channels.

CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property owners, residents, third-party vendors for our community value-added services and property developers. The following table sets forth the types of our major customers for each of our three business lines. See “—Property Management Services—Key Terms of Property Management Service Agreements for Residential Properties” for details of the terms of contracts with customers.

<u>Business line</u>	<u>Major customers</u>
Property management services	Property owners, residents and property owners’ associations, property developers
Value-added services to non-property owners	Property developers
Community value-added services . .	Property owners, residents and third-party vendors ⁽¹⁾

Note:

- (1) Third-party vendors are our major customers for community value-added services because we collect service fees from them for bridging their products and services with the property owners and residents in need under our collaboration with them to provide decoration and turnkey furnishing services and community retail services arrangements.

As of December 31, 2018, 2019 and 2020, we provided property management services to the property owners, residents and tenants for no less than 64,000, 83,000 and 101,000 property units, respectively, in the property projects under our management, provided community value-added services to those of them who requested such services and provided value-added services to non-property owners to no less than 20, 50 and 90 customers.

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In 2018, 2019 and 2020, revenue from sales to our five largest customers amounted to RMB58.8 million, RMB80.9 million and RMB122.2 million, respectively, which accounted for approximately 34.8%, 28.9% and 28.5%, respectively, of our total revenue. During the same years, revenue from sales to our single largest customer Leading Holdings Group amounted to RMB54.7 million, RMB70.1 million and RMB95.5 million, respectively, which accounted for approximately 32.4%, 25.1% and 22.3%, respectively, of our total revenue. See “Connected Transactions—Overview—Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements—1. Leading Holdings Group Property Management Services Framework Agreement.” We have established ongoing business relationships and cooperation with our largest customer during the Track Record Period, Leading Holdings Group, for more than 19 years. Leading Holdings Group was also one of our suppliers during the Track Record Period. In 2018, 2019 and 2020, we leased certain properties from Leading Holdings Group as offices, and such transaction amounted to RMB0.2 million, RMB0.4 million and RMB0.7 million, respectively. The credit terms granted to our five largest customers in 2018, 2019 and 2020 ranged from 30 to 90 days.

The following tables set out certain details of our five largest customers for the Track Record Period:

2018

Rank	Customer	Principal business	Length of business relationship with us	Products/services provided by us	Revenue	Percentage of total revenue	Credit terms	Relationship with us
			Year		RMB’000	%		
1.	Leading Holdings Group	Property developer	19	Property management services and value-added services to non-property owners	54,707	32.4	30-90 ⁽³⁾	Related Party
2.	Customer A ⁽¹⁾	Property developer	3	Value-added services to non-property owners	1,508	0.9	30	Related Party
3.	Customer B ⁽¹⁾	Property developer	4	Value-added services to non-property owners	1,409	0.8	30	Related Party
4.	Customer C	Property developer	3	Value-added services to non-property owners	791	0.5	30	Independent Third Party
5.	Customer D	Property developer	3	Value-added services to non-property owners	413	0.2	30	Independent Third Party

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2019

Rank	Customer	Principal business	Length of business relationship with us	Products/services provided by us	Revenue	Percentage of total revenue	Credit terms	Relationship with us
			Year		RMB'000	%		
1.	Leading Holdings Group	Property developer	19	Property management services and value-added services to non-property owners	70,131	25.1	30-90 ⁽³⁾	Related Party
2.	Customer E ⁽¹⁾	Property developer	3	Value-added services to non-property owners	4,118	1.5	30	Related Party
3.	Customer F ⁽¹⁾	Property developer	2	Value-added services to non-property owners	2,894	1.0	30	Related Party
4.	Customer A ⁽¹⁾	Property developer	3	Value-added services to non-property owners	1,915	0.7	30	Related Party
5.	Customer G	Property developer	2	Value-added services to non-property owners	1,886	0.7	30	Independent Third Party

2020

Rank	Customer	Principal business	Length of business relationship with us	Products/services provided by us	Revenue	Percentage of total revenue	Credit terms	Relationship with us
			Year		RMB'000	%		
1.	Leading Holdings Group	Property developer	19	Property management services and value-added services to non-property owners	95,454	22.3	30-90 ⁽³⁾	Related Party
2.	Customer H ⁽²⁾	Commercial property operator	3	Property management services	20,214	4.6	30 or 90 ⁽⁴⁾	Related Party
3.	Customer G	Property developer	2	Value-added services to non-property owners	2,788	0.7	30	Independent Third Party
4.	Customer I ⁽¹⁾	Property developer	1	Value-added services to non-property owners	1,988	0.5	30	Related Party
5.	Customer J ⁽¹⁾	Property developer	2	Value-added services to non-property owners	1,778	0.4	30	Related Party

Notes:

(1) Each is an associate of Leading Holdings Group, which is controlled by our Ultimate Controlling Shareholders.

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- (2) Customer H is a wholly-owned subsidiary of Rong Liang Group, which is controlled by our Ultimate Controlling Shareholders. For details, see “Connected Transactions—Overview—Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements.”
- (3) Credit terms for Leading Holdings Group during the Track Record Period varied based on different types of services provided by us.
- (4) Credit terms for Customer H during the Track Record Period varied based on different types of property projects for which we provide property management services.

As of the Latest Practicable Date, save as otherwise disclosed in this prospectus, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of our five largest customers.

SUPPLIERS

The following table sets forth the types of our major suppliers for our three business lines.

<u>Business line</u>	<u>Major suppliers</u>
Property management services	Subcontractors providing security services, cleaning and greening services and repair and maintenance services
Value-added services to non-property owners	Subcontractors providing cleaning services and repair and maintenance services
Community value-added services	Subcontractors providing cleaning services and repair and maintenance services, and suppliers of merchandise under our decoration and turnkey furnishing services community retail services

In 2018, 2019 and 2020, purchases from our five largest suppliers amounted to RMB12.5 million, RMB22.5 million and RMB28.4 million, respectively, which accounted for approximately 29.7%, 35.8% and 25.3%, respectively, of our total purchases. During the same years, purchases from our single largest supplier amounted to RMB7.7 million, RMB9.4 million and RMB7.6 million, respectively, which accounted for approximately 18.3%, 14.9% and 6.8%, respectively, of our total purchases.

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The following tables set out details of our five largest suppliers for the Track Record Period:

2018

Rank	Supplier	Supplier Type	Length of business relationship with us	Products/services provided to us	Purchase amount	Percentage of total purchase	Credit terms	Relationship with us
			Year		RMB'000	%		
1.	Supplier A	Cleaning service provider	5	Cleaning services	7,680	18.3	30	Independent Third Party
2.	Supplier B	Cleaning service provider	3	Cleaning services	1,639	3.9	30	Independent Third Party
3.	Supplier C	Electricity supplier	6	Electric power supplies	1,288	3.1	30	Independent Third Party
4.	Supplier D	Cleaning service provider	3	Cleaning services	1,182	2.8	30	Independent Third Party
5.	Supplier E	Cleaning service provider	5	Cleaning services	666	1.6	30	Independent Third Party

2019

Rank	Supplier	Supplier Type	Length of business relationship with us	Products/services provided to us	Purchase amount	Percentage of total purchase	Credit terms	Relationship with us
			Year		RMB'000	%		
1.	Supplier A	Cleaning service provider	5	Cleaning services	9,355	14.9	30	Independent Third Party
2.	Supplier F	Security service provider	3	Security services	4,792	7.6	90	Independent Third Party
3.	Supplier D	Cleaning service provider	3	Cleaning services	3,593	5.7	30	Independent Third Party
4.	Supplier G	Cleaning service provider	2	Cleaning services	3,450	5.5	30	Independent Third Party
5.	Supplier C	Electricity supplier	6	Electric power supplies	1,270	2.0	30	Independent Third Party

2020

Rank	Supplier	Supplier Type	Length of business relationship with us	Products/services provided to us	Purchase amount	Percentage of total purchase	Credit terms	Relationship with us
			Year		RMB'000	%		
1.	Supplier B	Cleaning service provider	3	Cleaning services	7,637	6.8	60	Independent Third Party
2.	Supplier H	Cleaning service provider	2	Cleaning services	6,984	6.2	60	Independent Third Party
3.	Supplier A	Cleaning service provider	5	Cleaning services	5,627	5.0	60	Independent Third Party
4.	Supplier I	Security service provider	1	Security services	4,160	3.7	30	Independent Third Party
5.	Supplier D	Cleaning service provider	3	Cleaning services	4,034	3.6	60	Independent Third Party

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During the Track Record Period, we did not experience any material delay, supply shortages or disruptions in our operations relating our suppliers, or any material product claims attributable to our suppliers. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital had any interest in any of our five largest suppliers. We do not have any long-term agreements with our top five suppliers. We typically enter into one to two years agreements with our suppliers and renew them after negotiations. Payments to suppliers are typically settled by month via bank transfers.

Subcontracting

We outsource certain labor-intensive services and specialized services, primarily including security services, cleaning, greening and gardening, and repair and maintenance services, to subcontractors, which enables us to reduce our operating and labor costs, improve service quality and dedicate more resources to management and other value-added services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, and enhance the overall profitability and efficiency of our operations. In 2018, 2019 and 2020, subcontracting costs amounted to RMB22.2 million, RMB37.8 million and RMB56.9 million, respectively, which accounted for approximately 18.0%, 19.5% and 20.1%, respectively, of our total cost of sales.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital had any interest in any of our five largest subcontractors.

Selection and Management of Subcontractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain a list of subcontractors based on our series of assessment standards, including the amount of registered capital, length of existence, size of overall operations, industry credentials and past cooperation with us. After initial evaluation of subcontractors, we also regularly review the performance of subcontractors and assign grades to subcontractors.

Key Terms of Our Subcontracting Agreement

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

- *Term.* A subcontracting agreement typically has a term of approximately one to two years and may be renewed upon mutual consent.

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- *Our responsibilities.* We are responsible for providing the subcontractors with the necessary support for the completion of their services, which may include, for example, the free use of office facilities. Subcontracting fees are generally charged on a monthly basis. We are responsible for paying the subcontracting fees in full and on time according to the agreement. We are also responsible for supervising and providing feedback on the work performed by the personnel dispatched by the subcontractor.
- *Obligations of the subcontractor.* The subcontractor is typically responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant subcontracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, the subcontractor is required to take necessary rectification measures within the period required by us, failing which we have the right to claim damages and penalties, or terminate the contract.
- *Risk allocation.* Our subcontractors manage their own employees, with whom we have no employment relationship. Our subcontractors are responsible for conduct safety training, 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.
- *Anti-bribery.* We and our employees are forbidden from requesting bribes from the subcontractor in any forms, and the subcontractor is forbidden from offering any financial assistance or other forms of bribes to our employees.
- *Termination.* The agreement is terminated when the term of the contract expires. We may also terminate the agreement if the subcontractor provides sub-standard performances and fail to rectify upon notices. We may also terminate the agreement if the subcontractor breaches provisions regarding anti-bribery, or other material terms of the agreement.

QUALITY CONTROL

We believe quality control is crucial to the long-term success of our business. We have a professional quality control team which primarily focuses on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

Quality Control over Property Management Services

We obtained in 2016 and renewed in 2018 ISO9001:2015 international quality management system certification. We also obtained ISO14001:2015 environmental management certification and ISO45001:2018 occupational health and safety management system certification in recognition of our service quality. We implement a “three-in-one” quality control system by aligning quality, environment protection and occupational health, which provides an all-round quality control guidance to our daily operations and minimize disruption to our operations and related operation costs.

In order to ensure service and consumer satisfaction, we conduct internal reviews on consumer satisfaction at all properties under our management on an annual basis. The quality check and consumer satisfaction results factor in the performance review of project companies and regional companies.

Quality Control over Subcontractors

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

Quality Control over Third-party Vendors

We implement a various measures and policies to ensure the quality of the products and services offered by third-party vendors, such as screening candidate vendors by examining their qualifications and conducting onsite inspection of their business premises, before entering into cooperation agreements with them. We also conduct annual assessment on our vendors in respect of transaction volume, service quality and after-sales services. We also have the right to replace a third-party vendor in the event of substandard performance.

Feedback and Complaint Management

During the ordinary course of our business, we receive feedback, suggestions and complaints (such as report of loss of properties and request for repair of public facilities) from property owners and residents of the properties we manage from time to time regarding our services. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses.

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In order to provide better customer experience and enhance our customer service, we offer a service hotline (400-606-3663) for our customers, which has been up and running since 2017. Through the hotline, our customers can inquire about our services, provide us with their complaints and feedback, and we can follow up and respond in time to provide timely and efficient solutions to the problems of our clients. In addition, property owners and residents can request repair and maintenance services, provide their feedbacks, suggestions and complaints through our Shi Xiang Yue (時相悅) mobile application and the online official account we registered with WeChat.

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 consider our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we had registered one copyright, 13 trademarks and one domain name in the PRC, and had registered two trademarks and had applied for the registration of one trademark in Hong Kong, which, in the opinion of our Directors, are material to our business. See "Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of our Group" for details.

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 disputes with third parties with respect to intellectual property rights.

AWARDS

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period.

<u>Awarding Year</u>	<u>Award/Recognition</u>	<u>Awarding Entity</u>
2020	China Top 100 Property Management Companies in terms of Overall Strength (Ranked 55) (中國物業企業綜合實力百強排名第55位)	EH Consulting (億翰智庫)
2020	China Top 100 Property Management Service Enterprises (Ranked 59) (中國物業服務百強企業排名第59位)	China Index Academy (中國指數研究院)

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Awarding Year	Award/Recognition	Awarding Entity
2020	China Top 50 Property Management Companies in Terms of Superior Service Capabilities (Ranked 47th) (中國物企超級服務力五十強排名第47位)	EH Consulting (億翰智庫)
2020	Top 50 China Model Property Management Companies in terms of Customer Satisfaction (中國物業企業客戶滿意度模範企業五十強)	EH Consulting (億翰智庫)
2020	Western China Top 50 Property Management Service Enterprise (Ranked 12) (中國西部物業服務五十強排名第12位)	China Index Academy (中國指數研究院)
2020	Top 10 of Sichuan Quality Property Management Companies (四川十大品質物業)	West China City Daily; Cover News (華西都市報;封面新聞)
2020	China Five-Star Property Management Projects – Leshan Leading International Mansion (中國五星級物業服務項目 – 樂山領地國際公館)	China Index Academy (中國指數研究院)
2020	China Top Five Property Companies in Terms of Quality Benchmarking Community Service – Leshan Leading Lantai House (中國物業企業優質社區標桿服務五強 – 樂山領地蘭台府)	EH Consulting (億翰智庫)
2020	China Top 100 Blue Chip Property Management Companies (中國藍籌物業百強企業)	The Economic Observer (經濟觀察報)
2020	Regional Leading Value Enterprise (區域領先價值企業)	The Economic Observer (經濟觀察報)
2019	China Top 100 Property Management Companies in terms of Overall Strength (中國物業企業綜合實力百強)	EH Consulting (億翰智庫)
2019	China Top 100 Property Management Service Enterprises (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2019	Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強企業)	China Index Academy (中國指數研究院)

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Awarding Year	Award/Recognition	Awarding Entity
2019	Featured Brand of Property Management Service Enterprise – Healthy Living Service Provider (特色物業服務品牌企業 – 健康生活服務商)	E-house China R&D Institute; China Property Management Institution (上海易居房地產研究院); (中國物業管理協會)
2018	China Top 100 Property Management Companies in terms of Overall Strength (中國物業企業綜合實力百強)	EH Consulting (億翰智庫)
2018	China Top 100 Property Management Service Enterprises (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2017	China Top 100 Property Management Service Enterprises (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2017	Top 50 Property Management Companies in terms of Overall Strength in Sichuan (四川省物業服務企業綜合實力五十強)	EH Consulting; Sichuan Real Estate Industry Association (億翰智庫; 四川省房地產業協會)
2016	Outstanding Property Management Service Enterprise (優秀物業企業)	Korla Real Estate Industry Association (庫爾勒市房地產行業協會)
2015	China Top 100 Property Management Service Enterprises (中國物業服務百強企業)	China Index Academy (中國指數研究院)
2014	China Top 100 Property Management Service Enterprises (中國物業服務百強企業)	China Index Academy (中國指數研究院)

COMPETITION

According to Savills and EH Consulting, the PRC property management industry is fragmented and competitive, with approximately 137,000 property management service providers operating in the industry in 2019. As a property management company with national presence, we compete with both national and regional property management companies in terms of property management companies, and with other providers of similar services in terms of our value-added services. For more information on the industry and the markets that we operate in, see “Industry Overview” and “Risk Factors—Risks Relating to Our Business and Industry—We are in a highly competitive business and we may not be able to compete successfully against existing and new competitors.”

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001:2015 and ISO45001:2018 standards certified by BCC Inc., and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. We also assign security personnel and provide 24-hour safety and security patrol at each of properties under our management to help promote the safety and security of the property owners and residents.

We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. 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 protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. 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 China.

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 stakeholders. To ensure the effectiveness of our ESG measures, our Directors will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks. In 2018, 2019 and 2020, we incurred expenses for employee training programs, including those for ESG purposes, in the amount of approximately RMB0.04 million, RMB0.09 million and RMB0.05 million, respectively. We have worked intensely in the following aspects to promote health, safety and environmental aspects of our operations: (i) to promote the reduction in emissions, solid wastes and consumption of water, paper, energy and other supplies; (ii) to organize regular training programs to all employees on environmental protection; (iii) to prioritize environment-friendly suppliers in the decision-making process for procurement; (iv) to maintain first-aid kits and fire-fighting equipment and facilities regularly; (v) to provide comfortable office furniture and air cleaner and to regularly sanitize the premises, water dispensers and air-conditioners for a good working and living environment; (vi) to follow the corporate policy on equal opportunities and to hiring, evaluate and promote based on merits; (vii) to provide paid leaves, insurances and allowances for employees and to organize parties and other activities to promote work-life balance and cordial working environment; and (viii) to provide adequate training and supervision for new employees and training programs for employees’ career advancement.

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Since our inception, we have been dedicated to serving the communities where we operate, and have implemented the following measures to fulfill our social responsibilities.

- *Combat of the COVID-19 pandemic.* Since the outbreak of the COVID-19 pandemic, we have been on the frontline of preventing the spread of the pandemic, with our employees working around the clock in over 140 property projects under management across China to safeguard the health and safety of property owners, residents and visitors. We closely verify the identities and monitor the health status of every person entering properties under our management, and offered comprehensive community living services to residents under quarantine, such as delivery of food, water and medicine. We had incurred additional costs of approximately RMB0.6 million in 2020 for purchasing protective materials, such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. See “—Effects of the COVID-19 Pandemic—Our Response to the COVID-19 Pandemic” for details.
- *Employee benefits.* We truly appreciate the services of our employees, and care about their wellbeing. To that end, we offer employee benefits such as housing allowances, meal allowances, vacation packages, group sports, cultural and social events, and holiday and birthday gifts.

ESG and Climate-related Risks and Opportunities

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

We have implemented an ESG policy, which provides guidelines to the management of the Group’s environmental, social and climate-related issues. In particular, our policy on the management of severe weather conditions lists out the measures to be taken against the increasing rate of extreme weather conditions such as typhoons and flooding due to climate change.

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, 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 is principally responsible for setting up the Group’s overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances and whether we fulfill the Board of Directors’ ESG vision. Our Board of Directors has also assigned our chief executive officer to oversee the coordination of different departments to ensure that our operations and practices are in line with related ESG strategies.

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Furthermore, our Board of Directors closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Stock Exchange's ESG requirements, and in order to ensure compliance with said requirements, our Board of Directors and our chief executive officer will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after we are officially listed.

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 has assigned our chief executive officer to monitor materiality assessments conducted to identify material ESG issues, such as climate-related issues. Our Board of Directors then reviews 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, typhoons and flooding. We may potentially be impacted by an increased operation and maintenance cost, as well as increased investment in insurance for protection. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emission. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices. For example, we may need to switch to energy efficient lighting or increase greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

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

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

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

<u>Material Topics</u>	<u>Potential Risks, Opportunities and Impacts</u>
Transition to green building . . .	Facilities and equipment of our operation sites may provide space for us to enhance our environmental performance through selecting more energy efficient equipment. While this may potentially incur a cost for new equipment and facilities in the short term and increased operational cost, our environmental performance may be enhanced.
Human capital development . . .	The health and safety of employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Meanwhile, strong human capital development may lead to a stronger employee base and a lower turnover rate.
Product design and lifecycle management	The maintenance of facilities and equipment at operation sites may incur additional costs if said facilities are not properly maintained.
Business ethics.	Regulatory risks in failing to maintain good business ethics may cause compliance-based impacts. However, outstanding business ethics may help us yield a positive business image.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. We have obtained internationally-recognized management system certifications, such as ISO14001:2015, ISO9001:2015 and ISO45001:2018, to regulate and control various risks. We also regularly perform maintenance of our facilities and equipment to minimize the risk of unmaintained facilities and equipment causing damage to our properties and the health and safety of employees and staff.

To mitigate climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures. To ensure that all personnel are well prepared for such extreme weather conditions, regular evacuation drills are conducted.

Furthermore, we are willing to consult professional entities to improve its compliance and quality on emission disclosures, and regularly communicates with different stakeholders on their views on climate-related issues.

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

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes greenhouse gas emissions and resource consumption. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from stationary combustion sources and vehicles. We do not emit in Scope 1 since we do not have stationary combustion sources and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. We have taken our top 10 largest subsidiaries in terms of revenue in 2020 into consideration for quantitative information calculation, with one subsidiary excluded from calculations involving electricity usage and two subsidiaries excluded from calculations involving water consumption due to the subsidiaries' operation practices.

Emissions	2020
Greenhouse gas emissions (tonnes CO ₂ equivalent)	18,982
Scope 1 (direct emissions) (tonnes CO ₂ equivalent)	0
Scope 2 (indirect emissions) (tonnes CO ₂ equivalent)	18,982
Intensity (tonnes CO ₂ equivalent/'000 m ² GFA)	1.21
Resource Consumption	2020
Water consumption (m ³)	698,625
Intensity (m ³ /'000 m ² GFA).	49.58
Energy Consumption (MWh)	32,718
Direct consumption (MWh)	0
Indirect consumption (MWh)	32,718
Intensity (MWh/'000 m ² GFA)	2.08

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, the proportion of such administrative expenses against our total revenue is estimated to trend downwards.

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 universities, third-party recruitment agency and other companies, and provide on-going training and promotion opportunities to our staff members. As of December 31, 2020, we had a total of 3,205 full-time employees in the PRC. The following table sets forth the number and breakdown of our full-time employees by function as of December 31, 2020.

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Function	Number of employees	% of our total number of employees
Management	24	0.8
Administrative, finance, legal and human resource	79	2.5
Marketing and sales	33	1.0
Project management	149	4.7
Commercial property management services	112	3.5
Residential property management services	1,013	31.6
Public and other property management services	491	15.3
Non-property owner services ⁽¹⁾	1,304	40.7
Total	3,205	100.0

Note:

- (1) Most of the employees for our non-property owner services are engaged in providing sales office management services. See “—Value-added Services to Non-property Owners” for details.

During the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

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 our recruiting process, we seek talent that is best suited to our vacancy by sourcing through a broad range of channels, including online advertisements, universities, third-party recruiting agencies and employee referrals. Our screening and selection process primarily include (i) review and screening of resumes by the human resources department; (ii) selection of resumes by the recruiting department; and (iii) face-to-face interviews by the human resources department and relevant recruiting department. Once qualified candidates are selected, we send offer letter to the candidate after the internal approval.

Training

We provide various systematic and extensive training programs to 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.

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We offer a systematic training program for our new employees that cover our corporate culture, internal policies and basic service skills, and also assign an experienced employee as a tutor to provide in-depth guidance to each of our new employees during their daily work. In addition, we regularly organize occupational training programs tailored for employees at different positions, including quality control, customer service, sales office management, human resource, accounting, market development, to equip them with the necessary skills for the their responsibilities and further improve their skill sets.

We also implemented “Excellence Program” (領優計劃), “Supremacy Program” (領越計劃) and “Elite Program” (領英計劃) to train up our management personnel at different levels. Specifically, our “Excellence Program” (領優計劃) includes a series of courses for general, industrial, professional and managerial knowledge, to train our project department heads with course training and practical exercises under the instructors’ guidance. We will select and promote outstanding group heads based on paper and practical exams. Our “Supremacy Program” (領越計劃) focuses on three aspects that are germane to the project manager position, namely self-management, business management and team management and the training program contains inter-professional rotation, senior management’s tutorship and practical training sessions. We will select and promote outstanding project managers based on paper and practical exams. Our “Elite Program” (領英計劃) contains seminars, field trips to our property projects and activities for leadership development, which are designed for our regional heads to strengthen their operation and management capabilities and the cohesiveness of our core management team.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND CONTRIBUTIONS

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China. During the Track Record Period, some of our PRC subsidiaries did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations.

Reasons for Not Making Full Contributions

As confirmed by our Directors, we did not make full social insurance and housing provident fund contributions during the Track Record Period, primarily because (i) some of our employees, especially our on-site personnel providing cleaning, greening and gardening, security, repair and maintenance services who typically demonstrate high mobility, prefer not to contribute to social insurance and housing provident funds; and (ii) some migrant workers who have purchased new rural insurance at their residences requested us not to pay to social insurance and housing provident funds for them.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations in respect of social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine from one to three times the amount of the outstanding contributions if we fail to make such payments. In respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within the time period stipulated by relevant authorities. If payment is not made within such stipulated time period, we may be subject to an order from the relevant PRC courts for compulsory enforcement. During the Track Record Period, (i) the unpaid amount of our social insurance contribution that arose in 2018, 2019 and 2020 was RMB0.55 million, RMB0.46 million and RMB0.07 million, respectively; (ii) the unpaid amount of our housing provident fund contribution that arose in 2018, 2019 and 2020 was RMB0.06 million, RMB0.08 million and RMB0.06 million, respectively. Based on the unpaid amount of our social insurance contribution of RMB1.1 million for the Track Record Period, the potential maximum fine which may be imposed on us if we fail to make required payment within the prescribed period as required by the government equals to three times of the outstanding amount of our social insurance contribution. In respect of the unpaid amount of our housing provident fund contribution of RMB0.2 million for the Track Record Period, we may be ordered to make full payment on the unpaid amount within the time period stipulated by relevant authorities.

Our Directors have considered the following in assessing our exposures relating to social insurance and housing provident fund contributions: (i) as of the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties, material litigations and legal proceedings, nor were we aware of any material employee complaints nor involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iii) our PRC subsidiaries have obtained written confirmations from competent local government authorities between October 2020 and April 2021 which confirmed that no penalties had been imposed on us with respect to social insurance and housing provident funds during the Track Record Period; (iv) we made provisions for social insurance and housing provident fund contributions of RMB0.6 million, RMB0.5 million and RMB0.1 million, respectively, in 2018, 2019 and 2020; 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 government authorities issuing such confirmations to us, being the local social insurance administrative departments, local labor security administrative departments and local housing provident fund management centers, are competent because (i) the social insurance administrative department of the local people's government at or above the county level is responsible for the management of social insurance in its administrative area under the applicable laws and regulations; (ii) the labor security administrative departments supervise the

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employers' enrollment in social security schemes and contributions to social insurance under the relevant regulation on labor security supervision; and (iii) housing provident fund management centers at city level shall be responsible for the management of the housing provident funds in their respective administrative areas according to the applicable laws and regulations.

Our PRC Legal Advisors are of the the view that the provisions that we made for social insurance and housing provident fund contributions are sufficient because (i) based on the above-mentioned relevant laws and regulations on social insurance and housing provident fund contributions, we would receive administrative penalties for outstanding social insurance contribution only if the relevant authorities demanded us to pay the contribution and we failed to contribute within the stipulated time period; (ii) our Controlling Shareholders will provide indemnity in favor of our Group in respect of non-compliance; (iii) the relevant PRC subsidiaries had obtained the above-mentioned written confirmations; and (iv) MOHRSS issued the Emergency Notice on Implementing the Spirit of the Executive Meeting of the State Council and Effectively Stabilizing the Collection of Social Insurance Premiums on September 21, 2018, which strictly forbids local human resource and social insurance authorities from initiating the settlement of historical arrears by themselves. We believe that the provisions for social insurance and housing provident fund contributions are sufficient, having considered the above-mentioned reasons.

Based on the foregoing, our PRC Legal Advisors are of the view that the risk that we would be subject to material administrative penalties by relevant authorities is low. In light of the above, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period would not have any material adverse effect on our business operations or results of operations.

Remedial Measures

In January 2021, we implemented an employee welfare management policy within our Group to standardize internal work flow and compliance procedures for contributions to social insurance and housing provident funds. Our human resource and administration center is in charge of implementing such policy, which stipulates that the support and service department of each project company shall timely complete the social insurance registration and update procedures when an employee starts or leaves his or her job. In addition, the support and service department needs to prepare a monthly social insurance and housing provident fund payment schedules in accordance with the relevant local regulations and then initiate the review and approval procedure in the office automation system, to ensure that each project company contribute to social insurance and housing provident funds in full and in time.

Since February 2021, all of our headquarters and subsidiaries in the PRC have fully implemented the above-mentioned remedial measures.

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OUR CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business. Generally, we encourage our subsidiaries and branch offices to settle transactions through bank transfers to lower the risks relating to managing cash. Our employees are required to deposit cash received into the relevant bank accounts in the day of receipt, and must seek approval for withdrawal and usage of such cash.

<u>Cash flow transactions</u>	<u>Cash handling policies and internal control measures</u>
Cash inflow in relation to payments of property management fees, deposits, rent or service fees from our customers	We typically have designated cashiers or customer service personnel specifically responsible for cash collection who verify that the amount of cash collected is correct prior to issuing receipts.
Payment made to suppliers, service providers and subcontractors of our subsidiaries and branches	Payments by our subsidiaries and branches to their suppliers, service providers and subcontractors must be pre-approved by the responsible supervising personnel at a higher level. Once approved, such payments must be made directly from the bank accounts of our subsidiaries and branches.
Cash inventories and deposits.	Each project company is typically not allowed to keep more than RMB1,000 in cash on hand and each regional company is typically not allowed to keep more than RMB10,000 in cash on hand. We typically require that excess amounts be deposited into the bank accounts of our subsidiaries and branch offices on the day they are received.
Cash transfers to the bank accounts of our subsidiaries and branch offices.	We receive cash through methods such as online payment, credit or debit card payments and bank transfers, and cash collected from these methods are directly deposited into the bank accounts of our subsidiaries and branch offices.
We receive cash through methods such as online payment, credit or debit card payments and bank transfers, and cash collected from these methods are directly deposited into the bank accounts of our subsidiaries and branch offices.	Our subsidiaries and branch offices must adhere to our internal policies and procedures in relation to the opening of bank accounts. They are typically required to complete an application form before opening any bank accounts. Our subsidiaries and branch offices are typically required to reconcile and check bank balances on a monthly basis.

INSURANCE

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily (i) liability insurance to cover liabilities for property damages or personal injuries suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damages to both movable and immovable properties owned by us or in our custody. We require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our standard terms in the agreements between subcontractors and us, the subcontractors are responsible for all workplace injuries to their employees, except for injuries directly attributable to us.

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We believe that our insurance coverage is in line with the industry practice in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, see “Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may not sufficiently cover the risks related to our business.”

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisors, we obtained all material certificates, licenses and permits from relevant regulatory authorities for our main business lines throughout the entire Track Record Period and as of Latest Practicable Date, including regular business licenses for operating entities, the labor dispatch business license and security service permit and we are not required to obtain other material certificates, licenses and permits for our main business lines. We are required to renew such certificates, licenses and permits from time to time.

PROPERTIES

As of the Latest Practicable Date, we had purchased 17 carparks in China with an aggregated GFA of approximately 993.0 sq.m.. As of the Latest Practicable Date, we also leased two properties in various locations in the PRC with an aggregated GFA of approximately 1,353.1 sq.m. for use primarily as office spaces.

As of the Latest Practicable Date, one of the lessors of our leased properties could not provide relevant title certificates or proof of property rights. As of the Latest Practicable Date, we had not filed the lease agreement for one of our leased properties with the local housing administration authorities as required under PRC law, primarily due to lack of cooperation from the landlords in registering the relevant lease agreements, which was beyond our control. We were advised by our PRC Legal Advisors, that such non-filing of lease agreements would not affect the validity of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. See “Risk Factors—Risks Relating to Our Business and Industry—Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines.” As of the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. Our Directors do not expect any practical difficulty in identifying alternative premises subject to the lease agreements that have not been filed, and are of the view that such non-filing would not have a material impact on our business operations.

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We had no single property with a carrying amount of 15% or more of our total assets as of the Latest Practicable Date and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see “Risk Factors—Risks Relating to Our Business and Industry.” In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business. See “Financial Information—Quantitative and Qualitative Analysis about Market Risk.”

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will adopt risk management and internal control measures which primarily include:

- The support and service center has formulated the risk management strategies, which have been reviewed and approved by the board of directors and the board of supervisors. The board of supervisors and the support and service center are responsible for implementing our risk management strategies into the company’s internal policies and internal procedures, assisting various business departments in improving their operation policies and procedures, and inspecting and evaluating the implementation and effectiveness of the risk management strategies.
- The board of supervisors, support and service center, and finance personnel conduct real-time monitoring on the implementation of the company’s business plans and strategic plans, record, summarize, analyze and process various types of relevant information, and keep risk management records. Each department shall report the business risk situation of the department to the internal audit department.
- The existing risk management strategies, policies and procedures will be timely revised and adjusted in response to material changes in the internal and external circumstances, to maintain their feasibilities and effectiveness.
- Each functional department conducts a written analysis and assessment of the risk control level within our business scope once a year, and the support and service center is responsible for producing the risk assessment report and submitting such report to our management after review by relevant functional departments.

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- Sensitive and efficient risk handling and emergency management mechanisms have been established to reduce risk losses. For emerging major risks for which we lack a risk emergency response plan, the support and service center will immediately coordinate with the board of supervisors and relevant departments, organize relevant personnel to study and formulate a risk response plans, and obtain approval from the board of directors for approval before implementing such plans.
- When a risk arises, the person in charge of the relevant unit must immediately report to the board of supervisors and the support and service center. After the board of supervisors and the support and service center receive the risk report, they will promptly evaluate the risk and determine whether it is a general internal risk or a corporate crisis that causes significantly negative impact on the corporate reputation, business activities and internal management. The person in charge of the relevant unit or the relevant personnel will be instructed to handle general internal risks while corporate crises must be handled in accordance with risk crisis procedures.
- All relevant departments and subsidiaries are required to regularly conduct self-inspection of risk management to timely locate defects and make improvements, and submit their inspection reports to our internal audit department for record. The board of supervisors and the support and service center conduct regular or unscheduled inspection and evaluation on whether a relevant department or subsidiary can carry out risk management works in accordance with relevant policies, and submit the inspection and evaluation report to the board of directors.

We embed a culture of compliance in the daily work routine of our employees through regular compliance trainings, and set various expectations for our employees' work performances in terms of compliance.

Finally, we adopt before the Global Offering, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- Internal policies, such as employee handbook, employee conduct assessment management, management of gifts received on business, declaration of conflict of interests and other policies to regulate the integrity of employees and guide employees in handling conflicts of interest, which specify the integrity requirements and codes of conduct for employees. If a violation is discovered, the relevant offenders and the relevant management may be subject to demotion, pay cut or termination of employment depending on the severity of the circumstances and the losses caused by their misconducts.

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- Internal policies in relation to anti-bribery and anti-corruption requirements during the tender processes, such as rejecting a tender offer due to the tenderer's fraudulent conducts or attempted bribery and entering into honest cooperation agreements with our business partners to require honest conducts during the tender processes.
- An internal policy for employee whistleblowing, which establishes additional channels for employees to report or file complaints on misconducts, other than the ordinary work report channel.
- Providing anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

Our Directors are of the view that such controls and measures are effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities. The main members of our management had obtained certificates showing no criminal record issued by the relevant public security authorities. The public information search results showed that we had not been subject to any prosecution or administrative penalties related to anti-corruption or anti-bribery matters as of the Latest Practicable Date, which was confirmed by our Directors. Accordingly, our PRC Legal Advisors are of the view that we are compliant with the applicable anti-corruption and anti-bribery laws and regulations in all material aspects in the PRC during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, such as contract disputes with our customers, suppliers or disputes with other third parties at properties under our management. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material litigation, arbitration or administrative proceedings and we were not aware of any material pending or threatened litigation, arbitration or administrative proceedings against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

Historical Non-Compliance Incidents

As advised by our PRC Legal Advisors, we had not been subject to significant fines or legal actions involving non-compliances with any PRC laws or regulations relating to our business which would have a material adverse effect on our business during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Ultimate Controlling Shareholders, namely Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli, by virtue of the Acting in Concert Deed, will be entitled to exercise voting rights of 74.25% of the total issued share capital of our Company through the investment holding companies controlled by them. Accordingly, Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli together with the investment holding companies controlled by them, namely Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital, will be a group of Controlling Shareholders upon Listing.

Each of Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital is an investment holding company. Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli are family members, with Mr. Liu Haowei and Mr. Liu Ce being the nephews of Mr. Liu Yuhui, Mr. Liu Ce being the son of Ms. Hou Sanli, Mr. Liu Yuhui being the spouse of Ms. Long Yiqin, and Mr. Liu Haowei being the son of Ms. Wang Tao. Mr. Liu Yuhui is our executive Director and chairman of the Board. Ms. Wang Tao and Ms. Hou Sanli are our non-executive Directors. See “Directors and Senior Management.”

ACTING IN CONCERT DEED

On January 29, 2021, our Ultimate Controlling Shareholders executed the Acting in Concert Deed, pursuant to which our Ultimate Controlling Shareholders had agreed and confirmed that from the date when they became the registered owners and/or beneficial owners of the equity interests in our Group to the date when any one of them ceases to be our Controlling Shareholder: (a) they had been and would continue to be parties acting in concert and they had agreed to consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group.

DELINEATION OF BUSINESS

Our Group is primarily engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Ultimate Controlling Shareholders were beneficially interested in approximately 72.30% in aggregate of the total issued shares of Leading Holdings, a company engaging in the development and sales of residential and commercial properties whose shares are listed on the Main Board of the Stock Exchange (stock code: 6999). Our Ultimate Controlling Shareholders are involved in other businesses which mainly include real estate development in Australia, provision of commercial management services, sales of construction materials, operation of hospital, financial asset investment and waste recycling and processing service through Rong Liang Group, Liang Yuan Asset Management or other companies owned and/or controlled by them. Taking into account the differences between such other businesses held by our Ultimate Controlling Shareholders and the business operations of our Group, our Directors are of the view that there is a clear business delineation between our business and the businesses of our Ultimate Controlling Shareholders.

Chengdu Baorui, a wholly-owned subsidiary of Rong Liang Group, and its subsidiaries have been providing certain commercial management services during the Track Record Period. Unlike our Group which provides property management services, such as security services, cleaning and greening services, and repair and maintenance services, to both residential and non-residential properties, the commercial management services of Chengdu Baorui consist of (i) tenant sourcing; (ii) consultancy and promotion services for marketing and event planning; and (iii) commercial operational services including tenant management and rent collection, to commercial properties. As such, our Directors consider that our businesses is distinct from the commercial management services of Chengdu Baorui and there is no competition between the businesses of our Group and Chengdu Baorui.

As a result, none of the business of the companies controlled by our Controlling Shareholders and their close associates would compete or is expected to compete, directly or indirectly, with the business of our Group which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing for the following reasons:

Mutual and Complementary Relationship with Leading Holdings Group

Leading Holdings Group is principally engaged in the development and sales of residential and commercial properties. As of December 31, 2020, the total GFA of land reserves of Leading Holdings Group was approximately 16,539,991 sq.m.. As of December 31, 2020, Leading Holdings Group had 90 projects at various stages of development, among which 36 of them had commenced delivery during the Track Record Period, 14 of them are expected to commence delivery in 2021, 24 of them are expected to commence delivery in 2022, and the remaining 16 are expected to commence delivery in 2023 onwards. For the year ended December 31, 2020, Leading Holdings Group recorded a revenue of RMB13,158.1 million and a profit for the year attributable to its owners of RMB860.3 million.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group provided property management services and value-added services to all of the properties developed by Leading Holdings Group. Our Group had not provided property management services and value-added services to any associate of Leading Holdings during the Track Record Period. Among the 15 projects developed/under development by the joint ventures of Leading Holdings during the Track Record Period, we had provided (i) value-added services to seven of them; (ii) both property management services and value-added services to two of them. For the risk of our Group's reliance on Leading Holdings Group, see "Risk Factors—Majority of our revenue from property management services and value-added services to non-property owners during the Track Record Period was generated from services provided to Leading Holdings Group in relation to properties developed by Leading Holdings Group."

Benefiting from our history and long-term cooperation relationship with Leading Holdings Group, we have been providing property management services to Leading Holdings Group since our establishment. We believe our on-going business relationship with Leading Holdings Group is both mutually beneficial and complementary. Our Directors consider that the reliance of our Group on Leading Holdings Group is not significant, having considered that (i) as of December 31, 2020, an aggregate GFA under management of approximately 11.0 million sq.m., or 54.6% of the total GFA under management of our Group, was contributed by projects developed by third-party developers; (ii) a majority of our Group's customers are Independent Third Parties and they contributed to approximately 65.5%, 68.8% and 69.6% of the total revenue of our Group for the years ended December 31, 2018, 2019 and 2020, respectively; and (iii) the initial engagement of our Group to provide preliminary management services to residential properties was generally procured through a standard tender procedure governed by the relevant PRC laws and regulations, and our Group considers that no preferential treatment has been accorded to it.

High-quality property management services enhance client satisfaction and add value to the market reputation of property developers for their developed properties. Thus, property developers would select and work closely with trustworthy and well-resourced property management companies which are able to provide a comprehensive range of services at higher standard. Through years of cooperation, our Group and Leading Holdings Group have developed a mutual and in-depth understanding of each other's business operations and shared a similar service philosophy and geographic coverage. We believe that our ability to maintain a high bidding success rate for properties solely developed by Leading Holdings Group is owed to our long-standing track record to work with Leading Holdings Group, our involvement for properties developed by Leading Holdings Group at early stage of property development process and our familiarity with their needs, which enables us to reduce communication costs and provide services tailored to Leading Holdings Group's stringent demands and requirements. See "Business – Our competitive strengths – Long-term support from Leading Holdings Group and independent business development capabilities bringing us significant growth opportunities" for more details on the business benefits from our long-standing relationship with Leading Holdings Group. We believe our close and long-term cooperative relationship with Leading Holdings Group is instrumental to its success in establishing a

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

distinguished and well-recognized brand image nationally, while enabling us to reinforce our existing market position and enhance our competitiveness in the PRC property management and commercial operation industry.

Meanwhile, our ability to maintain high retention rate with properties under our management during the Track Record Period also demonstrated the level of client satisfaction for our high quality services, which indicates our Group's contribution to their brand image by continuously delivering quality property management services to property owners and residents of its developed properties. We believe it is commercially beneficial for both Leading Holdings Group and our Group to maintain such a stable and strategic business relationship. Our Directors therefore consider that our business relationship with Leading Holdings 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 efforts required to secure other service providers who can possibly provide services of comparable standard and scope, we consider we have competitive advantage which distinguishes us from our competitors and we believe we will continue to secure future engagements from Leading Holdings Group. Our provision of property management services to Leading Holdings Group will constitute continuing connected transactions for our Company upon Listing. For details, see "Connected Transactions."

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, save as disclosed below, none of our Directors or the members of our senior management team holds any position at our Controlling Shareholders or their respective close associates. Set out below is a table summarizing the positions held by our Directors and members of our senior management team at our Group and our Controlling Shareholders (and their respective close associates).

Name	Position with our Group	Position with our Controlling Shareholders or their respective close associates
Mr. Liu Yuhui	Executive Director Chairman of the Board	<ul style="list-style-type: none">• Director of Rong Liang Group• Executive director, chairman of the board and chief executive officer of Leading Holdings and director of its certain subsidiaries

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name	Position with our Group	Position with our Controlling Shareholders or their respective close associates
Ms. Wang Tao	Non-executive Director	<ul style="list-style-type: none">• Director of Rong Liang Group• Executive director of Guangdong Trend Road Asset Management Co., Ltd (廣東趨勢道資產管理有限公司), 80% of equity interest of which is held by Mr. Liu Haowei• Director of Beijing Century Rongbang Investment Management Co., Ltd. (北京世紀融邦投資管理有限公司), owned as to approximately 71.33% and 28.67% by Mr. Liu Yuhui and Mr. Liu Haowei, respectively• Director of certain subsidiaries of Leading Holdings
Ms. Hou Sanli	Non-executive Director	<ul style="list-style-type: none">• Executive director of Liang Yuan Asset Management and one of its subsidiaries• Director of Rong Liang Group and its certain subsidiaries• Executive director of Guangdong Rongliang Wealth Asset Management Co., Ltd. (廣東融量財富資產管理有限公司), which is owned as to 72% and 28% by Mr. Liu Ce and Mr. Liu Haowei, respectively

Notwithstanding Mr. Liu Yuhui's role in our Group, Leading Holdings Group and Rong Liang Group, Mr. Liu Yuhui has been, and will continue to be, able to devote sufficient time to discharge his duties as an executive Director and the chairman of our Board, on the basis that:

- (i) the roles of Mr. Liu Yuhui in Leading Holdings Group and Rong Liang Group are high-level supervision in nature which mainly involve overseeing their overall management and business development. He is assisted by the respective management teams of Leading Holdings Group and Rong Liang Group on the day-to-day operations;
- (ii) the board of directors of Leading Holdings Group currently has four executive directors including Mr. Liu Yuhui, and three independent non-executive directors. The responsibilities of such board are sufficiently shared among the seven members of the board such that Mr. Liu Yuhui is not required to devote a disproportionately substantial amount of his time and effort to the matters of Leading Holdings Group which would impair his ability to discharge his duties as an executive Director and the chairman of our Board; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) Mr. Liu Yuhui is the founder of Leading Holdings Group, Rong Liang Group and our Group and he has been responsible for managing the property management business of our Group since its establishment. Since the establishment of our Group, Mr. Liu Yuhui has a proven track record of being able to manage his duties within Leading Holdings Group, Rong Liang Group and our Group, which demonstrates that he has been, and will continue to be, able to devoting sufficient time and effort to our Group.

Despite the overlapping roles assumed by Mr. Liu Yuhui, Ms. Wang Tao and Ms. Hou Sanli as illustrated above, when performing their duties in each of our Group and the relevant companies, they have been and will continue to be supported by the separate and independent board and senior management team of each of our Group and the relevant companies. As such, we believe that our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their respective close associates.

Apart from Mr. Liu Yuhui, Ms. Wang Tao and Ms. Hou Sanli, none of the other Ultimate Controlling Shareholders, namely Mr. Liu Haowei, Mr. Liu Ce and Ms. Long Yiqin has ever been involved in the day-to-day management and business operation of our Group. Each of them are only Shareholders acting in concert with the other Ultimate Controlling Shareholders. Each of Mr. Liu Haowei and Mr. Liu Ce is currently a senior management member of Leading Holdings who is required to devoting substantial time on the management of Leading Holdings. Ms. Long Yiqin is currently a supervisor of Leading Group Co., Ltd. (領地集團有限公司), a principal operating subsidiary of Leading Holdings. Accordingly, none of Mr. Liu Haowei, Mr. Liu Ce or Ms. Long Yiqin has been appointed as our Director. Furthermore, to the best knowledge of our Company, there is no fact and circumstance that may render Mr. Liu Haowei, Mr. Liu Ce or Ms. Long Yiqin unsuitable to act as a Director. Set out below is the biographical information of Mr. Liu Haowei, Mr. Liu Ce and Ms. Long Yiqin:

- **Mr. Liu Ce (劉策)** (formerly known as Liu Huan (劉歡)), aged 30, is currently a vice president of Leading Holdings and is primarily responsible for the execution of its business strategies and the management of its real estate projects in Chengdu. Mr. Liu Ce has over nine years of experience in property development. He joined Leading Holdings in October 2011 as a manager of the financing department of Leading Holdings for assisting the financing of the projects of Leading Holdings. From January 2013 to December 2018, Mr. Liu Ce successively served as a manager and the chief executive of the investment and development department of Leading Holdings and was responsible for overseeing the decision-making process of project investment. Mr. Liu Ce was appointed as the vice president of Leading Holdings in January 2019. Mr. Liu Ce also holds various directorships in the subsidiaries of Leading Holdings, including the centralized management platform of Leading Holdings.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

From September 2009 to July 2011, Mr. Liu Ce studied in Irvine Valley College in the United States. He also studied in Peking University (北京大學) in the PRC and completed a program on private equity funding and capital operation in May 2017.

- **Mr. Liu Haowei (劉浩威)**, aged 28, is currently a vice president of Leading Holdings and is primarily responsible for the execution of its business strategies and the management of its real estate projects in Chongqing. He joined Leading Holdings in May 2015 as a general manager of Guangdong Leading Real Estate. Since May 2015, Mr. Liu Haowei has been responsible for the daily operation and the overall management and operation of the real estate projects, including those in Zhumadian and Chongqing, playing a key role in Leading Holdings' business expansion in those areas. He was appointed as the vice president of Leading Holdings in January 2019. Mr. Liu Haowei currently holds various directorships in the subsidiaries of Leading Holdings.

Mr. Liu Haowei obtained a bachelor's degree in business administration from the University of California, Irvine in the United States in June 2014. He also completed a private equity program in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC in December 2015 and a capital investment and financing program in Peking University in the PRC in June 2017.

- **Ms. Long Yiqin (龍一勤)**, aged 47, has been a supervisor of Leading Group Co., Ltd. (領地集團有限公司), a principal operating subsidiary of Leading Holdings, since 1999.

Ms. Long obtained a college's degree in law from Open University of China (中央廣播電視大學) in the PRC in April 2005.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require that he/she acts for the benefit 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 an actual or 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.

Based on the above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions on, and to carry out, our own business operations independently of our Controlling Shareholders and their respective close associates.

After properties are delivered by property developers, we provide property management services directly to independent individual property owners, who may be represented by property owners' associations. The property owners' association, once formed, will be operated by the property owners, and will be entitled to enter into the property management contract with the property management service provider selected by the general meeting on behalf of the property owners. The property owners' association, which is independent of Leading Holdings Group and its joint ventures and associates, 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 (2018 Revision) (《物業管理條例(2018年修正)》) of the PRC, a general meeting of the property owners of a property can engage or dismiss a property management enterprise with affirmative votes of property owners who own more than half of the GFA of the community 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. The Leading Holdings Group or its joint ventures and associates 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 appointment by the property owners' association. During the Track Record Period, our agreement renewal rates and retention rates remained relatively favorable. See "Business—Property Management Services—Expiration Schedule of Property Management Service Agreements" for details. Our proven track record of being retained by the property owners after the expiry of the preliminary management contracts is a good testament to the quality of the management services being provided by our Group and our ability to operate independently of Leading Holdings Group. Accordingly, our Directors are of the view that our Group has a strong ability in retaining the contracts for property management services and believe that we will continue to be able to secure future engagement by such property owners.

As of December 31, 2020, approximately 44.2% of our total GFA under management was attributable to the projects developed by Leading Holdings Group. Despite the above, we have been able to maintain a diversified customer base, primarily by continuing our property management services to property owners or property owners' associations after the delivery of residential properties, by participating in tender and bidding processes conducted by property developers, and by providing value-added services to other property developers. Accordingly, the majority of our customers are independent individual property owners and property owners' associations. Our revenue generated from Independent Third Parties accounted for approximately 69.6% of our total revenue for the year ended December 31, 2020.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We believe that our GFA under management and revenue attributable to independent third-party property developers will continue to increase. We began to proactively source projects from independent third-party property developers since 2016. Over the years, we have been able to secure contracts for the provision of management services for properties developed by independent third-party property developers. For the year ended December 31, 2018, 2019 and 2020, the tender success rates of property management services contracts in respect of third-party property developers are 72.7%, 84.6% and 80.0%, respectively. The GFA under management of properties developed by independent third-party property developers increased from approximately 2.7 million sq.m., representing approximately 33.4% of the total GFA under management as of December 31, 2018 to approximately 11.0 million sq.m., representing approximately 54.6% of the total GFA under management as of December 31, 2020. The percentage of revenue generated from property management services attributable to properties developed by independent third-party property developers increased from approximately 14.3% for the year ended December 31, 2018 to approximately 29.9% for the year ended December 31, 2020.

In addition, we have been actively pursuing cooperation opportunities and exploring acquisitions of quality targets with considerable business scale, diversified property management portfolio and regional competitive strength. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted four tenders to three independent third-party property developers and had been contracted to provide property management services to such additional properties developed by the independent third-party property developers with an aggregated contracted GFA of 0.9 million sq.m.. We had also signed one framework agreement with another independent third-party property developer (the “**Framework Agreement**”). Under the Framework Agreement, we shall establish a joint venture with the independent third-party property developer and such joint venture shall be the entity to procure property management service mandates and provide property management services to certain projects developed by such property developer with a total GFA of 0.9 million sq.m.. We believe that in view of our relationship with such property developer, the knowledge of the specific service needs of such property developer combined with our property management experience, would increase the chance for the joint venture to secure property management services contracts for the property projects developed by such property developer. The scope of the cooperation covers initially three projects under development in Guizhou Province. In addition, we expect to further expand our business and diversify the property portfolio by acquiring or investing in other property management companies. See “Future Plans and Use of Proceeds—Plans for Strategic Acquisitions and Investments.” We believe that the aforesaid strategic cooperation and acquisitions have solidified our market position, contributed to our enlarged scale an increased variety of managed properties, helped enhance our market development capabilities for obtaining service engagements from different sources and reduced our reliance on Leading Holdings Group.

We believe that, with our strong business development capabilities and market reputation as a quality property management service provider, the revenue contribution attributable to independent property owners and property developers as compared to our total revenue will continue to increase due to the increment in revenue derived from (i) independent individual

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property owners of the residential property projects currently under development by Leading Holdings Group which we have been engaged for providing property management services, which is expected to account for the majority of our Group's revenue; and (ii) property developers other than Leading Holdings Group as a result of our Group's increased efforts in participating in the selection or tender process conducted by other property developers and potential customers which are Independent Third Parties and acquisitions of property management projects. In light of the above, taking into account (i) the increasing trend in the GFA under management of properties developed by independent third-party property developers during the Track Record Period, both in absolute figure and as a percentage of the total GFA under management; (ii) the increasing trend in the percentage of revenue generated from property management services provided to properties developed by independent third-parties property developers during the Track Record Period; (iii) the favourable tender success rate in respect of property management services contracts with independent third-party of property developers during the Track Record Period; and (iv) the acquisition plans as further detailed in "Use of Proceeds—Plans for Strategic Acquisitions in Investments" which are expected to introduce us to business opportunities to manage property projects developed by independent third-party property developers, our Directors are of the view, and the Sole Sponsor concurs, that the above measures adopted or to be adopted by our Group will collectively reduce our reliance on the properties developed by Leading Holdings Group feasibly and effectively.

Intellectual property rights and licenses required for operation

We are not reliant on trademarks owned by our Controlling Shareholders or their respective close associates, and we hold and enjoy the benefit of all relevant licenses and qualifications necessary to carry on our current business.

Access to customers, suppliers and business partners

Our Group has a large and 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 employee headcount for our operations and our own management of human resources, accounting and financing. As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, recruiting firms and internal referrals.

Connected transactions with our Controlling Shareholders

"Connected Transactions" sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after the completion of the Listing. All such transactions are determined after arm's length

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negotiations and on normal commercial terms or better. Save for such continuing connected transactions, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after completion of the Global Offering. Accordingly, such continuing connected transactions will not affect our operational independence as a whole.

Based on the above, our Directors are of the view that our Group has been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

All non-trade balances due from or due to our Controlling Shareholders and their respective close associates have been fully settled as of the Latest Practicable Date. As of the Latest Practicable Date, our Controlling Shareholders and their respective close associates had not provided any loans or any share pledge or guarantee in respect of any financing of our Group.

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, our Directors are of the view that our Group is capable of maintaining financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of us and our Shareholders. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have adopted our Articles to comply with the Listing Rules. In particular, our Articles provide 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 interest and abstain from the board meetings on matters in which such Director or his/her close 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;

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- (c) we are committed that our Board should include a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors and Senior Management—Board of Directors—Independent non-executive Directors;”
- (d) we have appointed Giraffe 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. For the connected transactions that require Shareholders’ approval, we will establish an independent board committee to advise our Shareholders and appoint an independent financial advisor to make recommendation to the independent board committee pursuant to Chapter 14A of the Listing Rules; and
- (f) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual reports or by way of announcements.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that after Listing, the following transactions between our Group and the relevant connected persons will continue, which will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

1. Leading Holdings Group Property Management Services Framework Agreement

On November 16, 2020, Lingyue Property Services (for itself and on behalf of its subsidiaries) entered into a property management services framework agreement (the “**Leading Holdings Group Property Management Services Framework Agreement**”) with Leading Holdings Group (for itself and on behalf of its subsidiaries), pursuant to which we agreed to provide on-site management services for construction sites, display units and on-site sales offices (the “**On-site Management Services**”) and other property management services to Leading Holdings Group, including but not limited to, consultancy services prior to delivery of properties and property management services for properties and carparks owned by Leading Holdings Group (collectively, the “**Property Management Services**”). The Leading Holdings Group Property Management Services Framework Agreement has a term commenced from December 10, 2020 to December 31, 2022, 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.

For the years ended December 31, 2018, 2019 and 2020, the total service fees paid by Leading Holdings Group to our Group for the Property Management Services amounted to approximately RMB54.7 million, RMB70.1 million and RMB95.5 million, respectively. For the years ended December 31, 2018, 2019 and 2020, we had been engaged by Leading Holdings Group for the provision of On-site Management Services for 35, 46 and 51 property projects, respectively. The total GFA of properties for which we had been engaged by Leading Holdings Group for the provision of Property Management Services (other than On-site Management Services) was approximately 5 million sq.m., 6 million sq.m. and 9 million sq.m. for the years ended December 31, 2018, 2019 and 2020, respectively.

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The service fees to be charged for the Property Management Services shall be determined with reference to a number of factors, including (i) the scope of services and type, size and location and the total GFA of the property development projects of which such Property Management Services are required; (ii) the anticipated operational costs (including labor costs, material costs and administrative costs) for providing such services; and (iii) the prevailing market price for similar services and similar type of projects and shall be no less favorable than those provided to Independent Third Parties. For details of our pricing policy and range of service fees, see “Business—Property Management Services—Our Pricing Policy.”

Our Directors estimate that the maximum transaction amounts under the Leading Holdings Group Property Management Services Framework Agreement for the years ending December 31, 2021 and 2022 will not exceed RMB128.0 million and RMB151.9 million, respectively. Such estimate is based on (i) the historical transaction amounts for similar services and similar types of projects; (ii) the number of existing property projects for which we have been engaged by Leading Holdings Group to provide the Property Management Services; and (iii) the estimated GFA of the properties expected to be sold and delivered by Leading Holdings Group that will require Property Management Services in the relevant years, projected with reference to the trend of increase of properties delivered by Leading Holdings Group for the past few years. The credit terms granted to Leading Holdings Group will be ranged from 30 to 90 days for the years ending December 31, 2021 and 2022.

The increase of service fees to be paid by Leading Holdings Group to us for the years ending December 31, 2021 and 2022 as compared to the Track Record Period is mainly due to the following reasons:

- a growing number of properties scheduled to be delivered by Leading Holdings Group which requires On-site Management Services. For the years ending December 31, 2021 and 2022, it is anticipated that our Group will be engaged by Leading Holdings Group for the provision of On-site Management Services for 66 and 79 property projects, respectively, which were estimated with reference to the number of existing contracts, the expected growth in number of projects based on historical growth and the number of projects under constructions of Leading Holdings Group; and
- the expected increase in GFA of unsold properties in demand for other types of Property Management Services (other than On-site Management Services), which has been estimated based on the GFA of properties delivered and scheduled to be delivered by Leading Holdings Group and available for management by our Group. For the years ending December 31, 2021 and 2022, it is anticipated that Leading Holdings Group will engage our Group for the provision of Property Management Services (other than On-site Management Services) for a total GFA of approximately 12.5 million sq.m. and 16.3 million sq.m., respectively, which were estimated with reference to the delivery schedule of Leading Holdings Group.

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The Leading Holdings Group Property Management Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual service contracts may be entered into between our Group and Leading Holdings Group. Each individual service contract will set out the Property Management Services to be provided by our Group to Leading Holdings Group, the fees for the services to be paid by Leading Holdings Group and any detailed specifications which may be relevant to those engagements. The individual service contracts may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Leading Holdings Group Property Management Services Framework Agreement.

Leading Holdings is a 30%-controlled company (as defined in the Listing Rules) of our Ultimate Controlling Shareholders. As such, Leading Holdings and its subsidiaries are connected persons of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Leading Holdings Group Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

2. Mr. Liu Property Management Services Framework Agreement

On June 22, 2021, Lingyue Property Services (for itself and on behalf of its subsidiaries) entered into a property management services framework agreement (the “**Mr. Liu Property Management Services Framework Agreement**”) with Mr. Liu Yuhui, pursuant to which we agreed to provide Property Management Services (as defined above) to Mr. Liu Yuhui’s associates (excluding Leading Holdings Group) (the “**Relevant Associates**”). The Mr. Liu Property Management Services Framework Agreement has a term commencing from the Listing Date to December 31, 2022, 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.

For the years ended December 31, 2018, 2019 and 2020, the transaction fees incurred for Property Management Services provided to the Relevant Associates amounted to approximately RMB3.6 million, RMB17.4 million and RMB34.5 million, respectively. The increase in transaction amount in 2019 was mainly due to the increase in the number of projects where we provided On-site Management Services to the joint ventures and associates of Leading Holdings Group which engaged us to provide On-site Management Services from three projects as of December 31, 2018 to nine projects as of December 31, 2019. The increase in transaction amount in 2020 was mainly due to the property management services to the unsold units of Chengdu Leading Center (成都領地中心), a project completed in December 2018. As of December 31, 2020, the Relevant Associates to which our Group provided Property Management Services consisted of (i) nine joint ventures of Leading Holdings in which Leading Holdings beneficially held their respective equity interest in the range of approximately 34.0% to 61.2%; and (ii) three subsidiaries of Rong Liang Group in which Rong Liang Group held their respective equity interest in the range of 51.0% to 100.0%. The nine joint ventures of Leading Holding Group are principally engaged in the property development

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and sales of residential and commercial properties. The three subsidiaries of Rong Liang Group are principally engaged in the provision of commercial management services and operation of hospital, respectively and our Group provided general property management services to certain properties leased by the three subsidiaries.

The service fees to be charged for the Property Management Services shall be determined with reference to a number of factors, including (i) the scope of services and type, size and location and the total GFA of the property development projects of which such Property Management Services is required; (ii) the anticipated operational costs (including labor costs, material costs and administrative costs) for providing such services; and (iii) the prevailing market price for similar services and similar type of projects and shall be no less favorable than those provided to Independent Third Parties. For details of our pricing policy and range of service fees, see “Business—Property Management Services—Our Pricing Policy.”

Our Directors estimate that the maximum transaction amounts under the Mr. Liu Property Management Services Framework Agreement for the years ending December 31, 2021 and 2022 will not exceed RMB36.9 million and RMB47.7 million, respectively. Such estimate is based on (i) the historical transaction amounts for similar services and similar types of projects for the years ended December 31, 2018, 2019 and 2020; (ii) the number of existing property projects for which we have been engaged by the Relevant Associates to provide the Property Management Services; and (iii) the estimated GFA of the properties expected to be sold and delivered by the Relevant Associates that will require Property Management Services in the relevant years, projected with reference to the historical number and coupled with increasing trend of the properties delivered by the Relevant Associates for the years ended December 31, 2018, 2019 and 2020. The credit terms granted to the Relevant Associates will be ranged from 30 to 90 days for the years ending December 31, 2021 and 2022.

The increase of service fees to be paid by the Relevant Associates to us for the years ending December 31, 2021 and 2022 as compared to the Track Record Period is mainly due to:

- a growing number of properties scheduled to be delivered by the Relevant Associates which requires On-site Management Services. For the year ended December 31, 2020, our Group had provided On-site Management Services to nine property projects developed by the joint ventures of Leading Holdings Group. For the years ending December 31, 2021 and 2022, it is anticipated that our Group will be engaged by the Relevant Associates for the provision of On-site Management Services for nine and 11 property projects, respectively, which were estimated with reference to nine existing contracts, expected growth in number of projects based on historical growth and the number of projects under constructions; and
- the expected increase in GFA of unsold properties in demand for other types of Property Management Services (other than On-site Management Services), which has been estimated based on the GFA of properties delivered and scheduled to be delivered by the associates and joint ventures of Leading Holdings Group and available for management by our Group. As of December 31, 2020, our Group had

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been contracted by the joint ventures of Leading Holdings Group for the provision of Property Management Services (other than On-site Management Services) for two property projects, representing a total GFA of approximately 0.2 million sq.m.. For the years ending December 31, 2021 and 2022, it is anticipated by the associates and joint ventures of Leading Holdings Group that they will engage our Group for the provision of Property Management Services (other than On-site Management Services) for six and nine projects, representing a total GFA of approximately 0.7 million sq.m. and 1.6 million sq.m., respectively, which were estimated with reference to the delivery schedule of the associates and joint ventures of Leading Holdings Group.

The Mr. Liu Property Management Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual service contracts may be entered into between our Group and the Relevant Associates. Each individual service contract will set out the Property Management Services to be provided by our Group to the Relevant Associates, the fees for the services to be paid by the Relevant Associates and any detailed specifications which may be relevant to those engagements. The individual service contracts may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Mr. Liu Property Management Services Framework Agreement.

Mr. Liu Yuhui is one of our executive Directors and Controlling Shareholders. Therefore, the Relevant Associates are connected persons of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Mr. Liu Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since the transactions contemplated under the Leading Holdings Group Property Management Services Framework Agreement and the Mr. Liu Property Management Services Framework Agreement are similar in nature, they should be aggregated pursuant to the Listing Rules and the aggregated annual caps will be as follows:

	For the year ending December 31,	
	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>
Leading Holdings Group Property Management Services Framework Agreement	128.0	151.9
Mr. Liu Property Management Services Framework Agreement	36.9	47.7
Aggregate	<u>164.9</u>	<u>199.6</u>

CONNECTED TRANSACTIONS

Since one or more of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the aggregated annual caps for the Leading Holdings Group Property Management Services Framework Agreement and the Mr. Liu Property Management Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under for the Leading Holdings Group Property Management Services Framework Agreement and the Mr. Liu Property Management Services Framework 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.

Application for Waivers

The transactions described under the paragraph headed "Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements" above 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 us 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 the paragraph headed "Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements" above, 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).

Directors' Views

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under the paragraph headed "Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements" above 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 fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps thereof are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

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Sole Sponsor's View

The Sole Sponsor is of the view that the continuing connected transactions described in the paragraph headed “Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements” above have been and will be entered into (i) in the ordinary and usual course of business of our Company; (ii) on normal commercial terms or better and in accordance with their respective terms, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising two 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 our 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 agreements with each of our executive Directors. We have also entered into letters of appointments with each of our non-executive Directors and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management of our Company:

Members of our Board

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Liu Yuhui (劉玉輝)	48	Executive Director and chairman of our Board	January 21, 2002	August 28, 2020	Responsible for overseeing the business development and business strategies of our Group	Brother-in-law of Ms. Hou Sanli and Ms. Wang Tao
Ms. Luo Hongping (羅紅萍)	44	Executive Director and chief financial officer	January 12, 2017	January 26, 2021	Responsible for the overall financial management of our Group	None
Ms. Wang Tao (王濤)	49	Non-executive Director	January 1, 2003	January 26, 2021	Responsible for providing guidance and formulation of business strategies for the overall development of our Group	Sister-in-law of Mr. Liu Yuhui and Ms. Hou Sanli
Ms. Hou Sanli (侯三利)	51	Non-executive Director	December 1, 2002	January 26, 2021	Responsible for providing guidance and formulation of business strategies for the overall development of our Group	Sister-in-law of Mr. Liu Yuhui and Ms. Wang Tao

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Ms. Luo Ying (羅瑩)	37	Independent non-executive Director	June 22, 2021	June 22, 2021	Responsible for providing independent advice on the operations and management of our Group	None
Ms. Zhang Qian (張倩)	42	Independent non-executive Director	June 22, 2021	June 22, 2021	Responsible for providing independent advice on the operations and management of our Group	None
Ms. Zou Dan (鄒丹)	47	Independent non-executive Director	June 22, 2021	June 22, 2021	Responsible for providing independent advice on the operations and management of our Group	None

Members of our senior management

Our senior management comprises Ms. Luo Hongping, our chief financial officer, and the following members:

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Luo Ziqin (羅自欽)	44	Chief executive officer and vice president	March 1, 2008	November 1, 2019	Responsible for the overall operation of our Group	None
Mr. Liu Jianguo (劉建國)	56	Deputy general manager	October 10, 2003	January 26, 2021	Responsible for legal, internal control and human resources of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liu Yuhui (劉玉輝), aged 48, was appointed as our Director on August 28, 2020. He was appointed as the chairman of our Board and re-designated as our executive Director on January 26, 2021. He is responsible for overseeing the business development and business strategies of our Group. Mr. Liu Yuhui is an entrepreneur with approximately 20 years of experience in the PRC property development and management industries. Mr. Liu Yuhui co-founded our Group together with his two brothers, Mr. Liu Shan and Mr. Liu Yuqi in January 2002 through the establishment of Lingyue Property Services. Capitalizing on his experience in the PRC property development and management industries, Mr. Liu Yuhui has guided our sustained and steady business development for the past two decades. Mr. Liu Yuhui has been a director in Lingyue Property Services and Chengdu Rongyue Jinghui since December 2020. He has been an executive director, chairman and chief executive officer of Leading Holdings since July 2019. He has also held various directorships in subsidiaries of Leading Holdings, including Leading Group since June 2008 and Guangdong Leading Real Estate Development Co., Ltd. (廣東領地房地產開發有限公司), since November 2008.

Mr. Liu Yuhui obtained a master's degree in business administration from the University of Wales in the United Kingdom in December 2013. He also completed an academic program related to real estate investment in Massachusetts Institute of Technology in the United States in October 2015. Mr. Liu Yuhui has been the deputy chairman of The General Association of Sichuan Entrepreneurs (四川省川商總會) since June 2016.

Mr. Liu Yuhui is the brother-in-law of Ms. Wang Tao and Ms. Hou Sanli, each a non-executive Director.

Mr. Liu Yuhui was a director of Sichuan Leibo Tianli Electric Power Development Co., Ltd. (四川雷波天利電力開發有限責任公司), a company established in the PRC with limited liability, whose license was revoked on March 10, 2009 as the company failed to commence its business for more than six months from the date of its establishment without justifiable reason or ceased business operations for more than six consecutive months. Mr. Liu Yuhui confirmed that as of the Latest Practicable Date, no claims have been made against him and he was not aware of any threatened or potential claims made against him and there are no outstanding claims and/or liabilities as a result of the revocation of business license of the above company.

Ms. Luo Hongping (羅紅萍), aged 44, was appointed as our executive Director on January 26, 2021. Ms. Luo Hongping joined our Group in January 2017 as a chief financial officer and has been responsible for the overall financial management of our Group.

From January 2005 to December 2010, she worked as a financial manager in Zhongya Jianye Jianshe Construction Co., Ltd. (中亞建業建設工程有限公司), a construction company, where she was primarily responsible for its overall financial management. From January 2012 to December 2020, she worked as a general manager of finance department in Leading Holdings, where she was primarily responsible for the overall financial management of such company.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Luo Hongping obtained a diploma's degree in accounting from Leshan Normal College (樂山師範學院) in the PRC in June 2011, respectively. She obtained the accounting qualification certificate (會計從業資格證書) granted by Leshan Finance Bureau (樂山市財政局) in April 1998. She also obtained the qualification of intermediate accountant (中級會計師證) from the MOF in May 2004.

Non-executive Directors

Ms. Wang Tao (王濤), aged 49, was appointed as our non-executive Director on January 26, 2021 and is responsible for providing guidance and formulation of business strategies for the overall development of our Group. Ms. Wang joined our Group in January 2003 and had been a director of Lingyue Property Services until December 2013.

From April 1994 to March 2003, Ms. Wang worked in Sichuan Jianye Construction Engineering Co., Ltd. (四川建業建築工程有限公司) with her last position as a manager of its material equipment department. Since March 2003, she has been a supervisor of Leading Group, an indirect wholly-owned subsidiary of Leading Holdings. Since January 2016, she has been a general manager of the supervision and auditing department of Lingyue Property Services.

Ms. Wang obtained a college's degree in psychology from Institute of Psychology in University of Chinese Academy of Sciences (中國科學院心理研究所) through long distance learning in the PRC in August 2003.

Ms. Wang is the sister-in-law of Mr. Liu Yuhui, our executive Director and Ms. Hou Sanli, our non-executive Director.

Ms. Hou Sanli (侯三利), aged 51, was appointed as our non-executive Director on January 26, 2021 and is responsible for providing guidance and formulation of business strategies for the overall development of our Group. Ms. Hou joined our Group in December 2002 and had been a supervisor of Lingyue Property Services until December 2013.

Since November 2011, she has been a supervisor of Leading Group.

Ms. Hou obtained a college's degree in psychology from Institute of Psychology in University of Chinese Academy of Sciences (中國科學院心理研究所) through long distance learning in the PRC in August 2003.

Ms. Hou is the sister-in-law of Mr. Liu Yuhui, our executive Director, and Ms. Wang Tao, our non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Luo Ying (羅瑩), aged 37, was appointed as our independent non-executive Director on June 22, 2021 and is responsible for providing independent advice on the operations and managements of our Group.

Ms. Luo Ying has over six years of experience in investment and financial management. From October 2014 to December 2015, she worked as a financial director in Sichuan Development Financial Consulting Co., Ltd. (四川發展財務諮詢有限公司), a financial consulting company where she was primarily responsible for the daily operation and financial management of such company. From January 2016 to August 2016, she worked as a senior investment manager in the industry investment department in Sichuan Development Holding Co., Ltd. (四川發展控股有限公司), where she was primarily responsible for the investment and cooperation with other companies. From September 2016 to October 2017, she worked as a vice president of the financial department in Sinco Pharmaceuticals Holdings Limited (興科蓉醫藥控股有限公司), a provider of marketing, promotion and channel management services in the PRC pharmaceutical industry, whose shares are listed on Main Board of the Stock Exchange (stock code: 6833), where she was primarily responsible for market value management, refinancing, project investigation and mergers and acquisitions, formation of merger and acquisitions funds, and daily management of investor relations of such company. From November 2017 to August 2020, she worked as a general manager assistant in Sichuan Zhichuan Culture Co., Ltd. (四川知川文化有限公司), a platform company of The General Association of Sichuan Entrepreneurs. and a director of innovation center in The General Association of Sichuan Entrepreneurs (四川省川商總會), where she was primarily responsible for providing professional services in project investment, project management to global Sichuan entrepreneurs, as well as the daily operation and financial management of Sichuan Zhichuan Culture Co., Ltd. Since September 2020, she has been a deputy director in Sichuan Sky Software Co., Ltd. (四川四凱電腦軟體有限公司), a company providing software product and system operation and maintenance, where she was primarily responsible for the financial management and innovation business development of such company.

Ms. Luo Ying obtained a diploma's degree in law from Nanjing University of Finance and Economics (南京財經大學) in the PRC in June 2006. She also obtained a master's degree in international business from the University of Sydney in Australia in August 2008. Ms. Luo obtained the qualification of intermediate economist (中級經濟師) granted by MOHRSS in November 2010. She also obtained the qualification of Board Secretaries of Listed Companies on the Shenzhen Stock Exchange (深圳交易所上市公司董事會秘書資格) granted by the Shenzhen Stock Exchange in July 2011. She also obtained the Securities Practice Qualification Certificate (基金從業資格證) granted by Asset Management Association of China (中國證券投資基金業協會) in November 2017.

Ms. Zhang Qian (張倩), aged 42, was appointed as our independent non-executive Director on June 22, 2021 and is responsible for providing independent advice on the operations and managements of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhang has over 15 years of experience in financial investment. From December 2004 to February 2006, she worked as an analyst in UBS Asia, an investment bank and financial services company, whose shares are listed both on the SIX Swiss Exchange (stock code: UBSG) and New York Stock Exchange (stock code: UBS) where she was primarily responsible for providing consulting services to asset management department and private wealth management department, as well as implementing the global investment and releasing the online wealth management platform. From April 2007 to June 2009, she worked as a security analyst in Delta Partners LLC, an advisory and investment firm, where she was primarily responsible for the investment research in China and other emerging markets. From October 2011 to November 2017, she worked as a founding director of private equity in China Asset Management (Hong Kong) Limited (華夏基金(香港)有限公司), where she was primarily responsible for initiating alternative private equity business in China Asset Management. Since January 2018, she has been a founding partner in Sky Capital Co., Ltd. (天際資本有限公司), a private equity company, where she was responsible for the overall management of such company.

Ms. Zhang obtained a diploma's degree in computer from National University of Singapore in Singapore in August 2002. She also obtained a master's degree in business administration from Hult International Business School in the U.S. in December 2006. Ms. Zhang obtained the qualification of Chartered Financial Analyst granted by Chartered Financial Analyst Institute in September 2010.

Ms. Zou Dan (鄒丹), aged 47, was appointed as our independent non-executive Director on June 22, 2021 and is responsible for providing independent advice on the operations and managements of our Group.

Ms. Zou has over 15 years of experience in financial management. From August 1997 to November 2002, Ms. Zou worked in Ernst & Young (安永華明會計師事務所), an accounting firm, with her last position as a senior auditor, where she was primarily responsible for the annual auditing of foreign-invested companies and auditing of proposed listing companies. From February 2002 to December 2013, she worked in Yonyou Network Technology Co. Ltd. (用友網路科技股份有限公司), a management solution provider, whose shares are listed on the Shanghai Stock Exchange (stock code: 600588) ("**Yonyou Network**"), with her last position as a general manager in the financial department. From January 2014 to May 2018, she worked as a senior vice president and chief financial officer in Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a company providing enterprise software and services in the PRC, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1588), where she was primarily responsible for its overall financial management. From October 2018 to June 2019, she worked as a deputy general manager in Shanghai Yonyou Industry Investment Management Co., Ltd. (上海用友產業投資管理有限公司), a subsidiary of Yonyou Network and an investment and asset management company, where she was primarily responsible for its risk control and financial management. Since July 2019, she has been working as a co-founder and chief financial officer in Beijing Qiqi Technology Co., Ltd. (北京企企科技有限公司), a company providing enterprise software and services, where she was primarily responsible for its financial management, human resources, legal affairs and business operation support.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zou obtained diploma's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1995. Ms. Zou obtained the qualification of Certified Public Accountant (註冊會計師) granted by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in May 1997. She also obtained the fellowship of Chartered Institute of Management Accountants Chartered Global Management Accountant granted by the Chartered Institute of Management Accountants.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) or Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day operations and management of our business. For the biographical information of Ms. Luo Hongping, see “—Board of Directors—Executive Directors.” Our other senior management member is as follows:

Mr. Luo Ziqin (羅自欽), aged 44, was appointed as the chief executive officer and vice president of our Group in March 2020. Mr. Luo joined our Group as an assistant to the general manager of Lingyue Property Services on March 1, 2008 and was promoted as the vice general manager of our Group in November 2019. He has been responsible for the overall operation of our Group since March 2008.

Mr. Luo obtained a college diploma's degree in law from China Central Radio TV University (中央廣播電視大學) in the PRC in July 2002. He also obtained a diploma's degree in administration management in University of Electronic Science and Technology of China (電子科技大學) in the PRC in June 2014. He obtained the qualification of Certified Property Manager (物業管理師) granted by MOHURD and MOHRSS in the PRC in May 2011. He was awarded as TOP 100 Property Manager (百強物業經理人) from Leju Financial (樂居財經) and China Property Management Research Institution (中物研協).

Mr. Liu Jianguo (劉建國), aged 56, was appointed as the deputy general manager of the Group on January 26, 2021. He is primarily responsible for the legal, internal control and human resources of the Group. Mr. Liu Jianguo joined our Group as an engineering manager of Lingyue Property Services on October 10, 2003 and had been the general manager at several branches and areas of Lingyue Property Services, where he was primarily responsible for the overall management of relevant branches and areas of Lingyue Property Services.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Jianguo obtained a college's degree in architecture from Chongqing University (重慶大學) (formerly known as Chongqing Architecture Engineering College (重慶建築工程學院)) in the PRC in July 1987.

JOINT COMPANY SECRETARIES

Ms. Luo Hongping (羅紅萍) was appointed as the joint company secretary of our Group on January 26, 2021. See “—Board of Directors—Executive Directors.”

Ms. Ko Mei Ying (高美英) was appointed as the joint company secretary of our Company on January 26, 2021 and she is currently a manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over 10 years' experience in corporate secretarial, auditing and accounting services. She holds a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong (香港城市大學) in Hong Kong, and a Bachelor's degree of commerce majoring in accounting from Macquarie University (麥格理大學) in Australia. She is an associate of The Hong Kong Institute of Chartered Secretaries and Administrators and The Institute of Chartered Secretaries and Administrators in the United Kingdom, and a Certified Practising Accountant of CPA Australia. She is now providing corporate secretarial and compliance services to several companies listed on the Stock Exchange.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

Our Group has established the Audit Committee on June 22, 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely, Ms. Zou Dan, Ms. Luo Ying and Ms. Zhang Qian, all of whom are our independent non-executive Directors. Ms. Zou Dan is the chairlady of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee include, but not limited to (i) reviewing and supervising our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) providing advice and comments to our Board; and (iii) performing other duties and responsibilities as may be assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Group has established the Remuneration Committee on June 22, 2021 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely, Ms. Zhang Qian, Mr. Liu Yuhui and Ms. Luo Ying. Ms. Zhang Qian is the chairlady of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. Mr. Liu Yuhui will abstain from recommending or approving his own Director's remuneration.

Nomination Committee

Our Group has also established the Nomination Committee on June 22, 2021 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Liu Yuhui, Ms. Luo Ying and Ms. Zhang Qian. Mr. Liu Yuhui is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board 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 members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code.

DIRECTORS AND SENIOR MANAGEMENT

Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

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 gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. 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 Board currently comprises of seven members, including one female executive Director, two female non-executive Directors and three female independent non-executive Directors. Our Directors also have a balanced mix of knowledge, skills and experience, including commercial property operation, overall business management, finance and investment. They have obtained tertiary degrees in various majors including business administration, accounting, psychology, law and computer science. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members.

We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including without limitation at our Board and senior management levels. After Listing, the Nomination Committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. Our Directors recognize the particular importance of gender diversity and that gender diversity at the Board level can be improved given its current composition of six female Directors out of a total of seven Directors. The Nomination Committee will use its best effort to identify and recommend male candidates to our Board for its consideration for appointment as Directors, and the Company will, within one year from the Listing Date, appoint two male Directors with an ultimate aim to achieve a target of at least three male Directors in our Board.

Nevertheless, with a view to developing a pipeline of potential successors to our Board that may meet the target gender diversity, our Group will (i) continue to apply the principle of appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff at a mid to senior level with regard to the benefits of gender diversity; and (iii) engage more resources in training male

DIRECTORS AND SENIOR MANAGEMENT

staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board in light of our strategic needs and the industry in which we operate with the aim of promoting them to our Board in a few years' time.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid to our Directors for the years ended December 31, 2018, 2019 and 2020 was nil. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2018, 2019 and 2020.

The aggregate amount of salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare paid to our five highest paid employees who are neither a director nor chief executive of the Company for the years ended December 31, 2018, 2019 and 2020 was approximately RMB3.8 million, RMB3.1 million, and RMB3.3 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office for the years ended December 31, 2018, 2019 and 2020. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2021 is estimated to be no more than approximately RMB0.7 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Giraffe Capital Limited as our compliance advisor to provide advisory services to our Company. It is expected that the compliance advisor will advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share buybacks;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date 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 Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required 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:

Name of Shareholder	Nature of Interest	Shares held as of the date of this prospectus and immediately prior to the completion of the Capitalization Issue and the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalization Issue and the Global Offering ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Liu Haowei ⁽²⁾⁽³⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Tianyue Holding ⁽²⁾⁽³⁾	Beneficial Owner	19,703 Shares (L)	32.83%	68,960,430 Shares (L)	24.62%
Mr. Liu Ce ⁽²⁾⁽⁴⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Linghui Holding ⁽²⁾⁽⁴⁾	Beneficial Owner	19,697 Shares (L)	32.83%	68,939,640 Shares (L)	24.62%
Mr. Liu Yuhui ⁽²⁾⁽⁵⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Yuelai Holding ⁽²⁾⁽⁵⁾	Beneficial Owner	19,697 Shares (L)	32.83%	68,939,640 Shares (L)	24.62%
Ms. Wang Tao ⁽²⁾⁽⁶⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Tianyue Capital ⁽²⁾⁽⁶⁾	Beneficial Owner	101 Shares (L)	0.17%	353,430 Shares (L)	0.13%
Ms. Long Yiqin ⁽²⁾⁽⁷⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Fusheng Capital ⁽²⁾⁽⁷⁾	Beneficial Owner	101 Shares (L)	0.17%	353,430 Shares (L)	0.13%
Ms. Hou Sanli ⁽²⁾⁽⁸⁾	Interest in controlled corporation	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Linghui Capital ⁽²⁾⁽⁸⁾	Beneficial Owner	101 Shares (L)	0.17%	353,430 Shares (L)	0.13%
Ms. Chen Aoao (陳鶯鶯) ⁽⁹⁾	Interest of spouse	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Ms. Lan Tian (蘭添) ⁽¹⁰⁾	Interest of spouse	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Mr. Liu Yuqi ⁽¹¹⁾	Interest of spouse	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%
Mr. Liu Shan ⁽¹²⁾	Interest of spouse	59,400 Shares (L)	99%	207,900,000 Shares (L)	74.25%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Pursuant to the Acting in Concert Deed, our Ultimate Controlling Shareholders have agreed and confirmed that from the date when they became the registered owners and/or beneficial owners of the equity interests in our Group until after Listing and to the date when any one of them cease to be our Controlling Shareholders: (a) they had been and would continue to be parties acting in concert and they have agreed to consult with each other and reach an unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group. See “Relationship with Controlling Shareholders-Acting in Concert Deed.” By virtue of the SFO, each of our Ultimate Controlling Shareholders together with their respective investment holding companies (being Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital) are all deemed to be interested in the total Shares directly held by Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital.
- (3) Tianyue Holding is wholly owned by Mr. Liu Haowei. By virtue of SFO, Mr. Liu Haowei is deemed to be interested in the Shares held by Tianyue Holding.
- (4) Linghui Holding is wholly owned by Mr. Liu Ce. By virtue of SFO, Mr. Liu Ce is deemed to be interested in the Shares held by Linghui Holding.
- (5) Yuelai Holding is wholly owned by Mr. Liu Yuhui. By virtue of SFO, Mr. Liu Yuhui is deemed to be interested in the Shares held by Yuelai Holding.
- (6) Tianyue Capital is wholly owned by Ms. Wang Tao. By virtue of SFO, Ms. Wang Tao is deemed to be interested in the Shares held by Tianyue Capital.
- (7) Fusheng Capital is wholly owned by Ms. Long Yiqin. By virtue of SFO, Ms. Long Yiqin is deemed to be interested in the Shares held by Fusheng Capital.
- (8) Linghui Capital is wholly owned by Ms. Hou Sanli. By virtue of SFO, Ms. Hou Sanli is deemed to be interested in the Shares held by Linghui Capital.
- (9) Ms. Chen Aoao (陳鶯鶯), the spouse of Mr. Liu Haowei, is deemed to be interested in all the Shares that Mr. Liu Haowei is interested in by virtue of the SFO.
- (10) Ms. Lan Tian (蘭添), the spouse of Mr. Liu Ce, is deemed to be interested in all the Shares that Mr. Liu Ce is interested in by virtue of the SFO.
- (11) Mr. Liu Yuqi, the spouse of Ms. Hou Sanli, is deemed to be interested in all the Shares that Ms. Hou Sanli is interested in by virtue of the SFO.
- (12) Mr. Liu Shan, the spouse of Ms. Wang Tao, is deemed to be interested in all the Shares that Ms. Wang Tao is interested in by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

If the Over-allotment Option is fully exercised, (i) the interest of each of Mr. Liu Haowei, Mr. Liu Ce, Mr. Liu Yuhui, Ms. Wang Tao, Ms. Long Yiqin, Ms. Hou Sanli, Ms. Chen Aoa, Ms. Lan Tian, Mr. Liu Yuqi and Mr. Liu Shan will be approximately 71.57%, (ii) the interest of Tianyue Holding will be approximately 23.74%, (iii) the interest of each of Linghui Holding and Yuelai Holding will be approximately 23.73%, and (iv) the interest of each of Tianyue Capital, Fusheng Capital and Linghui Capital will be 0.12%, in our Shares, respectively.

Except as disclosed above and “Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders,” our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required 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 any member 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.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

	<u>Nominal value</u> (HK\$)
Authorized share capital:	
600,000,000 Shares of HK\$0.01 each	6,000,000
Issued and to be issued, fully paid or credited as fully paid:	
60,000 Shares in issue as of the date of this prospectus	600
209,940,000 Shares to be issued pursuant to the Capitalization Issue	2,099,400
<u>70,000,000</u> Shares to be issued under the Global Offering	<u>700,000</u>
<u>280,000,000</u> Total	<u>2,800,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalization Issue and the Global Offering are made. It takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be issued or brought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalization Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in “Appendix IV—Statutory and General Information—D. Other Information—1. Share Option Scheme.”

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buy back Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement or on the exercise of any options which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in “Appendix IV—Statutory and General Information—A. Further Information about our Company—5. Written resolutions of our Shareholders passed on June 22, 2021.”

SHARE CAPITAL

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV—Statutory and General Information—A. Further Information about our Company—7. Buyback by our Company of its own securities.”

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in “Appendix IV—Statutory and General Information—A. Further Information about our Company—5. Written resolutions of our Shareholders passed on June 22, 2021.”

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Islands Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law.”

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information set forth in the Accountants' Report included as Appendix I to this prospectus. Our combined financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We are a reputable property management company rooted in Sichuan Province with a well-established position in Western China and a presence across China. In 2020, we were ranked 55th among the Top 100 Property Management Companies in China in terms of Overall Strength (中國物業企業綜合實力百強) by EH Consulting. We were also ranked 12th among Western China Top 50 Property Management Service Enterprise (中國西部物業服務五十強) by China Index Academy (中國指數研究院) in 2020 and recognized as one of Top 10 Sichuan Quality Property Company (四川十大品質物業) by West China City Daily (華西都市報) and Cover News (封面新聞) in 2020. As of December 31, 2020, we had been contracted to manage 234 properties with an aggregate contracted GFA of approximately 36.2 million sq.m., and had 174 properties with an aggregate GFA of approximately 20.2 million sq.m. under our management, covering 31 cities in nine provinces, one autonomous region and one municipality. As of the Latest Practicable Date, our aggregate contracted GFA and GFA under management reached approximately 37.7 million sq.m. and 20.7 million sq.m. In recognition of our service quality, we were recognized as one of 2020 Top 50 Model Chinese Property Management Companies for Customer Satisfaction (2020中國物業企業客戶滿意度模範企業50強) and Top 50 Chinese Property Management Companies for Superior Service Capabilities (2020中國物企超級服務力五十強) by EH Consulting. We were also awarded China Top Five Property Management Companies in terms of Quality Benchmarking Community Service (中國物企優質社區標桿服務五強) by EH Consulting in 2020 for our quality service provided to one of the exemplars of our property projects, namely Leshan Leading Lantai House (樂山領地蘭台府) and China Five-Star Property Management Projects (中國五星級物業服務項目) by China Index Academy (中國指數研究院) in 2020 for another exemplar of our property projects, namely Leshan Leading International Mansion (樂山領地國際公館).

FINANCIAL INFORMATION

During the Track Record Period, we generated revenue primarily from property management services, value-added services to non-property owners and community value-added services:

- *Property management services.* We offer a wide range of property management services to property owners, residents and property developers, as well as tenants in non-residential properties under our management. Our services typically include security services, cleaning and greening services, and repair and maintenance services. We manage a diverse portfolio of properties, including residential properties, commercial properties and public and other properties.
- *Value-added services to non-property owners.* We offer value-added services to non-property owners, including (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services.
- *Community value-added services.* We offer community value-added services primarily to property owners and residents to make their lives more convenient, such as (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

We achieved rapid growth during the Track Record Period. Our GFA under management increased from approximately 8.0 million sq.m. as of December 31, 2018 to approximately 14.2 million sq.m. as of December 31, 2019 and further to approximately 20.2 million sq.m. as of December 31, 2020. Our revenue increased from RMB169.0 million for the year ended December 31, 2018 to RMB280.0 million for the year ended December 31, 2019, and further to RMB428.2 million for the year ended December 31, 2020, representing a CAGR of 59.2%. Our net profit increased from RMB14.1 million for the year ended December 31, 2018 to RMB35.4 million for the year ended December 31, 2019, and further to RMB70.3 million for the year ended December 31, 2020, representing a CAGR of 123.3%. According to EH Consulting, our ranking among the Top 100 Property Management Companies in China in terms of Overall Strength improved notably from 78th in 2018 to 55th in 2020. Our revenue per sq.m. in 2019 was RMB19.7 per sq.m. per month. We were ranked fifth, fifth, fourth and fourth, respectively, among the Top 100 Property Management Companies headquartered in Sichuan Province in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019. We were ranked 13th, 13th, 12th and eighth, respectively, among the Top 100 Property Management Companies headquartered in Western China in terms of revenue, net profit, GFA under management and revenue per sq.m. in 2019.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in Cayman Islands with limited liability on August 28, 2020. In preparation for the Global Offering, we underwent the Reorganization, as detailed in the section headed “History, Reorganization and Corporate Structure” in this prospectus. Following the Reorganization, our Company became the holding company of all the subsidiaries currently constituting our Group. See the Accountants’ Report in Appendix I to this prospectus for more information on the basis of preparation of our financial information included herein.

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 the section headed “Risk Factors” in this prospectus and those discussed below:

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

Our business and results of operations are affected by our ability to obtain new service engagements from property developers for their new property development projects. The number of new property development projects is dependent on the performance of the real estate market in China, which is subject to the general economic conditions in China, the rate of urbanization and, consequently, the demand for properties in the PRC. Any economic downturn in the PRC could adversely affect our business, results of operations and financial position. The regulatory environment in the PRC and policies and measures taken by the PRC Government have also affected the development of the real estate market and property management market, which in turn affects our business and results of operations. See “Risk Factors—Risks Relating to Our Business and Industry—Our business is significantly influenced by various factors affecting our industry and general economic conditions and may be adversely affected by fluctuations in the global economy and financial markets.” and “Risk Factors—Risks Relating to Doing Business in China” in this prospectus.

The PRC Government has issued a series of favorable laws and policies to incentivize the development of the property management industry. These policies, such as the Guide issued by the Ministry of Housing and Urban Development in 2014, have encouraged property management companies like us to expand and modernize their business and have fostered the growth and development of the industry. See “Industry Overview—Key Drivers of the Property Management Industry in China—Favorable Policies” in this prospectus. However, we cannot guarantee that the PRC Government will continue to issue favorable laws, regulations and policies. Moreover, we cannot guarantee that the PRC Government will not suspend or terminate the current favorable laws, regulations and policies, or that the PRC Government will not introduce laws or policies that directly or indirectly discourage the development of the property management industry. Any such changes in the PRC governmental policies may adversely affect our business.

FINANCIAL INFORMATION

GFA under Management

During the Track Record Period, we generated a majority of our revenue from our property management services, which contributed 67.3%, 65.1% and 69.8%, respectively, of our total revenue in 2018, 2019 and 2020. Accordingly, our business, financial position and results of operations depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to secure new and renew existing service contracts. In addition, our community value-added service business is also affected by our GFA under management. During the Track Record Period, we experienced a steady growth in our total GFA under management, which was approximately 8.0 million sq.m., 14.2 million sq.m. and 20.2 million sq.m., respectively, as of December 31, 2018, 2019 and 2020.

During the Track Record Period, the proportion of our GFA under management for properties developed by Leading Holdings Group accounted for 66.6%, 43.4% and 44.2%, respectively, and the proportion of our GFA under management for properties developed by joint ventures of Leading Holding Group accounted for nil, nil and 1.2%, respectively, of our total GFA under management. As of the same dates, GFA under management of the properties developed by third-party property developers accounted for 33.4%, 56.6% and 54.6%, respectively, of our total GFA under management. We have also taken efforts to expand our property management services to properties developed by third-party property developers, with a view to gaining additional revenue sources and diversifying our property management portfolio.

Business Mix

Our results of operations are affected by our business mix. During the Track Record Period, our profit margins varied across our three business lines: (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services. Our profit margins of different business lines generally depend on types of services provided, fees received and costs borne by us under different contractual arrangements. Any change in the structure of revenue contribution from our three business lines or change in profit margin of any business line may have a corresponding impact on our overall profit margin.

The table below sets forth our revenue by business line for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Value-added services to non-property owners	48,831	28.9	90,040	32.2	113,022	26.4
Community value-added services	6,450	3.8	7,636	2.7	16,240	3.8
Total	169,004	100.0	279,958	100.0	428,162	100.0

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The table below sets forth our gross profit margin by business line for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	%	%	%
Property management services	25.4	29.9	32.6
Value-added services to non-property owners	28.2	31.3	35.0
Community value-added services	44.2	45.8	47.9
Overall	26.9	30.8	33.8

In general, the gross profit margins of our value-added services to non-property owners and community value-added services were higher than that of our property management services, which was relatively more labor intensive. See “—Description of Selected Combined Statements of Comprehensive Income Line Items—Gross Profit and Gross Profit Margin” in this section for further details.

Brand Positioning and Pricing Ability

As we operate in a highly competitive and fragmented industry, our results of operations and financial position are affected by our ability to maintain or increase the fee rates we charge for our services. We generally price our services by taking into account a number of factors, including (i) the types and locations of the communities, (ii) our estimated costs and target profit margins, (iii) the profiles of property owners and residents, (iv) the required scope and quality of our services, (v) the prices charged by our competitors for comparable properties and (vi) applicable government guidance prices. We may be subject to pricing control under the PRC laws and regulations with respect to our residential property management services. We strive to balance competitive pricing, quality service and an attractive profit margin. Failure to balance various factors in determining our pricing could materially and adversely affect our financial condition and results of operations. To strengthen our pricing power, we make efforts to diversify our services by offering more value-added services and further improving our service quality.

FINANCIAL INFORMATION

For illustration purposes only, we set out below a sensitivity analysis of our profit for the years and revenue for the years indicated with reference to the fluctuation of average property management fees during the Track Record Period. While the hypothetical fluctuations adopted in the sensitivity analysis does not commensurate with the historical fluctuations of the average property management fees, we believe that the application of hypothetical fluctuations of 5% and 10% in our average property management fees represent a meaningful analysis of the potential impact of changes on our revenue and profit on the basis that our average property management fees increased from RMB1.70 per sq.m. per month in 2018 to RMB2.08 per sq.m. per month in 2019 and further increased to RMB2.48 per sq.m. per month in 2020, representing a CAGR of 20.8%. The following table demonstrates the impact of the hypothetical increase in average property management fees on our revenue and profit, while all other factors remain unchanged:

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit for the year	14,074	35,360	70,261
Revenue for the year	169,004	279,958	428,162
Assuming 5% decrease in our average property management fees			
Impact on profit for the year ⁽¹⁾	(4,265)	(6,836)	(11,209)
Impact on revenue for the year	(5,686)	(9,114)	(14,945)
Assuming 10% decrease in our average property management fees			
Impact on profit for the year ⁽¹⁾	(8,529)	(13,671)	(22,418)
Impact on revenue for the year	(11,372)	(18,228)	(29,890)

Note:

(1) Impact on profit for the year was calculated assuming an EIT of 25.0%.

Ability to Mitigate the Impact of Rising Staff Costs and Subcontracting Costs

Since property management is labor-intensive, staff costs constitute a substantial portion of our cost of sales. In 2018, 2019 and 2020, our total staff costs recorded in cost of sales amounted to RMB78.1 million, RMB125.3 million and RMB171.9 million, respectively, accounting for 63.2%, 64.7% and 60.7% of our cost of sales for the same years, respectively. The increases in staff costs during the Track Record Period was mainly due to the expansion of our business and the general increase in labor cost in China. To cope with rising staff costs, we have implemented a number of cost-saving measures.

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We have also outsourced certain services, such as security, cleaning and greening, repair and maintenance services, to Independent Third Parties while maintaining close supervision over their services to ensure service quality. In 2018, 2019 and 2020, we incurred subcontracting costs of RMB22.2 million, RMB37.8 million and RMB56.9 million, respectively, representing 18.0%, 19.5% and 20.1%, respectively, of our cost of sales for the same years. The general increase in subcontracting costs during Track Record Period was primarily attributable to (i) the increase in the number of projects we managed as a result of our business expansion; and (ii) the increase in the number of projects that we outsourced certain services.

For illustration purposes only, we set out below a sensitivity analysis of our cost of sales and profit for the years indicated with reference to the fluctuation of staff costs and subcontracting costs during the Track Record Period. While the hypothetical fluctuations adopted in the sensitivity analysis does not commensurate with the historical fluctuations of the staff costs and subcontracting costs, we believe that the application of hypothetical fluctuations of 5% and 10% in our staff costs and subcontracting costs represent a meaningful analysis of the potential impact of changes on our cost of sales and profit on the basis that (i) our staff costs increased from RMB78.1 million in 2018 to RMB125.3 million in 2019 and further increased to RMB171.9 million in 2020, representing a CAGR of 48.4%; and (ii) our subcontracting costs increased from RMB22.2 million in 2018 to RMB37.8 million in 2019 and further increased to RMB56.9 million in 2020, representing a CAGR of 60.1%. The following table demonstrates the impact of the hypothetical increase in staff costs and subcontracting costs on our cost of sales and profit for the year or period, while all other factors remain unchanged.

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Total profit for the year	14,074	35,360	70,261
Assuming 5% increase in our staff costs and subcontracting costs			
Impact on cost of sales	5,013	8,158	11,441
Impact on profit for the year ⁽¹⁾	(3,760)	(6,118)	(8,581)
Assuming 10% increase in our staff costs and subcontracting costs			
Impact on cost of sales	10,026	16,316	22,881
Impact on profit for the year ⁽¹⁾	(7,520)	(12,237)	(17,161)

Note:

(1) Impact on profit for the year was calculated assuming an EIT of 25.0%.

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Competition

According to Savills and EH Consulting, the PRC property management industry is highly fragmented and increasingly concentrated, with approximately 137,000 property management service providers operating in the industry in 2019. As a property management company with national presence, we compete with both national and regional property management companies in terms of property management companies, and with other providers of similar services. Moreover, according to Savills and EH Consulting, there are several barriers for players in China's property management industry to successfully compete and achieve sustainable growth, such as market specialization, talent specialization, operation and management standardization, brand specialization and capital requirement, which we believe we have and will continue to overcome. For more information on the industry and the markets that we operate in, see "Industry Overview" and "Risk Factors—Risks Relating to Our Business and Industry—We are in a highly competitive business and we may not be able to compete successfully against existing and new competitors."

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

When reviewing our combined financial statements, 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 report results to changes in conditions and assumptions, where applicable. 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 Note 2.4 of the Accountants' Report in Appendix I to this prospectus. 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.

Significant Accounting Policies

Revenue Recognition

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

- (i) *Property management services.* We bill a fixed amount for property management services provided on a regular basis and recognize revenue in the amount to which we have a right to invoice and that corresponds directly with the value of the performance completed. We charge property management fees in respect of our property management services on a lump sum basis. On a lump sum basis, we recognize as revenue the full amount of property management fees we charged to the property owners and property developers.

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- (ii) *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners mainly includes (a) revenue from preliminary planning and design consultancy services, property transaction assistance services and security support services; and (b) revenue from pre-delivery services, repair and maintenance services and sales office management services at the pre-delivered stage. We agree the price for service with the customers upfront and recognize as revenue in the amount to which we have the right to invoice and that corresponds directly with the value of performance completed. We recognize revenue from property transaction assistance services and pre-delivery services at a point in time when such services have been provided. We recognize revenue from other services over the scheduled period on a straight-line basis because the customers simultaneously receive and consume the benefits provided by us.
- (iii) *Community value-added services.* We recognize (a) revenue from community value-added services including decoration and turnkey furnishing services, convenient living services and community retail services at a point in time when the services have been provided; (b) revenue from community space management services over the scheduled period on a straight-line basis because customers simultaneously receive and consume the benefits provided by us.

Property, Plant and Equipment and Depreciation

We state property, plant and equipment at cost less accumulated depreciation and any impairment losses. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

We calculate depreciation on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

- Machinery 20% to 33.3%
- Electronic equipment 20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. We review and adjust if residual values, useful lives and the depreciation method are appropriate at least at each financial year end.

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We derecognize an item of property, plant and equipment including any significant part initially recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible Assets (other than goodwill)

We measure other intangible assets acquired separately on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. We review the amortization period and the amortization method for an other intangible asset with a finite useful life at least at each financial year end.

We test other intangible assets with indefinite useful lives for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. We review the useful life of an intangible asset with an indefinite life annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

- *Software.* We state purchased software at cost less any impairment loss amortized on the straight-line basis over its estimated useful life of 3 years.
- *Customer relationship.* We recognize customer relationship acquired in business combinations at fair value at the acquisition date. The customer relationship has a finite useful life and is stated at cost less accumulated amortization and any impairment losses. We calculate amortization using the straight-line method over the expected useful lives, taking into account the prior experience of the renewal pattern of property management contracts, which is 10 years.

Significant Accounting Judgments and Estimates

The preparation of our historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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Impairment of Goodwill

We determine whether goodwill is impaired at least on an annual basis, where an estimation of the value in use of the cash-generating units to which the goodwill is allocated, is required. When estimating the value in use, we make an estimate of the expected future cash flows from the cash-generating units and also choose a suitable discount rate in order to calculate the present value of those cash flows. As at December 31, 2018, 2019 and 2020, the carrying amounts of goodwill was RMB4,302,000, RMB18,855,000 and RMB22,772,000, respectively. For further details, see note 15 to the Accountant's Report in Appendix I to this prospectus.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, we update the historical observed default rates and analyze changes in the forward-looking estimates.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in Note 20 to the Accountant's Report in Appendix I to this prospectus.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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We recognize an impairment loss only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

DESCRIPTION OF SELECTED COMBINED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth a summary of our combined statements of comprehensive income for the years indicated. Our historical results presented below may not be indicative of the results that may be expected for any future period.

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue	169,004	279,958	428,162
Cost of sales	(123,509)	(193,733)	(283,373)
Gross profit	45,495	86,225	144,789
Other income and gains	116	1,613	3,981
Administrative expenses	(26,618)	(43,405)	(61,563)
Other expenses	(95)	(152)	(783)
Finance costs	(881)	(546)	(49)
Impairment losses on financial assets, net.	(484)	(2,024)	(2,177)
Share of profits and losses of:			
A joint venture	–	(161)	4
Profit before tax	17,533	41,550	84,202
Income tax expenses	(3,459)	(6,190)	(13,941)
Profit for the year	14,074	35,360	70,261
Attributable to:			
– Owners of the parent	11,936	32,090	65,216
– Non-controlling interests	2,138	3,270	5,045

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Revenue

During the Track Record Period, we derived our revenue from the following three business lines:

- (i) property management services, including security services, cleaning and greening services, and repair and maintenance services;
- (ii) value-added services to non-property owners, including (i) preliminary planning and design consultancy services in which we advise on various stages of property developers' business operations from a property management perspective; (ii) sales office management services in which we provide property management services to property developers' sales offices and display units; (iii) pre-delivery services in which we clean and inspect the properties to be delivered, as well as assist in the delivery process; (iv) repair and maintenance services in which we assist with the repair and maintenance of properties during their post-delivery quality warranty periods; (v) property transaction assistance services in which we facilitate property developers in selling parking spaces; and (vi) security support services in which we mainly help our customer with security needs as required; and
- (iii) community value-added services, including (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

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

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Leading Holdings Group	10,151	6.0	7,871	2.8	24,580	5.7
Joint Ventures of Leading Holdings Group	–	–	–	–	159	0.0
Other associates of our Controlling Shareholders	673	0.4	495	0.2	21,242	5.0
Independent Third Parties ⁽¹⁾	102,899	60.9	173,916	62.1	252,919	59.1
Value-added services to non- property owners	48,831	28.9	90,040	32.2	113,022	26.4
Leading Holdings Group	44,556	26.4	62,260	22.3	70,874	16.5
Joint Ventures of Leading Holdings Group	2,942	1.7	16,863	6.0	13,110	3.1
Other associates of our Controlling Shareholders	–	–	–	–	–	–

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	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Independent Third Parties ⁽¹⁾	1,333	0.8	10,917	3.9	29,038	6.8
Community value-added services	6,450	3.8	7,636	2.7	16,240	3.8
Leading Holdings Group	–	–	–	–	–	–
Joint Ventures of Leading Holdings Group	–	–	–	–	–	–
Other associates of our Controlling Shareholders	–	–	–	–	–	–
Independent Third Parties ⁽¹⁾	6,450	3.8	7,636	2.7	16,240	3.8
Total	169,004	100.0	279,958	100.0	428,162	100.0

Note:

- (1) Mainly consist of (i) property owners, residents, tenants and occupants for our property management services and community value-added services, and (ii) independent third-party property developers and other entities for our value-added services to non-property owners.

The following table sets forth a breakdown by business line and by developer type of our revenue both in absolute amount and as a percentage of total revenue during the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	113,723	67.3	182,282	65.1	298,900	69.8
Leading Holdings Group ⁽¹⁾	97,464	57.7	123,000	43.9	209,002	48.9
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	640	0.1
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	16,259	9.6	59,282	21.2	89,258	20.8
Value-added services to non-property owners	48,831	28.9	90,040	32.2	113,022	26.4
Leading Holdings Group ⁽¹⁾	44,556	26.4	62,260	22.3	70,874	16.5
Joint ventures of Leading Holdings Group ⁽²⁾	2,942	1.7	16,863	6.0	13,110	3.1
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1,333	0.8	10,917	3.9	29,038	6.8
Community value-added services	6,450	3.8	7,636	2.7	16,240	3.8

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	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Leading Holdings Group ⁽¹⁾	4,894	2.9	5,848	2.1	14,411	3.4
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	160	0.0
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1,556	0.9	1,788	0.6	1,669	0.4
Total	169,004	100.0	279,958	100.0	428,162	100.0

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

Property Management Services

Revenue from property management services increased during the Track Record Period, primarily driven by the increase in the total GFA under management as a result of our business expansion. During the Track Record Period, we experienced growth in our GFA under management, which was approximately 8.0 million sq.m., 14.2 million sq.m. and 20.2 million sq.m., respectively, as of December 31, 2018, 2019 and 2020. In 2018, 2019 and 2020, our average property management fee was RMB1.70 per sq.m. per month, RMB2.08 per sq.m. per month and RMB2.48 per sq.m. per month, respectively.

Under PRC laws, property management fees may be charged either on a lump-sum basis or on a commission basis. During the Track Record Period, we charged all of our managed properties on a lump-sum basis, which is the dominant fee model for property management services in China, according to Savills and EH Consulting.

During the Track Record Period, we derived a majority of our revenue from property management services for properties developed by Leading Holdings Group, which accounted for 85.7%, 67.5% and 69.9%, respectively, of our total revenue from property management services in 2018, 2019 and 2020, and the percentage of GFA under management for properties developed by Leading Holdings Group accounted for 66.6%, 43.4% and 44.2%, respectively, of our total GFA under management in 2018, 2019 and 2020. The percentage of GFA under management for properties developed by Leading Holdings Group generally decreased at a

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faster rate than the percentage of revenue generated from properties developed by Leading Holdings Group during the Track Record Period, primarily due to that during Track Record Period, a significant portion of the increase in GFA under management for properties developed by third-party property developers were public and other properties, especially after our acquisition of Ziyang Jiamei in July 2019, which brought a significant amount of public property projects with relatively low property management fees under our management, and hence this acquisition had limited contribution to our revenue with relatively prominent contribution to our GFA under management.

During the Track Record Period, we generally billed both independent customers and related parties services fees of a month in the beginning of the following month. The following table sets forth a breakdown of our total number of projects under management and GFA under management as of the dates indicated, and our revenue generated from property management services for the years indicated, each by type of property developer.

	As of/for the year ended December 31,											
	2018				2019				2020			
	Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue		Number of projects under management	GFA under management	Revenue	
	sq.m.'000	RMB'000	%		sq.m.'000	RMB'000	%		sq.m.'000	RMB'000	%	
Properties developed by:												
Leading Holdings Group ⁽¹⁾	28	5,333	97,464	85.7	31	6,150	123,000	67.5	51	8,941	209,002	69.9
Joint ventures of Leading Holdings Group ⁽²⁾	-	-	-	-	-	-	-	-	2	246	640	0.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	25	2,672	16,259	14.3	107	8,033	59,282	32.5	121	11,036	89,258	29.9
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

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The following table sets forth a breakdown of average property management of the properties under our management (excluding package price projects) fees for the years indicated by property developers.

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Leading Holdings Group ⁽¹⁾	1.83	2.50	2.93
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	1.94
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1.25	1.25	1.35
Overall.	1.70	2.08	2.48

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which project Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

The property management fees we charge are determined based on a number of factors, including the types and locations of the properties, the scope of our services and our target profit margins.

The general increase of our average property management fees during the Track Record Period was primarily due to (i) the number of office buildings under our management increased, which had relatively high property management fees; and (ii) the fact that we were able to charge higher property management fees for our services to new properties delivered under our management given our well-established track record and brand name.

In 2018, 2019 and 2020, our average property management fees for properties developed by Leading Holdings Group were RMB1.83 per sq.m. per month, RMB2.50 per sq.m. per month and RMB2.93 per sq.m. per month, respectively, and our average property management fees for properties developed by third-party property developers were RMB1.25 per sq.m. per month, RMB1.25 per sq.m. per month and RMB1.35 per sq.m. per month, respectively. In 2020, our average property management fee for properties developed by Leading Holdings Group's joint ventures was RMB1.94 per sq.m. per month. The average property management fees of properties developed by Leading Holdings Group and its joint ventures were generally higher than those of properties developed by third-party property developers during the Track Record Period, mainly because properties developed by Leading Holdings Group and its joint ventures under our management generally are located in new first-tier cities and second-tier

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cities and included high-end residential properties, office buildings and shopping malls while properties developed by third-party property developers were mainly residential properties in third- and lower-tier cities including areas with relatively lower living expenses such as Ziyang and Meishan the property management fees were relatively lower. The significant increase in the average property management fee of properties developed by Leading Holdings Group in 2019 was mainly because we managed more office buildings and shopping malls developed by Leading Holdings Group in 2019 as compared to in 2018, which had relatively higher property management fees.

During the Track Record Period, a majority of our revenue from property management services was derived from residential properties, which accounted for 87.6%, 68.8% and 54.1%, respectively, of our total revenue from property management services in 2018, 2019 and 2020. As of December 31, 2018, 2019 and 2020, the GFA of residential properties under our management was approximately 7.4 million sq.m., 9.9 million sq.m. and 13.1 million sq.m., respectively. The increases in GFA of residential properties under our management during the Track Record Period were generally in line with our overall business expansion.

During the Track Record Period, we charged (i) commercial properties on a quarterly or semi-annual basis; and (ii) residential properties and public and other properties on a monthly basis. The following table sets forth a breakdown of our total number of projects under management and GFA under management as of the dates indicated, and our revenue generated from property management services for the years indicated, each by property type.

	As of/for the year ended December 31,														
	2018				2019				2020						
	Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue	
		sq.m.'000	RMB'000	%	sq.m.'000		RMB'000	%	sq.m.'000	RMB'000		%			
Residential properties . . .	46	7,450	99,617	87.6	60	9,915	125,344	68.8	85	13,059	161,567	54.1			
- Preliminary stage ⁽¹⁾	33	5,883	83,919	73.8	44	8,104	109,172	59.9	64	9,253	108,028	36.2			
- Property owners' association stage ⁽²⁾ . . .	13	1,567	15,698	13.8	16	1,811	16,172	8.9	21	3,806	53,539	17.9			
Commercial properties . . .	1	99	12,505	11.0	3	411	28,427	15.6	5	645	85,915	28.7			
Public and other properties	6	456	1,601	1.4	75	3,857	28,511	15.6	84	6,519	51,418	17.2			
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0			

Notes:

- (1) Refers to residential property projects for which property owners' associations were not established as of the dates indicated.
- (2) Refers to residential property projects for which property owners' associations were established as of the dates indicated.

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

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Residential properties			
Leading Holdings Group ⁽¹⁾	1.68	1.74	1.79
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	1.94
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	1.25	1.25	1.33
Overall average property management fee for residential properties	1.58	1.57	1.66
Commercial properties			
Leading Holdings Group ⁽¹⁾	9.02	14.37	18.47
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	–	1.20	2.18
Overall average property management fee for commercial properties	9.02	13.61	16.41
Overall average property management fee	1.70	2.08	2.48

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

The average property management fees of commercial properties were generally higher than those of residential properties during the Track Record Period, mainly because (i) service costs of commercial properties are usually higher than service costs of residential properties due to higher property management services standard command; (ii) property developers, property owners and tenants are usually more likely to use common areas of commercial properties than those of residential properties and as a result led to higher service costs of commercial properties as compared to those of residential properties; and (iii) commercial properties usually require more personnel to manage and thus led to higher staff and/or subcontracting costs as compared to those of residential properties. The average property management fees of commercial properties developed by third-party property developers in 2019 were lower than the average property management fees of residential properties developed by third-party property developers in 2019 primarily because we began to provide property management services to Haolaiwu Commercial Square (好萊塢商業廣場) in June 2019 upon our acquisition of Ziyang Jiamei. Haolaiwu Commercial Square, which contributed a significant portion of GFA to the commercial properties under our management as of

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December 31, 2019, is an old commercial property delivered in 2010 and is located in the suburb of a city below third-tier. Its average property management fee is comparable to commercial properties under similar conditions in the same location, although it is relatively low, as compared to the other commercial properties under our management.

During the Track Record Period, the average property management fees of commercial properties developed by Leading Holdings Group were generally higher than average property management fees of commercial properties developed by third-party property developers and the average property management fees of residential properties developed by Leading Holdings Group and joint ventures of Leading Holdings Group were generally higher than average property management fees of residential properties developed by third-party property developers, primarily because commercial properties and residential properties developed by Leading Holdings Group and its joint ventures were generally located in higher tier cities, such as Chengdu, which usually were (i) higher-end design and construction quality; and (ii) delivered more recently compared to those developed by third-party property developers.

The average property management fees of commercial properties increased from RMB9.02 per sq.m. per month in 2018 to RMB13.61 per sq.m. per month in 2019 mainly because we began to provide property management services to Chengdu International Finance Center (成都環球金融中心) in October 2019 with GFA under management of 0.3 million sq.m. as of December 31, 2020, which had relatively high property management fees. The average property management fees of commercial properties increased from RMB13.61 per sq.m. per month in 2019 to RMB16.41 per sq.m. per month in 2020 mainly because we began to provide property management services to Chengdu Leading Center (成都領地中心) in January 2020 with GFA under management of 0.2 million sq.m. as of December 31, 2020, which had relatively high property management fees. The average property management fees of residential properties increased from RMB1.57 per sq.m. per month in 2019 to RMB1.66 per sq.m. per month in 2020, mainly because we were able to charge higher property management fees to properties delivered in 2020 as a result of (i) these properties are higher-end in terms of design and construction quality; and (ii) properties more recently delivered tend to command higher property management services fees.

The following table sets forth a breakdown of our average property management fee per sq.m. per month for the years indicated by city tiers and property type.

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
New first-tier cities	2.19	5.03	6.33
Residential properties	2.14	2.15	2.03
Commercial properties.	3.46	14.96	19.53
Second-tier cities	3.75	3.48	3.46
Residential properties	2.30	2.29	2.29
Commercial properties	12.00	12.00	12.00
Third-and lower-tier cities	1.43	1.44	1.56
Residential properties	1.43	1.44	1.56
Commercial properties	-	1.20	2.18
Overall.	1.70	2.08	2.48

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Property management fees primarily depend on the tier of the cities in which properties under our management were located. The properties developed by Leading Holdings Group were generally located in higher tier cities compared to those developed by third-party developers, which led to the higher average property management fees. The age, quality, location and other attributes of the properties play a role in the property management fees among properties located in the same city. In general, properties within the same city that (i) are located in city center with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees.

During the Track Record Period, the average property management fees of commercial properties in new first-tier cities increased significantly during the Track Record Period, primarily because (i) we began to provide property management services to Chengdu International Finance Center (成都環球金融中心), a high-end office building completed in 2017, in October 2019 with GFA under management of 0.3 million sq.m.; and (ii) we began to provide property management services to Chengdu Leading Center (成都領地中心), a Super Grade A Business Office Building (超甲級商務寫字樓) completed in 2018, in January 2020 with GFA under management of 0.2 million sq.m. as of December 31, 2020, both of which have relatively higher property management fees. Chengdu International Finance Center (成都環球金融中心) contributed 69.2% of our total GFA under management for commercial properties as of December 31, 2019. Chengdu International Finance Center (成都環球金融中心) and Chengdu Leading Center (成都領地中心) collectively contributed 72.0% of our total GFA under management for commercial properties as of December 31, 2020. During the Track Record Period, the average property management fees of residential properties in second-tier cities were higher than the average property management fees of residential properties in new first-tier cities, primarily because residential properties in new first-tier cities under our management are located in suburb or nearby counties of new first-tier cities and were delivered for at least five years, while residential properties in second-tier cities under our management are located in city center and were delivered within five years, and as such tend to command higher property management service fees. The average property management fees of new first-tier cities in 2018 were lower than the average property management fees of second-tier cities in 2018, primarily because we provided property management services to Jilin International Trade Center (吉林環球貿易中心) which had relatively higher property management fee and located in a second-tier city with GFA under management of 0.1 million sq.m. as of December 31, 2020. In 2019, the average property management fees of residential properties in third-and lower-tier cities were higher than the average property management fees of commercial properties in third-and lower-tier cities primarily because we began to provide property management services to Haolaiwu Commercial Square (好萊塢商業廣場) in June 2019 with GFA under management of 0.03 million sq.m. as of December 31, 2020 upon our acquisition of Ziyang Jiamei, which was delivered in 2010 and is located in the suburb of a city below second-tier where the average property management fee level is overall lower as compared to higher tier cities.

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

	As of/for the year ended December 31,														
	2018				2019				2020						
	Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue		Number of projects under management	GFA under management		Revenue	
		sq.m.'000	RMB'000	%	sq.m.'000		RMB'000	%	sq.m.'000	RMB'000		%			
Sichuan Province ⁽¹⁾ . . .	35	5,176	58,757	51.7	124	11,768	123,934	68.0	151	17,090	238,917	80.0			
Xinjiang Uygur Autonomous Region ⁽²⁾ . . .	5	955	17,691	15.6	5	1,107	20,436	11.2	10	1,518	23,149	7.7			
Jilin Province ⁽³⁾	3	598	19,508	17.1	3	598	18,923	10.4	3	598	21,486	7.2			
Guangdong Province ⁽⁴⁾	6	710	14,337	12.6	6	710	14,910	8.2	7	801	15,059	5.0			
Guizhou Province ⁽⁵⁾	4	566	3,430	3.0	-	-	4,079 ⁽⁷⁾	2.2	1	76	-	-			
Hebei Province ⁽⁶⁾	-	-	-	-	-	-	-	-	2	140	289	0.1			
Total	53	8,005	113,723	100.0	138	14,183	182,282	100.0	174	20,223	298,900	100.0			

Notes:

- (1) We provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an, Nanchong and Ziyang.
- (2) We provided property management services to properties located in Korla.
- (3) We provided property management services to properties located in Changchun.
- (4) We provided property management services to properties located in Foshan.
- (5) We provided property management services to properties located in Qiannan and Bijie.
- (6) We provided property management services to properties located in Chengde.
- (7) We managed four property projects in Qiannan with GFA under management of approximately 566,000 sq.m. in 2018 and 2019 and ceased to manage such property projects during 2019 we therefore did not record GFA under management for these property projects as of December 31, 2019. See "Business—Property Management Services—Expiration Schedule of Property Management Service Agreements" for details.
- (8) We did not recognize revenue generated from managing the property in 2020 because the property was delivered in December 2020.

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The following table sets forth a breakdown of our average property management fee per sq.m. per month for the years indicated by provinces and property type.

	For the year ended December 31,		
	2018	2019	2020
	RMB per sq.m. per month		
Sichuan Province⁽¹⁾	1.49	2.10	2.59
Residential properties	1.47	1.46	1.54
Commercial properties	3.46	13.98	18.65
Xinjiang Uygur Autonomous Region⁽²⁾	1.69	1.71	1.75
Residential properties	1.69	1.71	1.75
Commercial properties	–	–	–
Jilin Province⁽³⁾	3.75	3.48	3.46
Residential properties	2.30	2.29	2.29
Commercial properties	12.00	12.00	12.00
Guangdong Province⁽⁴⁾	2.01	2.02	2.13
Residential properties	2.01	2.02	2.13
Commercial properties	–	–	–
Guizhou Province⁽⁵⁾	1.01	1.06	–
Residential properties	1.01	1.06	–
Commercial properties	–	–	–
Hebei Province⁽⁶⁾	–	–	2.86
Residential properties	–	–	3.26
Commercial properties	–	–	2.59
Overall	1.70	2.08	2.48

Notes:

- (1) We provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an and Ziyang.
- (2) We provided property management services to properties located in Korla.
- (3) We provided property management services to properties located in Changchun.
- (4) We provided property management services to properties located in Foshan.
- (5) We provided property management services to properties located in Qiannan and Bijie.
- (6) We provided property management services to properties located in Chengde.

During the Track Record Period, the average property management fees of properties in Jilin Province were generally higher than the average property management fees of properties in other provinces, primarily because we provided property management services to Jilin International Trade Center (吉林環球貿易中心) which had relatively higher property management fee with GFA under management of 0.1 million sq.m. as of December 31, 2020. In 2020, the average property management fees of residential properties in Hebei Province were higher than the average property management fees of commercial properties in Hebei Province primarily because residential properties include villa which command higher property management service standard and higher service costs.

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Value-added Services to Non-property Owners

We provide value-added services to non-property owners, which mainly consisted of property developers during the Track Record Period. Such services primarily include (i) sales office management services; (ii) preliminary planning and design consultancy services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services. The following table sets forth the components of our revenue from value-added services to non-property owners for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Preliminary planning and design consultancy services	4,397	9.0	11,326	12.6	5,324	4.7
Sales office management services	41,514	85.0	70,045	77.8	84,476	74.8
Pre-delivery services	85	0.2	452	0.5	834	0.7
Repair and maintenance services	774	1.6	1,789	2.0	3,697	3.3
Property transaction assistance services	2,061	4.2	2,917	3.2	266	0.2
Security support services	–	–	3,511	3.9	18,425	16.3
Total	48,831	100.0	90,040	100.0	113,022	100.0

Revenue generated from our preliminary planning and design consultancy services decreased from RMB11.3 million in 2019 to RMB5.3 million in 2020, primarily because the number of property developers required our preliminary planning and design consultancy services decreased in 2020 as compared to in 2019. Revenue generated from property transaction assistance services decreased from RMB2.9 million in 2019 to RMB0.3 million in 2020, primarily because the number of projects we were contracted to provide property transaction assistance services decreased.

Community Value-added Services

We generate revenue from providing community value-added services primarily to property owners and residents, including (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

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The following table sets forth the components of our revenue from community value-added services for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Community space management services	1,273	19.7	1,289	16.9	4,498	27.7
Decoration and turnkey furnishing services	3,057	47.5	3,938	51.6	5,887	36.2
Convenient living services	1,996	30.9	2,243	29.3	5,206	32.1
Community retail services	124	1.9	166	2.2	649	4.0
Total	6,450	100.0	7,636	100.0	16,240	100.0

Cost of Sales

Our cost of sales represents costs and expenses directly attributable to the provision of our services, which mainly consisted of (i) staff costs; (ii) subcontracting costs; (iii) costs of consumables; (iv) utilities costs; (v) office expenses; and (vi) repair and maintenance costs. The increase in cost of sales during the Track Record Period generally corresponded to our business growth, which was primarily attributable to the increase in our GFA under management resulting from the expansion of our property management services business.

The following table sets forth the components of our cost of sales for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	78,089	63.2	125,316	64.7	171,948	60.7
Subcontracting costs	22,175	18.0	37,839	19.5	56,866	20.1
Costs of consumables ⁽¹⁾	3,121	2.5	5,918	3.1	12,728	4.4
Utilities costs	5,229	4.2	8,864	4.6	18,580	6.6
Office expenses	5,307	4.3	7,186	3.7	10,917	3.8
Repair and maintenance costs	9,588	7.8	8,610	4.4	12,334	4.4
Total	123,509	100.0	193,733	100.0	283,373	100.0

Note:

- (1) Cost of consumables mainly includes costs associated with consumables used to provide cleaning and security services.

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During the Track Record Period, the main components of our cost of sales were staff costs and subcontracting costs. Staff costs mainly represent wages, salaries, other allowances and contributions and social welfare of our on-site staff. Our subcontracting costs mainly include the fees incurred for the services outsourced to subcontractors, such as security, cleaning and greening, repair and maintenance services.

In 2018 and 2019, our staff costs accounted for 63.2% and 64.7%, respectively, of the total cost of sales, while the labor costs of the Top 100 Property Management Companies accounted for 56.7% and 60.4%, respectively, of the total cost of sales. See “Industry Overview—Opportunities and Challenges in the Property Management Industry in China—Increasing Labor Cost” for details. In 2018 and 2019, the percentages of our staff costs in the total cost of sales were higher than those of the labor costs of the Top 100 Property Management Companies in the total cost of sales, primarily because we did not outsource the daily work of our operations as much as the Top 100 Property Management Companies averagely did. According to Savills and EH Consulting, the Top 100 Property Management Companies typically outsource their security services and cleaning and greening services. For example, we do not outsource all of our security service operations in our daily property management services. However, the percentages of our subcontracting costs in the total cost of sales increased during the Track Record Period. From 2018 to 2019, the percentage of our staff costs in the total cost of sales increased from 63.2% to 64.7%, following the same increasing trend among the Top 100 Property Management Companies and the property management industry. See “Industry Overview—Opportunities and Challenges in the Property Management Industry in China—Increasing Labor Cost” for details. From 2019 to 2020, although the absolute amount of our staff costs increased, the percentage of our staff costs in the total cost of sales decreased from 64.7% to 60.7%. Our staff costs did not increase to the same extent as our total cost of sales did due to the non-recurring deduction and exemption of payment of social insurance contributions as a result of regulatory supportive policies issued by local government in response to the outbreak of COVID-19 pandemic. These policies were generally applicable across the property management service industry in 2020, according to Savills and EH Consulting.

The following table sets forth a breakdown of our cost of sales by business line for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	84,848	68.7	127,728	65.9	201,407	71.1
Value-added services to non-property owners	35,065	28.4	61,863	31.9	73,501	25.9
Community value-added services	3,596	2.9	4,142	2.2	8,465	3.0
Total	123,509	100.0	193,733	100.0	283,373	100.0

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Gross Profit and Gross Profit Margin

Our gross profit margin in 2018, 2019 and 2020 was 26.9%, 30.8% and 33.8%, respectively. Our overall gross profit margin increased during the Track Record Period, primarily attributable to economies of scale as a result of our continuous business growth.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line and by type of ultimate paying customers during the Track Record Period.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group	2,573	25.3	2,342	29.8	7,935	32.3
Joint ventures of Leading Holdings Group	–	–	–	–	33	20.5
Other associates of our Controlling Shareholders	171	25.4	147	29.7	7,407	34.9
Independent Third Parties ⁽¹⁾	26,131	25.4	52,065	29.9	82,118	32.5
Value-added services to non- property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group	835	28.4	5,300	31.4	4,614	35.2
Other associates of our Controlling Shareholders	–	–	–	–	–	–
Independent Third Parties ⁽¹⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group	–	–	–	–	–	–
Joint ventures of Leading Holdings Group	–	–	–	–	–	–
Other associates of our Controlling Shareholders	–	–	–	–	–	–
Independent Third Parties ⁽¹⁾	2,854	44.2	3,494	45.8	7,775	47.9
Total	<u>45,495</u>	<u>26.9</u>	<u>86,225</u>	<u>30.8</u>	<u>144,789</u>	<u>33.8</u>

Note:

- (1) Mainly consist of (i) property owners, residents, tenants and occupants for our property management services and community value-added services, and (ii) independent third-party property developers and other entities for our value-added services to non-property owners.

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The following table sets forth a breakdown of our gross profit and gross profit margin by business line and by developer type during the Track Record Period.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	28,875	25.4	54,554	29.9	97,493	32.6
Leading Holdings Group ⁽¹⁾	24,804	25.4	39,208	31.9	73,087	35.0
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	131	20.5
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	4,071	25.0	15,346	25.9	24,275	27.2
Value-added services to non-property owners	13,766	28.2	28,177	31.3	39,521	35.0
Leading Holdings Group ⁽¹⁾	12,552	28.2	19,413	31.2	24,621	34.7
Joint ventures of Leading Holdings Group ⁽²⁾	835	28.4	5,300	31.4	4,614	35.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	379	28.4	3,464	31.7	10,286	35.4
Community value-added services	2,854	44.2	3,494	45.8	7,775	47.9
Leading Holdings Group ⁽¹⁾	2,181	44.6	2,696	46.1	6,954	48.3
Joint ventures of Leading Holdings Group ⁽²⁾	–	–	–	–	74	46.4
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	673	43.3	798	44.6	747	44.8
Total	45,495	26.9	86,225	30.8	144,789	33.8

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

In 2018, 2019 and 2020, for our property management services, our gross profit margin for properties developed by Leading Holdings Group and its joint ventures was 25.4%, 31.9% and 34.9%, respectively, and our gross profit margin for properties developed by third party property developers was 25.0%, 25.9% and 27.2%, respectively. During the Track Record Period, for our property management services, our gross profit margins for properties developed by Leading Holdings Group and its joint ventures were higher than those of properties developed by third-party property developers, primarily because (i) our average property management fees for properties developed by Leading Holdings Group and its joint

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ventures were generally higher than those developed by third-party property developers during the Track Record Period; and (ii) our package price projects which are all of the public and other properties under our management and developed by independent third-party property developers had relatively low gross profit margins. See “—Revenue—Property Management Services” for details. For more details on our package price projects, see “Business—Property Management Services—Property Management Fees.”

Property Management Services

Gross profit margin for our property management services is affected by property management fees we charge for our property management services and our cost of sales for providing such services. The overall increase in the gross profit margin of our property management services during the Track Record Period was primarily due to (i) increasing portion of the GFA of commercial properties under our management which has higher property management fees as compared to residential properties; and (ii) greater economies of scale achieved during our business expansion.

Value-added Services to Non-property Owners

Gross profit margin for our value-added services to non-property owners was 28.2%, 31.3%, and 35.0%, respectively, in 2018, 2019 and 2020. The gross profit margin for our value-added services experienced an upward trend during the Track Record Period, primarily due to greater economies of scale achieved during our business expansion.

Community Value-added Services

Gross profit margin for our community value-added services was 44.2%, 45.8% and 47.9%, respectively, in 2018, 2019 and 2020. The gross profit margin for our community value-added services increased during the Track Record Period, primarily due to our effort to promote community space management services, community retail services and decoration and turnkey furnishing services which have higher profit margin.

Other Income and Gains

Our other income and gains mainly consisted of (i) bank interest income; (ii) interest income from an independent third party; (iii) dividend income from equity investments at fair value through other comprehensive income; (iv) government grants; and (v) management consulting service fees received from Zhenxiong Linghui Property Management Co., Ltd. (“**Zhenxiong Linghui**”), which is our joint venture. We began to provide management consulting services to Zhenxiong Linghui in January 2019 with a goal to promote our brand and management. We provided management consulting services by authorizing Zhenxiong Linghui to use our logo and brand, and in return Zhenxiong Linghui paid a fixed amount of RMB170,000 (tax excluded) for our management consulting services for the term of one year. We collected such fees semi-annually.

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The following table sets forth the components of our other income and gains for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Bank interest income	48	41.4	77	4.8	114	2.9
Interest income from a third party ⁽¹⁾	–	–	94	5.8	5	0.1
Dividend income from equity investments at fair value through other comprehensive income ⁽²⁾	–	–	324	20.1	–	–
Government grants ⁽³⁾	28	24.1	903	56.0	3,661	91.9
Management consulting service fees received from a joint venture	–	–	170	10.5	170	4.3
Others ⁽⁴⁾	40	34.5	45	2.8	31	0.8
Total	116	100.0	1,613	100.0	3,981	100.0

Notes:

- (1) Interest income from a third party mainly associated the advance Ziyang Jiamei made to a third party. See “—Description of Certain Combined Balance Sheet Items—Prepayments and Other Receivables” for details.
- (2) Dividend income from equity investments at fair value through other comprehensive income mainly include dividend we received from our investment in an unlisted entity.
- (3) Government grants mainly include (i) the amounts we received from government authorities in relation to favorable policies issued by government authorities; and (ii) government grants received to cope with COVID-19 pandemic.
- (4) Others mainly include late fees and compensation from default events collected from customers in relation to property management fees.

Administrative Expenses

Our administrative expenses mainly consisted of (i) staff costs; (ii) traveling expenses; (iii) depreciation and amortization expenses; (iv) professional fees; (v) office expenses; (vi) bank charge; (vii) others; and (viii) listing expenses.

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The following table sets forth the components of our administrative expenses for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	20,922	78.7	33,994	78.3	39,783	64.6
Traveling expenses	1,282	4.8	1,384	3.2	835	1.4
Others ⁽¹⁾	1,069	4.0	1,978	4.6	2,581	4.2
Depreciation and amortization expenses	409	1.5	1,782	4.1	2,427	3.9
Professional fees ⁽²⁾	428	1.6	1,217	2.8	1,222	2.0
Listing expenses	–	–	–	–	11,100	18.0
Office expenses	2,181	8.2	2,478	5.7	2,904	4.7
Bank charge	327	1.2	572	1.3	711	1.2
Total	26,618	100.0	43,405	100.0	61,563	100.0

Notes:

- (1) Others mainly include entertainment expenses and leasing expenses associated with low-value assets and short-term leases.
- (2) Professional fees mainly include legal fees and audit fees.

Other Expenses

Our other expenses mainly reflected (i) administrative penalties; and (ii) loss on disposals for our disposal of Qiannanhu Life Property Service Co., Ltd. in January 2020 and Sichuan Rongyue in September 2020, both of which were in line with our development strategy to focus on quality projects in target areas. In 2018, 2019 and 2020, our other expenses was RMB0.1 million, RMB0.2 million, and RMB0.8 million, respectively.

Finance Costs

Our finance costs mainly consisted of (i) interests on bank loans and other loans; and (ii) interest expense on lease liabilities.

The following table sets forth the components of our net finance cost for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Interests on other loans	873	99.1	541	99.1	–	–
Interests expense on lease liabilities	8	0.9	5	0.9	49	100.0
Total	881	100.0	546	100.0	49	100.0

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Net Impairment Losses on Financial Assets

Net impairment losses on financial assets mainly consisted of allowance for impairment of trade receivables for our property management services, which we provided for in accordance with the applicable accounting standards. In 2018, 2019 and 2020, our net impairment losses on financial assets was RMB0.5 million, RMB2.0 million and RMB2.2 million, respectively.

Share of Profits and Losses of a Joint Venture

Share of profits and losses of a joint venture arose from our investment in Zhenxiong Linghui during the Track Record Period. Zhenxiong Linghui became our joint venture in 2019. In 2019, we recorded a share of losses of RMB0.2 million with respect to Zhenxiong Linghui, primarily because Zhenxiong Linghui was in preparatory stage in 2019. As a result, Zhenxiong Linghui suffered losses in 2019. In 2020, Zhenxiong Linghui started to generate profits, and we recorded a share of profits of approximately RMB4,000.

Income Tax Expense

Income tax expense consisted of current and deferred income taxes payable in the PRC by our Company and our subsidiaries.

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

	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current – Mainland China:			
Charge for the year	3,591	6,501	15,224
Deferred tax	(132)	(311)	(1,283)
Total tax charged for the year	<u>3,459</u>	<u>6,190</u>	<u>13,941</u>

Income tax provision in respect of our operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year or period, based on existing legislation and interpretations and practices in respect thereof. The statutory tax rate was 25.0% for the Track Record Period. Certain of our subsidiaries are located in western China, which enjoyed a preferential income tax rate of 15% during the Track Record Period. Certain of our subsidiaries are qualified as small low-profit enterprises, which enjoyed preferential income tax rates during the Track Record Period.

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Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Act and, accordingly, is exempted from Cayman Islands income tax. Our subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax.

In 2018, 2019 and 2020, our effective income tax rates, calculated as income tax expenses divided by profit before income tax, were 19.7%, 14.9% and 16.6%, respectively, which are lower than the PRC statutory corporate income tax rate of 25% primarily because of (i) the preferential income tax rate of 15% enjoyed by certain of our subsidiaries located in western China; and (ii) the preferential income tax rate enjoyed by certain of our subsidiaries which are qualified as small low-profit enterprises. Our effective income tax rates generally decreased from 19.7% in 2018 to 14.9% in 2019 and 16.6% in 2020, primarily due to preferential income tax rate we enjoyed as a result of our business expansion into the Western China in 2019. 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.

See Note 26 to the Accountants' Report in Appendix I to this prospectus for more information on the deferred tax.

RESULTS OF OPERATIONS

2020 Compared to 2019

Revenue

Our revenue increased by 52.9% to RMB428.2 million in 2020 from RMB280.0 million in 2019. The increase in our revenue was primarily attributable to our overall business growth.

- **Property management services.** Revenue from property management services increased by 64.0% to RMB298.9 million in 2020 from RMB182.3 million in 2019, primarily attributable to an increase in our total GFA under management, mainly as a result of our business expansion.
- **Value-added services to non-property owners.** Revenue from value-added services to non-property owners increased by 25.6% to RMB113.0 million in 2020 from RMB90.0 million in 2019, primarily attributable to (i) increase in revenue generated from security support services, primarily through Ziyang Jiamei, which we acquired in July 2019; and (ii) increase in revenue generated from sales office management services as a result of increase in both the number of property developers' sales offices and the number of display units under our management.

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- **Community value-added services.** Revenue from community value-added services to property owners increased by 113.2% to RMB16.2 million in 2020 from RMB7.6 million in 2019, primarily due to (i) increases in the number of communities under our management and number of customers we provided service to as a result of business expansion; and (ii) increases in revenue generated from community space management services and convenient living services as a result of our continuous effort to promote these two types of services in 2020.

Cost of Sales

Our cost of sales increased by 46.3% to RMB283.4 million in 2020 from RMB193.7 million in 2019, primarily due to (i) increase in our staff costs to RMB171.9 million in 2020 from RMB125.3 million in 2019, primarily due to increases in the number of our employees which was in line with our business expansion; (ii) increase in subcontracting costs to RMB56.9 million in 2020 from RMB37.8 million in 2019, which was generally in line with our business expansion; and (iii) increase in our utilities costs to RMB18.6 million in 2020 from RMB8.9 million in 2019, primarily due to increase in GFA under management of commercial properties and office buildings.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased to RMB144.8 million in 2020 from RMB86.2 million in 2019. Our gross profit margin increased to 33.8% in 2020 from 30.8% in 2019.

- **Property management services.** Our gross profit for property management services increased to RMB97.5 million in 2020 from RMB54.6 million in 2019. Our gross profit margin for property management services increased to 32.6% in 2020 from 29.9% in 2019, primarily as a result of (i) greater economies of scale achieved during our business expansion; (ii) our continuous implementation of cost-saving measures; and (iii) the non-recurring deduction and exemption of payment of social insurance contributions as a result of regulatory supportive policies issued by local government in response to the outbreak of COVID-19 pandemic.
- **Value-added services to non-property owners.** Our gross profit for value-added services to non-property owners increased to RMB39.5 million in 2020 from RMB28.2 million in 2019. Our gross profit margin for value-added services to non-property owners increased to 35.0% in 2020 from 31.3% in 2019, primarily as a result of (i) greater economies of scale achieved during our business expansion; (ii) our continuous implementation of cost-saving measures; and (iii) the non-recurring deduction and exemption of payment of social insurance contributions as a result of regulatory supportive policies issued by local government in response to the outbreak of COVID-19 pandemic.

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- **Community value-added services.** Our gross profit for community value-added services increased to RMB7.8 million in 2020 from RMB3.5 million in 2019. Our gross profit margin for community value-added services increased from 45.8% in 2019 to 47.9% in 2020, primarily due to our effort to promote community space management services and convenient living services, both of which have higher profit margin.

Other Income and Gains

Our other income and gains increased to RMB4.0 million in 2020 from RMB1.6 million in 2019, primarily due to increase in government grants as we received government subsidies to cope with COVID-19 pandemic.

Administrative Expenses

Our administrative expenses increased to RMB61.6 million in 2020 from RMB43.4 million in 2019, primarily due to increase in staff costs as a result of (i) increase in the number of administrative staff, which was in line with our business expansion; (ii) increase in average employee compensation; and (iii) our recognition of expenses associated with the Listing in 2020.

Other Expenses

Our other expenses increased to RMB0.8 million in 2020 from RMB0.2 million in 2019, primarily because of our disposal of Qiannanhu Life Property Service Co., Ltd. in January 2020 and Sichuan Rongyue in September 2020.

Finance Costs

Our finance costs decreased by 90.0% to RMB0.05 million in 2020 from RMB0.5 million in 2019, primarily as we fully repaid our borrowings in 2019.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 10.0% to RMB2.2 million in 2020 from RMB2.0 million in 2019, primarily due to increase in allowance for impairment of trade receivables for our property management services, which was generally in line with our business expansion.

Income Tax Expenses

Our income tax expenses increased to RMB13.9 million in 2020 from RMB6.2 million in 2019, primarily due to the increase in taxable income.

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Profit for the Year

As a result of the foregoing, our profit for the year increased to RMB70.3 million in 2020 from RMB35.4 million in 2019. Our net profit margin was 12.6% and 16.4% in 2019 and 2020, respectively.

2019 Compared to 2018

Revenue

Our revenue increased by 65.7% to RMB280.0 million in 2019 from RMB169.0 million in 2018. The increase in our revenue was primarily attributable to our overall business growth.

- **Property management services.** Revenue from property management services increased by 60.3% to RMB182.3 million in 2019 from RMB113.7 million in 2018, primarily attributable to an increase in our total GFA under management, mainly as a result of our business expansion.
- **Value-added services to non-property owners.** Revenue from value-added services to non-property owners increased by 84.4% to RMB90.0 million in 2019 from RMB48.8 million in 2018, primarily due to (i) increase in revenue generated from sales office management services as a result of increase in both the number of property developers' sales offices and the number of display units under our management; (ii) increase in revenue generated from preliminary planning and design consultancy services, primarily due to increase in the number of projects in the development stage; and (iii) security support services which we began to provide in 2019.
- **Community value-added services.** Revenue from community value-added services increased by 18.4% to RMB7.6 million in 2019 from RMB6.5 million in 2018, primarily due to increase in revenue generated from decoration and turnkey furnishing services as a result of our effort to promote our decoration and turnkey furnishing services.

Cost of Sales

Our cost of sales increased by 56.9% to RMB193.7 million in 2019 from RMB123.5 million in 2018, primarily due to (i) increase in our staff costs to RMB125.3 million in 2019 from RMB78.1 million in 2018, primarily due to the increases in the number of our employees; and (ii) increase in subcontracting costs to RMB37.8 million in 2019 from RMB22.2 million in 2018, primarily due to the increase in the number of projects under our management as a result of our business expansion.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly to RMB86.2 million in 2019 from RMB45.5 million in 2018. Our overall gross profit margin increased to 30.8% in 2019 from 26.9% in 2018.

- **Property management services.** Our gross profit for property management services increased to RMB54.6 million in 2019 from RMB28.9 million in 2018. Our gross profit margin for property management services increased to 29.9% in 2019 from 25.4% in 2018, primarily due to (i) the increasing portion of GFA of office buildings and shopping malls under our management, which typically generated a higher gross profit margin as compared to residential properties; and (ii) greater economies of scale achieved during our business expansion.
- **Value-added services to non-property owners.** Our gross profit for value-added services to non-property owners increased to RMB28.2 million in 2019 from RMB13.8 million in 2018. Our gross profit margin for value-added services to non-property owners increased to 31.3% in 2019 from 28.2% in 2018, primarily due to economies of scale as a result of our continuous business growth.
- **Community value-added services.** Our gross profit for community value-added services increased to RMB3.5 million in 2019 from RMB2.9 million in 2018. Our gross profit margin for community value-added services slightly increased from 44.2% in 2018 to 45.8% in 2019 primarily due to our effort to promote our decoration and turnkey furnishing service, which has higher profit margin.

Other Income and Gains

Our other income and gains increased significantly to RMB1.6 million in 2019 from RMB0.1 million in 2018, primarily due to (i) increase in the amounts we received from government authorities in relation to favorable policies issued by government authorities; (ii) dividend income received from equity investments at fair value through other comprehensive income in 2019; and (iii) payment received as we provided management consulting services to Zhenxiong Linghui in 2019.

Administrative Expenses

Our administrative expenses increased by 63.1% to RMB43.4 million in 2019 from RMB26.6 million in 2018, primarily due to (i) increase in staff costs as a result of (a) increase in the number of administrative staff, which was in line with our business expansion, and (b) the increase in the average employee compensation; and (ii) increase in depreciation and amortization expenses primarily due to the amortization of intangible assets of Ziyang Jamei primarily including customer relationship after our acquisition in July 2019.

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Other Expenses

Our other expenses stayed relatively stable at RMB0.2 million in 2019 and RMB0.1 million in 2018.

Finance Costs

Our finance costs decreased to RMB0.5 million in 2019 from RMB0.9 million in 2018, primarily because our outstanding borrowings as of December 31, 2018 were fully repaid in 2019. As of December 31, 2019, we did not have any outstanding interest-bearing other borrowings.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased significantly to RMB2.0 million in 2019 from RMB0.5 million in 2018, primarily due to the increase in allowance for impairment of trade receivables for our property management services, which was generally in line with our business expansion.

Share of Losses of a Joint Venture

Our share of losses of a joint venture amounted to RMB0.2 million in 2019, because Zhenxiong Linghui, our joint venture, suffered losses in 2019. Zhenxiong Linghui became our joint venture in 2019. In 2018, we did not have any share of profits or losses from joint ventures.

Income Tax Expenses

Our income tax expenses increased significantly to RMB6.2 million in 2019 from RMB3.5 million in 2018, primarily due to increase in taxable income. Our effective tax rate decreased from 19.7% in 2018 to 14.9% in 2019. See “—Description of Selected Combined Statements of Comprehensive Income Line Items—Income Tax Expense” to this prospectus for details.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly to RMB35.4 million in 2019 from RMB14.1 million in 2018, and our net profit margin increased to 12.6% in 2019 from 8.3% in 2018.

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DESCRIPTION OF CERTAIN COMBINED BALANCE SHEET ITEMS

Property, Plant and Equipment

Our property, plant and equipment during the Track Record Period mainly consisted of fixtures and equipment for operating activities and washing machines, electronic equipment and computers for employee dormitories. During the Track Record Period, our property, plant and equipment stayed relatively stable at RMB0.8 million as of December 31, 2018, RMB0.9 million as of December 31, 2019 and RMB0.9 million as of December 31, 2020.

Prepayments and Other Receivables

The following table sets forth the components of our prepayments and other receivables as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current			
Due from third parties	–	11,051	9,360
Prepayments on behalf of customers to utility suppliers	813	2,075	3,327
Due from a non-controlling shareholder of a subsidiary	2,700	3,038	1,511
Other prepayments ⁽¹⁾	1,357	3,338	8,319
Advances to employees ⁽²⁾	995	1,675	1,690
Deposits.	281	1,337	2,542
Other receivables ⁽³⁾	1,159	2,593	4,269
	<u>7,305</u>	<u>25,107</u>	<u>31,018</u>
Less: Allowance for impairment	(121)	(333)	(592)
	<u>7,184</u>	<u>24,774</u>	<u>30,426</u>
Non-current			
Prepayments for investments in a subsidiary	–	1,667	–

Notes:

- (1) Mainly include prepayment of the utility fees such as electricity and water.
- (2) Mainly include amounts in relation to purchasing of consumables and medical and cleaning supplies.
- (3) Mainly reflect the amounts of social insurance contributions we paid on behalf of employees which will be settled in the coming month as we withhold the same amount from their salary.

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We recorded amount due from third parties as current assets of RMB11.1 million as of December 31, 2019 and RMB9.4 million as of December 31, 2020, primarily reflecting the amount due from third parties arising from the following two incidents.

Firstly, we made an investment under an equity transfer agreement with certain Independent Third Parties which were shareholders and senior management of a target property management company we planned to acquire in August 2019 with a goal to explore market in Enshi, Hubei province. Pursuant to the equity transfer agreement, we would acquire 52.0% of shares of the target property management company from these Independent Third Parties for a consideration of RMB18.72 million. In December 2019, after we had discovered certain undisclosed debts of the target property management company and the target property management company's failure to pay employee wages, we, along with other parties of the equity transfer agreement, agreed to terminate the equity transfer agreement with termination procedures and, in particular, refund schedules laid out in an equity transfer termination agreement. Pursuant to the equity transfer termination agreement, the equity transfer agreement was subsequently terminated. This incident resulted in the amount due from third parties of RMB9.4 million as of December 31, 2019 and 2020. Because the relevant parties breached the equity transfer termination agreement by not following the refund schedule, we brought a suit against them in 2020. In June 2020, the court has seized bank accounts of the target property management company and one of these Independent Third Parties and sealed up certain real properties of one of these Independent Third Parties. The court issued the final decision in December 2020 to uphold our request for the refund of the purchase price. We applied for the enforcement of the judgment in January 2021. The enforcement case was accepted by the court in February 2021. According to the applicable laws, if the person subject to the enforcement has properties available for enforcement, the enforcement case shall be closed within six months after acceptance of the case, except the six-month period may be extended under special circumstances and upon the approval of the court's chief justice or deputy chief justice. As of April 30, 2021, we had received RMB0.6 million, with additional RMB0.2 million seized by the court to be transferred to us. We will continue to work with the court to endeavor to recover more, including through judicial auction of the sealed-up real properties.

Secondly, Ziyang Jiamei made an advance in the amount of RMB1.3 million in February 2018 to a Independent Third Party bankruptcy administrator, who was in charge of the bankruptcy proceeding of a third-party property developer, whose certain properties were under the management of Ziyang Jiamei and business was suspended. Financial resources are required to satisfy necessary costs of the property developer to carry out its bankruptcy proceeding. Taking the business relationship between Ziyang Jiamei and the third-party property developer into consideration, Ziyang Jiamei made the advance to the bankruptcy administrator to facilitate the liquidation process and to help it overcome operational difficulties before our acquisition of Ziyang Jiamei. This incident resulted in the amount due from third parties of RMB1.7 million as of December 31, 2019.

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This advance made by Ziyang Jiamei had an interest of 15.0% and was non-trade in nature, unguaranteed and repayable on demand. As of January 31, 2020, the bankruptcy administrator had fully repaid Ziyang Jiamei the advance. According to the General Lending Provisions (貸款通則), only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. However, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the “**Provisions**”), for private lending contracts concluded between legal persons or unincorporated organization and between legal persons and unincorporated organizations for the need of production and operation, except for the existence of circumstances stipulated in the Civil Code of the PRC (中華人民共和國民法典) (the “**Civil Code**” and Article 13 of the Provisions, where the parties concerned claim that the private lending contract is effective, the PRC courts shall uphold such claim. The PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed four times the one-year loan prime rate, at the time when the contract is entered into, published on the 20th of every month by National Interbank Funding Center (全國銀行間同業拆借中心) with the authorization from PBOC. Our PRC Legal Advisors are of the view that, given the above-mentioned financing arrangements between Ziyang Jiamei and the third party do not violate the applicable provisions of the Civil Code or the Provisions, the risk of the PBOC imposing any penalty on us is low.

We recorded amount due from a non-controlling shareholder of a subsidiary of RMB2.7 million, RMB3.0 million and RMB1.5 million as of December 31, 2018, 2019 and 2020, respectively, primarily reflecting a loan we made to a non-controlling shareholder of Meishan Tianfu in November 2018. We expect to fully settle the amount due from the non-controlling shareholder of Meishan Tianfu upon the Listing.

This loan was non-interest-bearing, non-trade in nature, unguaranteed and repayable on demand during the Track Record Period, and therefore the capital lent out did not constitute currency funds bearing interest under the General Lending Provisions (貸款通則) promulgated by the PBOC. Moreover, according to the Provisions, for private lending contracts concluded between legal persons or unincorporated organizations and between legal persons and unincorporated organizations for the need of production and operation, except for the existence of circumstances stipulated in the Civil Code and Article 13 of the Provisions, where the parties concerned claim that the private lending contract is effective, the PRC courts shall uphold such claim. In addition, the General Lending Provisions are department rules rather than compulsory laws or administrative regulations. The Civil Code pre-empts the General Lending Provisions. The Civil Code states that property right holders have the right to freely dispose of their properties (including monetary funds) in accordance with the law. As such, our PRC Legal Advisors are of the view that our loan to non-controlling shareholder of a subsidiary during the Track Record Period was a valid private loan and in compliance with all applicable laws and regulations.

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We recorded prepayments for investments in a subsidiary as non-current assets of RMB1.7 million as of December 31, 2019, primarily due to the prepayment in relation to our acquisition of Chengdu Xindi in August 2020. The increase in other prepayments from RMB1.4 million as of December 31, 2018 to RMB3.3 million as of December 31, 2019 was primarily due to the increase in the number of projects under our management. The increase in other prepayments from RMB3.3 million as of December 31, 2019 to RMB8.3 million as of December 31, 2020 primarily due to increase in GFA under our management of commercial properties which we were responsible to pay utilities on behalf of our customers. The general increase in advances to employees was primarily due to (i) our business expansion; and (ii) increased expense associated with our purchase of medical and cleaning supplies in response to the COVID-19 pandemic.

Right-of-use Assets

We recorded right-of-use assets in connection with our lease of office space and employee dormitories of RMB0.4 million, RMB2.2 million and RMB1.5 million as of December 31, 2018, 2019 and 2020, respectively. The decrease of right-of-use assets from RMB2.2 million as of December 31, 2019 to RMB1.5 million as of December 31, 2020 was primarily due to amortization.

Goodwill

During the Track Record Period, we recorded goodwill mainly reflecting our acquisition of Meishan Tianfu in July 2018, Ziyang Jiamei in July 2019 and Chengdu Xindi in August 2020.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. We performed annual impairment test of goodwill as of December 31, 2018, 2019 and December 31, 2020. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units (“CGU”), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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Key parameters for impairment test on goodwill are listed as follows:

As of December 31, 2018

<u>CGU</u>	<u>Principal business</u>	<u>Goodwill</u>	<u>Annual revenue growth rate</u>	<u>Terminal growth rate</u>	<u>Discount rate</u>
		RMB'000			
Meishan Tianfu	Property management	4,302	3%	3%	18.1%

As of December 31, 2019

<u>CGU</u>	<u>Principal business</u>	<u>Goodwill</u>	<u>Annual revenue growth rate</u>	<u>Terminal growth rate</u>	<u>Discount rate</u>
		RMB'000			
Meishan Tianfu	Property management	4,302	3%	3%	17.8%
Ziyang Jiamei	Property management	14,553	3-4%	3%	17.2%

As of December 31, 2020

<u>CGU</u>	<u>Principal business</u>	<u>Goodwill</u>	<u>Annual revenue growth rate</u>	<u>Terminal growth rate</u>	<u>Discount rate</u>
		RMB'000			
Meishan Tianfu	Property management	4,302	3%	3%	17.9%
Ziyang Jiamei	Property management	14,553	3-4%	3%	17.7%
Chengdu Xindi	Property management	3,917	4-105%	3%	17.6%

Assumptions were used in the value-in-use calculations of the above mentioned CGU for the Track Record Period. The following describes each key assumption on which management had based its cash flow projections of the CGU to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Annual revenue growth rate – The predicted revenue growth rate of the CGU for the five years subsequent to the date of assessment is one of the assumptions used in the value-in-use calculations.

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Terminal growth rate – The terminal growth rate was estimated to be 3.0% which has taken into consideration the prevailing industry practice.

Details of the headroom measured by the excess of the recoverable amount over the carrying amount of the CGU as of December 31, 2018, 2019 and 2020 are set out as follows.

	December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Meishan Tianfu	3,766	5,550	7,473
Ziyang Jiamei	–	11,064	18,200
Chengdu Xindi.	–	–	2,473
	<u>3,766</u>	<u>16,614</u>	<u>28,146</u>

We have undertaken sensitivity analysis on the impairment test of goodwill. See Note 15 of the Accountant's Report in Appendix I to this prospectus for details.

Our Directors considered that no reasonably possible change in key parameters would cause the carrying amount of the CGU to exceed its recoverable amount as of December 31, 2020. Therefore, our Directors believe that based on the impairment test on goodwill discussed above, no impairment provision is required.

Other Intangible Assets

We recorded other intangible assets in the amount of RMB8.5 million, RMB19.6 million and RMB18.3 million as of December 31, 2018 and 2019 and December 31, 2020, respectively. During the Track Record Period, our other intangible assets mainly represented software and the customer relationship we obtained from our acquisitions of Meishan Tianfu in July 2018, Ziyang Jiamei in July 2019 and Chengdu Xindi in August 2020. See Note 16 of the Accountant's Report in Appendix I to this prospectus for details.

Investment in a Joint Venture

In May 2019, we entered into a cooperation agreement with certain Independent Third Parties, pursuant to which Zhenxiong Linghui became our joint venture in 2019. We made investment in Zhenxiong Linghui with a goal to explore the property management market in Zhenxiong, Yunnan Province. The principal business activities of Zhenxiong Linghui is providing property management services to a residential property developed by an Independent Third Party property developer in Zhenxiong, Yunnan province. We recorded an investment in a joint venture in the amount of RMB0.06 million and RMB0.07 million as of December 31, 2019 and December 31, 2020, respectively.

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Equity Investments Designated at Fair Value through Other Comprehensive Income

We recorded equity investments designated at fair value through other comprehensive income in the amount of RMB6.9 million, RMB6.8 million and RMB6.3 million as of December 31, 2018, 2019 and 2020, respectively. Our equity investments designated at fair value through other comprehensive income mainly represent our investment in an unlisted entity. In 2017, we entered into a share subscription agreement with an unlisted financial institution in Leshan, Sichuan province (the “**Unlisted Financial Institution**”), primarily with the goal to gain higher investment returns than the fixed rate returns from cash deposits at banks. The Unlisted Financial Institution, with registered capital of approximately RMB668.5 million, engages in services such as providing loans, bond-related services and other general banking services. Its audited net profits in 2018, 2019 and 2020 were RMB58.1 million, RMB49.7 million and RMB53.8 million, respectively. As of December 31, 2020, 52.9%, 40.8% and 6.3% of its issued shares were held by legal persons, individuals other than its employees and its employees, respectively. All of its substantial shareholders who held more than 5.0% of its issued shares as of December 31, 2020 are independent third-party local companies in different industrial sectors in Leshan or other cities in Sichuan Province, such as property development, construction material production, precision machinery manufacturing, investment and asset management. We subscribed 6,000,000 issued shares at RMB1.8 per share and a total consideration of RMB10.8 million, representing an equity interest of approximately 1.0% in the Unlisted Financial Institution at the time of our subscription. The price was determined through negotiation at arm’s length based on the Unlisted Financial Institution’s net assets and the percentage of the equity interests to be acquired. As of December 31, 2020, we held 6,413,760 issued shares as the result of the stock dividends subsequent to our initial subscription, representing an equity interest of approximately 1.0% in the Unlisted Financial Institution.

Although there were no promises on the investment returns, we believe the earnings and appreciation we can obtain from this investment would be better than the fixed rate returns from cash deposits at banks. In 2019, this equity investment generated earnings in the amount of RMB0.3 million. The Unlisted Financial Institution’s net assets attributable to us slightly decreased to RMB10.4 million as of December 31, 2019 from RMB10.6 million as of December 31, 2018, and increased to RMB11.7 million as of December 31, 2020. The share subscription agreement stipulated the number of shares to be subscribed and consideration to be paid by us. In addition, the share subscription agreement requires us to warrant that the source of funds is legal and undisputed, all information we provided is true and accurate and we will follow the bylaws to undertake the obligations as a shareholder, including attending shareholder meetings on time. The share subscription agreement also requires the Unlisted Financial Institution to rightfully register our shares and process our subscription of shares and provide us with the share certificate. Any dispute arising out of this share subscription agreement will be resolved by the local courts where the Unlisted Financial Institution is located.

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This equity investment is irrevocably designated as an equity investment at fair value through other comprehensive income because we consider this investment to be strategic in nature. No impairment is required under the applicable accounting policies as changes in the fair value is reflected in our other comprehensive income. See note 18 to the Accountants' Report in Appendix I to this prospectus. In 2018, 2019 and 2020, the fair value of equity investments designated at fair value through other comprehensive income decreased by RMB2.7 million, RMB0.1 million and RMB0.5 million, respectively, which were then partially offset by income tax effect of RMB0.4 million, RMB0.02 million and RMB0.07 million, respectively. With respect to the relevant risks, see "Risk Factors—Risks Relating to Our Business and Industry—Net changes in fair value of equity investments designated at fair value through other comprehensive income are subject to uncertainties of accounting estimates in the fair value measurement and the use of significant unobservable inputs in the valuation techniques."

Our business generates a fair amount of cash surplus. As of December 31, 2018, 2019 and 2020, our cash and cash equivalents were RMB24.4 million, RMB31.1 million and RMB68.3 million, respectively. We believe we can make better use of our cash by making appropriate investments to enhance our income without interfering with our business operation or capital expenditures. The amount of underlying investment is determined by our surplus funds and capital budgets. We have internal control measures put in place to manage our investments using our cash surplus. We generally require low risks, steady earnings and good liquidity for these investments. The purchase and redemption of investments shall be implemented only after being approved according to our cash investment policies. The principals, earnings and risk assessment related to our cash investments shall be reported to, and reviewed by, the board of Directors annually. Our investment in the Unlisted Financial Institution is made according to our cash investment policies, which we intend to continue to follow in principle in the future. Our investment decisions were made after our due and careful consideration of a number of factors, including market and investment conditions, economic developments, investment cost, duration of investment and the expected returns.

According to the confirmation letter issued by the Unlisted Financial Institution in May 2021 and to the best knowledge and information of our Directors, during the Track Record Period and up to the date of such confirmation letter, except our shareholding in the Unlisted Financial Institution, there had been no business relationship (including financing activities) between the Unlisted Financial Institution and the relevant parties which include (i) our Group, (ii) our Controlling Shareholders and their respective close associates, (iii) Leading Holdings Group and its controlling shareholders and pre-IPO investors, and (iv) our directors, senior management members and their respective close associates. In addition, as of the date of such confirmation letter, no financial assistances had been offered by the Unlisted Financial Institution to property purchasers of properties developed by Leading Holdings Group, its joint ventures or other associates of the Controlling Shareholders, except that the Unlisted Financial Institution provided 92 mortgage loans for property purchasers of Leshan Lantai House (樂山蘭台府) developed by the Leading Holdings Group with the interest rates ranging between approximately 5.6% to 6.7% and the aggregate principals of approximately RMB28.7 million, nil and RMB10.6 million, respectively, in 2018, 2019 and 2020 (the "**Relevant Mortgage**

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Loans”). The Unlisted Financial Institution, with another five mortgage banks, provided mortgage loans for property purchasers of Leshan Lantai House. The interest rates of the mortgage loans provided by the Unlisted Financial Institution were comparable to those provided by other mortgage banks for the property purchasers of Leshan Lantai House. The property purchasers make the ultimate decision on the mortgage banks from which they apply for mortgage loans and can freely choose to apply for mortgage loans from the Unlisted Financial Institution or other mortgage banks. As confirmed by our Directors, we made the decision to invest in the Unlisted Financial Institution for the purpose of better utilizing our idle cash, the Unlisted Financial Institution and we conducted the negotiation for the share subscription agreement at arm’s length, and such decision and negotiation were not influenced by the arrangement between Leading Holdings Group and the Unlisted Financial Institution to provide the Relevant Mortgage Loans.

The Views of the Directors, the Reporting Accountants and the Sole Sponsor on the Valuation of the Financial Assets at Fair Value through Other Comprehensive Income Categorized within Level 3 of Fair Value Measurement

The Directors are satisfied with the valuation of the financial assets at fair value through other comprehensive income categorized within level 3 of fair value measurement (the “**Level 3 Financial Assets**”) after the Directors (i) reviewed the relevant share subscription agreement and record on subsequent stock dividends, (ii) reviewed the internal policies and procedures in relation to the valuation of our Level 3 Financial Assets, including the principles, methodologies and relevant background information, and our internal policy on financial assets management (《金融資產管理制度》), (iii) analyzed the Unlisted Financial Institution’s financial performance and position based on its audited accountants’ reports and management accounts, (iv) discussed with the Unlisted Financial Institution regarding its operation results, and (v) discussed with the Reporting Accountants regarding the reasonableness of the valuation technique and the inputs used in the valuation process.

With respect to the valuation of the Level 3 Financial Assets, the Reporting Accountants have (i) obtained and reviewed the investment agreement; (ii) checked the payment made by us; (iii) reviewed the reasonableness of the valuation technique and the inputs used in the valuation process. Based upon the procedures performed, the Reporting Accountants concurred with the Directors’ view on the valuation technique chosen and inputs used in the valuation. The fair value measurement of the equity investments designated at fair value through other comprehensive income which is recorded as financial assets at fair value through other comprehensive income as of December 31, 2018, 2019 and 2020 is set out in Accountants’ Report in Appendix I to this prospectus in which the Reporting Accountants express opinion as true and fair view as a whole.

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With respect to the valuation of the Level 3 Financial Assets, the Sole Sponsor performed the following due diligence work, including:

- discussed with the head of our financial management center, who is in charge of our valuation work, to understand our valuation work, including (1) our policies and procedures in relation to the valuation of the Level 3 Financial Assets, including the principles, methodologies and relevant background information, and whether such policies and procedures are in line with industry practice, and (2) the valuation model adopted by us, including its basis and key assumptions;
- reviewed the information provided by us relating to our valuation work, including (1) our internal policy on financial assets management (《金融資產管理制度》), (2) our valuation model, and (3) the Level 3 Financial Assets;
- discussed with the Reporting Accountants to understand (1) the work that the Reporting Accountants had performed in relation to the valuation of the Level 3 Financial Assets, and (2) whether the Reporting Accountants has obtained sufficient information for its audit work; and
- reviewed the relevant notes contained in the draft Accountants' Report as contained in Appendix I to this prospectus.

Based on the above and having considered the work performed by us and the Reporting Accountants as stated above, the Sole Sponsor is of the view that nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the valuation analysis performed by us on the valuation of the Level 3 Financial Assets.

Deferred Tax Assets

We recognized deferred tax assets of RMB1.1 million, RMB2.6 million and RMB3.7 million as of December 31, 2018, 2019 and 2020, respectively. Our deferred tax assets during the Track Record Period mainly arose from (i) fair value adjustment of equity investments; (ii) impairment of our financial assets; (iii) tax loss of our acquisition of Ziyang Jiamei in 2019; and (iv) accrued expenses. See Note 26 to the Accountants' Report in Appendix I to this prospectus for more information on the deferred tax assets.

Inventories

We recorded inventories of nil, nil and RMB2.2 million as of December 31, 2018, 2019 and 2020, respectively. Our inventories during the Track Record Period mainly represented our carparks purchased from Xichang Weichuang Real Estate Development Co., Ltd. (西昌唯創房地產開發有限公司), a related party. Our Directors are of the view that it is appropriate to recognize those purchased carparks as inventories pursuant to IAS 2, on the ground that we held those carparks for sale to potential buyers.

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Trade Receivables

Trade receivables mainly relate to income from property management services, value-added services to non-property owners and community value-added services provided to Independent Third Parties. There are generally no credit terms for our property management services and community value-added services. For value-added services to non-property owners, the credit terms of trade receivables are generally 30 days. We generally charge our customers on a monthly or quarterly basis, depending on the terms of our property management service contracts, and require payment in advance. We have formulated and implemented various measures to expedite the recovery of our trade receivables. See “Business—Property Management Services—Payment and Credit Terms.”

The following table sets out the breakdown of trade receivables by business line as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade receivables			
– Independent Third Parties	23,941	46,693	59,120
Property management services	22,921	45,134	57,508
Value-added services to non-property owners	910	1,529	1,200
Community value-added services	110	30	412
Less: impairment	(2,942)	(4,754)	(6,671)
Net trade receivables	20,999	41,939	52,449

Our trade receivables and impairment increased during the Track Record Period which was in line with our business expansion. Our trade receivables, net of impairment, increased from RMB21.0 million as of December 31, 2018 to RMB41.9 million and further increased to RMB52.4 million as of December 31, 2020, which was primarily due to increase in the amount of property management fees as a result of the increase in the number of projects we managed.

The following table sets forth our trade receivable and due from related companies turnover days for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	days	days	days
Trade receivables and due from related companies (trade related) turnover days ⁽¹⁾			
– Overall	154	138	115
– Trade receivables (Independent Third Parties)	72	67	65
– Due from related companies (trade related) (Related Parties)	310	295	230

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Note:

- (1) Trade receivable turnover days for a year equals the average of the opening and closing trade receivables before allowance for impairment of trade receivables divided by revenue for the same year and multiplied by 365 days.

See “—Related Party Transactions and Balances—Related Party Balances” for details on trade related due from related companies turnover days.

Our trade receivable turnover days decreased from 72 days in 2018 to 67 days in 2019 and further decreased to 65 days in 2020, primarily because we sought to collect trade receivables with Independent Third Parties through a number of collection measures, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters and filing lawsuits.

Our collection rate of property management fees, calculated by dividing the property management fees we actually received during a year by the total property management fees payable to us accumulated during the same year, was 88.2%, 85.9% and 87.1%, respectively, in 2018, 2019 and 2020.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in collecting trade receivables from Independent Third Parties.

The following table sets forth an aging analysis and subsequent settlement as of May 31, 2021 of the trade receivables as of the dates indicated, based on the invoice date, which means the trade receivables’ due date and net of loss allowance for impairment.

	As of December 31,			Subsequent settlement as of May 31, 2021 by aging group for trade receivables as of December 31, 2020	
	2018	2019	2020	RMB'000	%
	RMB'000	RMB'000	RMB'000	RMB'000	%
Within one year	17,194	37,816	41,532	20,886	50.3
0-90 days	7,864	15,896	15,282	5,807	38.0
91-180 days	3,970	7,017	10,790	5,200	48.2
181-270 days	2,739	5,690	7,909	4,434	56.1
271-365 days	2,621	9,213	7,551	5,445	72.1
One to two years	4,217	5,281	10,433	8,678	83.2
Two to three years	1,501	2,079	4,225	4,048	95.8
Over three years	1,029	1,517	2,930	2,930	100.0
Total trade receivables	23,941	46,693	59,120	36,542	69.7
<i>Less: impairment</i>	(2,942)	(4,754)	(6,671)		
Net trade receivables	20,999	41,939	52,449	36,542	69.7

During the Track Record Period, the general increase in trade receivables due within one year was primarily due to the increase of projects under our management as a result of our business expansion.

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The following table sets forth the movements in the allowance for impairment of trade receivables during the Track Record Period.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
As of the beginning of year	2,474	2,942	4,754
Impairment losses, net	468	1,812	1,917
Amount written of as uncollectible	—	—	—
	2,942	4,754	6,671
As of the end of year	2,942	4,754	6,671

During the Track Record Period, we did not incur significant credit loss associated with trade receivables that were aged over 180 days, nor were there any significant fluctuations in the historical credit loss incurred. Our trade receivables were not subject to any disputes or legal proceedings during the Track Record Period. We will continuously monitor and take follow-up actions in relation to the trade receivables. Our Directors are of the view that there is no material recoverability issue associated with these trade receivables aged over 180 days based on our customers' current conditions, settlement records and financial status of Independent Third Party customers and that our provision for expected credit loss from trade receivables aged more than 180 days has properly reflected the risks in association with those trade receivables as of the end of each period during the Track Record Period. The Reporting Accountants mainly (i) obtained an understanding of our internal control and assessment process relating to the expected credit loss model, significant assumptions and major data inputs; (ii) reviewed the modeling methodologies used for measuring the expected credit loss measurement, and assessed the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model; and (iii) examined on a sample basis the major data inputs to the expected credit loss model to assess their accuracy and completeness. Based on such procedures performed, the Reporting Accountants considered the model, key parameters, significant judgment and assumptions adopted by us and the measurement results were supportable by the evidence obtained and procedures performed.

We had enhanced our efforts to settle trade receivables from Independent Third Parties. Our policy on trade receivables management specified the management responsibilities of various departments and the procedures on collection, reduction, write-off and other aspects of the trade receivables. Guidelines on collection of property management fees stipulated the steps, methods and techniques to facilitate the timely collection of property management fees. Our legal department also formulated the legal measures for collection of property management fees, including sending demand letters and attorney letters, pursuing lawsuits and enforcing judgment. We also formulated an incentive plan to evaluate our relevant personnel's performance on fee collection and reward those who achieve the predetermined fee collection targets. In addition, we organize training programs for our relevant personnel to improve their capabilities of fee collection.

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Specifically, we send fee reminders to property owners through text messages monthly and if we do not receive the payment within two weeks, we will call or personally visit the property owners to collect the property management fees and issue the fee notice. Regional companies organize meetings to evaluate their performance on the fee collection, discuss difficulties and experiences, and our headquarter provides support when needed. Demand letters will be issued within the third month after the payment becomes overdue. Attorney letters will be issued within the sixth month after the payment becomes overdue. Furthermore, our legal department, supported by the regional project teams who provide case information, will initiate our procedure to pursue lawsuits, if the relevant customers cannot provide valid reason for failure to pay and have more than RMB2,000 of property management fees past due for more than nine months.

The Views of the Directors, the Reporting Accountants and the Sole Sponsor on the Recoverability of the Trade Receivables and the Provisions Made during the Track Record Period

Our Directors are of the view that there are no recoverability issues with the trade receivables and the provisions made during the Track Record Period by adopting the expected credit loss model properly reflected the risks in association of trade receivables and our assessment fully considered the subsequent settlement rate, customers' historical settlement progress and record and their current financial status.

By way of illustration, as of May 31, 2021, approximately RMB36.5 million, or 69.7%, of the trade receivables as of December 31, 2020 had been subsequently settled, which remained at a similar level as the historical subsequent settlement progress. In addition, we performed lookback analysis on trade receivables and impairment provided in historical period. As of May 31, 2021, 89.0% of the trade receivables as of December 31, 2019 had been subsequently collected and we believe that the impairment provided for the trade receivables as of December 31, 2019, being 10.2% of the total trade receivables as of December 31, 2019, had sufficiently reflected the risks therein. As we generally perform collection works in the second and fourth quarter of the year, we believe the subsequent collection rate would improve with enhanced collection efforts toward the end of second and fourth quarter of the year.

The Reporting Accountants have no disagreement with our Directors on the recoverability of the trade receivables and the provisions made during the Track Record Period. In this respect, the Reporting Accountants mainly carried out the following procedures: (i) obtaining an understanding of our internal control and assessment process relating to the expected credit loss model, significant assumptions and major data inputs; (ii) reviewing the modelling methodologies used for measuring the expected credit loss measurement, and assessing the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model; (iii) examining on a sample basis the major data inputs to the expected credit loss model to assess their accuracy and completeness; and (iv) examining on a sample basis the related subsequent collections. Based on such procedures performed, the Reporting Accountants are of the view that the model, key parameters, significant judgment and assumptions adopted by us and the measurement results were supportable by the evidence obtained and procedures performed.

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Having considered the above, including the work done by the Reporting Accountants, the Sole Sponsor concurs with our Directors' and Reporting Accountants' views and is of the view that nothing has come to the Sole Sponsor's attention that would make it disagree with our Directors' and Reporting Accountants' views in relation to the recoverability of the trade receivables and the provisions made during the Track Record Period.

Amounts due from Related Companies

Please see “—Related Party Transactions and Balances—Related Party Balances” for details.

Trade Payables

Our trade payables primarily represent our obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers and subcontractors. We are typically granted with credit terms ranging from 30 to 90 days from suppliers and subcontractors.

The following table sets forth our trade payable turnover days for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	days	days	days
Trade payables turnover days ⁽¹⁾	33	41	45

Note:

- (1) Trade payable turnover days for a year equals the average of the opening and closing trade payable balances divided by cost of sales for the same year and multiplied by 365 days.

Our trade payable turnover days indicate the average time we take to make payments to suppliers. Our trade payable turnover days increased during the Track Record Period but remained within the typical credit terms granted to us.

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year.	4,589	8,819	18,429
Over one year.	293	277	191
Total.	4,882	9,096	18,620

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Our trade payables increased from RMB4.9 million as of December 31, 2018 to RMB9.1 million as of December 31, 2019, and increased further to RMB18.6 million as of December 31, 2020, primarily attributable to (i) our business expansion; and (ii) our acquisition of Meishan Tianfu in July 2018, Ziyang Jiamei in July 2019 and Chengdu Xindi in August 2020.

The subsequent settlement of our trade payables as of December 31, 2020 was delayed in early 2021 primarily because the internal review procedure was slowed due to the holiday season for Chinese New Year. As of April 30, 2021, all of our total trade payables as of December 31, 2020 had been fully settled.

Other Payables and Accruals

We recorded other payables and accruals of approximately RMB91.7 million, RMB122.2 million and RMB148.5 million as of December 31, 2018, 2019 and December 31, 2020, respectively, which primarily represent (i) contract liabilities, which primarily represent the advance payments made by the customers for our property management services; (ii) pending output value added tax; (iii) payroll and welfare payables; (iv) deposits received, primarily including deposits to be returned upon the completion of residents' decoration services and tender deposits to be returned upon the completion of tender process; (v) receipts on behalf of customers for utilities; (vi) consideration payables for acquisition of a subsidiary; (vii) business tax and surcharges; (viii) amounts due to non-controlling shareholders of subsidiaries, primarily representing amounts we collected from customers managed by relevant subsidiaries that we are obligated to pay to non-controlling shareholders pursuant to our acquisitions of Meishan Tianfu and Ziyang Jiamei; (ix) dividends payable to non-controlling shareholders of subsidiaries; (x) listing expenses; and (xi) others, primarily amounts associated with our operating activities.

The following table sets forth components of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Contract liabilities	36,197	57,692	62,360
Pending output value added tax	2,172	3,461	3,742
Payroll and welfare payables	19,982	19,821	24,166
Deposits received.	19,604	18,736	14,465
Receipts on behalf of community residents for utilities	2,146	6,564	11,640
Consideration payables for acquisition of a subsidiary	3,060	1,509	–
Business tax and surcharges.	3,091	2,928	2,411
Due to non-controlling shareholders of subsidiaries	1,914	8,083	9,988
Dividends payable to non-controlling shareholders of subsidiaries	–	–	2,195
Listing expenses	–	–	12,918
Others	3,566	3,417	4,638
Total.	91,732	122,211	148,523

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Our other payables and accruals increased from RMB91.7 million as of December 31, 2018 to RMB122.2 million of December 31, 2019, and further increased to RMB148.5 million as of December 31, 2020, primarily due to (i) increase in our contract liabilities which primarily due to (a) increase in the number of properties delivered; and (b) our promotion activities to encourage customers to prepay property management fees; (ii) increase in due to non-controlling shareholders of subsidiaries primarily due to our acquisition of Ziyang Jiamei in July 2019; and (iii) increase in receipts on behalf of community residents for utilities primarily because our GFA under management increased during the Track Record Period which was in line with our business expansion.

The contract liabilities slightly increased from RMB57.7 million as of December 31, 2019 to RMB62.4 million as of December 31, 2020, primarily because during the Track Record Period our promotion activities to encourage prepayment property management fees usually took place around year end. As of the Latest Practicable Date, RMB37.9 million, or 60.8% of contract liabilities as of December 31, 2020, were subsequently recognized as revenue.

The following table sets forth the expected timing of recognition of revenue for our contract liabilities as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year.	36,197	48,935	58,362
One to two years.	–	4,813	3,116
Over two years.	–	3,944	882
Total.	36,197	57,692	62,360

The payroll and welfare payables increased from RMB19.8 million as of December 31, 2019 to RMB24.2 million as of December 31, 2020, primarily due to increases in the number of employees. The decrease of deposits received from RMB18.7 million as of December 31, 2019 to RMB14.5 million as of December 31, 2020 was primarily due to decrease in deposits received from decoration services and the tender and bidding process.

The amounts due to non-controlling shareholders of subsidiaries increased from RMB1.9 million in 2018 to RMB8.1 million in 2019 and further to RMB10.0 million in 2020, primarily due to our acquisition of Meishan Tianfu in August 2018 and our acquisition of Ziyang Jiamei in July 2019.

Amounts due to Related Companies

Please see “—Related Party Transactions—Related Party Balances” for details.

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Tax Payable

We recorded tax payables of approximately RMB4.3 million, RMB6.3 million and RMB6.9 million as of December 31, 2018 and 2019 and December 31, 2020, respectively, which primarily represent accrued tax surplus. Our tax payable increased from RMB4.3 million as of December 31, 2018 to RMB6.3 million as of December 31, 2019, which was generally in line with our business expansion. Our tax payable stayed relatively stable at RMB6.3 million as of December 31, 2019 and of RMB6.9 million as of December 31, 2020.

NET CURRENT ASSETS

	As of December 31,			As of
	2018	2019	2020	April 30, 2021
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
CURRENT ASSETS				
Inventories	–	–	2,155	2,155
Trade receivables	20,999	41,939	52,449	70,077
Due from related companies	88,219	108,414	84,307	63,860
Prepayments and other receivables	7,184	24,774	30,426	31,248
Pledged deposits	25	–	–	–
Cash and cash equivalents	24,359	31,096	68,274	45,329
Total current assets	140,786	206,223	237,611	212,669
CURRENT LIABILITIES				
Trade payables	4,882	9,096	18,620	23,034
Other payables and accruals	91,732	122,211	148,523	158,866
Due to related companies	40	361	510	13,045
Interest-bearing other borrowings	12,600	–	–	–
Tax payable	4,326	6,325	6,857	2,333
Lease liabilities	185	713	713	740
Total current liabilities	113,765	138,706	175,223	198,018
Net current assets	27,021	67,517	62,388	14,651

Our net current assets decreased by 76.5% from RMB62.4 million as of December 31, 2020 to RMB14.7 million as of April 30, 2021, mainly due to a decrease in total current assets of RMB24.9 million and an increase in total current liabilities of RMB22.8 million. The decrease in total current assets was in turn primarily due to decreases in due from related companies and cash and cash equivalents, partially offset by increase in trade receivables. The decrease in amounts due from related companies was primarily due to our enhanced efforts to collect amounts due from related companies. The decrease in cash and cash equivalents was primarily due to the full payment of the consideration for the transfer of Rong Liang Group's equity interest in Lingyue Property Services to Chengdu Rongyue Jinghui, as a part of the Reorganization detailed in "History, Reorganization and Corporate Structure—Reorganization—6. Establishment of Chengdu Rongyue Jinghui and acquisition of approximately 99% equity interest in Lingyue Property Services by Chengdu Rongyue Jinghui", partially offset by the settlement of our due from related companies and prepayments

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of utility fees and property management fees received from related companies. The increase in trade receivables was generally in line with our business expansion. The increase in total current liabilities was in turn primarily due to increases in due to related companies, other payables and accruals and trade payables. The increase in due to related companies was primarily due to the increases in trade-natured receipts on behalf of related companies for utilities and advance payments of property management fees, which are generally in line with our business expansion. The increase in other payables and accruals was primarily due to increases in contract liabilities and listing expenses. The increases in contract liabilities and trade payables were generally in line with our business expansion.

Our net current assets decreased by 7.6% from RMB67.5 million as of December 31, 2019 to RMB62.4 million as of December 31, 2020, mainly due to a RMB36.5 million increase in total current liabilities which was in turn primarily due to an increase in other payables and accruals which were generally in line with our business expansion.

Our net current assets increased by 149.9% from RMB27.0 million as of December 31, 2018 to RMB67.5 million as of December 31, 2019, mainly due to a RMB65.4 million increase in total current assets which was in turn primarily due to an increase in trade receivables, an increase in prepayments and other receivables and an increase in due from related companies. The increases in trade receivables, prepayments and other receivables and due from related companies were in line with our business expansion.

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 such source to continue to be our principal sources of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital requirements.

Cash Flow

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

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Operating cash flow before change in working capital	19,594	46,188	90,354
Change in working capital	(5,509)	(51,367)	39,221
Cash generated from/(used in) operations . . .	14,085	(5,179)	129,575
Interest received	48	77	469
Interest paid	(1,154)	(273)	(49)
Tax paid	(3,063)	(4,489)	(14,855)

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	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net cash from/(used in)			
operating activities	9,916	(9,864)	115,140
Net cash (used in)/ from			
investing activities	(14,678)	457	(11,249)
Net cash from/(used in)			
financing activities	12,423	16,144	(66,713)
Net increase/(decrease) in cash and cash equivalents	7,661	6,737	37,178
Cash and cash equivalents at beginning of year	16,698	24,359	31,096
Cash and cash equivalents at end of year	24,359	31,096	68,274

Net Cash Flows from/(Used in) Operating Activities

Our cash generated from operating activities primarily consisted of fees received from provision of property management services, value-added services to non-property owners and community value-added services. Cash flow from operating activities reflects: (i) profit before income tax adjusted for non-cash and non-operating items; (ii) the effects of movements in working capital; and (iii) income tax paid.

In 2020, we had net cash flows generated from operating activities of RMB115.1 million, primarily reflecting (i) profit before tax of RMB84.2 million, (ii) movements of operating cash flow before movements in working capital of RMB6.2 million; (iii) increase in working capital of RMB39.2 million, which primarily reflected in (a) increase in other payables and accruals of RMB29.3 million, primarily due to (a) our recognized listing expenses; and (b) increase in payroll and welfare payables; and (b) decrease in amounts due from related companies of RMB25.4 million, partially offset by increase in trade receivables of RMB13.3 million; and (iv) tax paid of RMB14.9 million. The increase in amounts due from related companies and trade receivables were generally in line with our business expansion.

In 2019, we had net cash flows used in operating activities of RMB9.9 million, primarily reflecting (i) profit before tax of RMB41.6 million, (ii) movements of operating cash flow before movements in working capital of RMB4.6 million; (iii) decrease in working capital of RMB51.4 million, which primarily reflected in (a) increase in amounts due from related companies of RMB48.1 million, which were trade in nature and generally corresponded to our business expansion; and (b) increase in trade receivables of RMB22.8 million, primarily due to increase in the amount of property management fees as a result of the increase in the number of projects we managed, partially offset by increase in other payables and accruals of amount of RMB19.8 million; and (iv) tax paid of RMB4.5 million. The net cash flows used in operating activities in 2019 was primarily a result of our business expansion, indicated by an increase in

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amounts due from related companies, which were trade in nature and generally corresponded to our business expansion, and an increase in trade receivables primarily due to increase in the amount of property management fees as a result of the increase in the number of projects we managed.

In 2018, we had net cash flows generated from operating activities of RMB9.9 million, primarily reflecting (i) profit before tax of RMB17.5 million, (ii) movements of operating cash flow before movements in working capital of RMB2.1 million; (iii) decrease in working capital of RMB5.5 million, which primarily reflected in increase in amounts due from related companies of RMB27.3 million, partially offset by increase in other payables and accruals of RMB23.4 million; and (iv) tax paid of RMB3.1 million.

Net Cash Flows (Used in)/from Investing Activities

In 2020, net cash flows used in investing activities was RMB11.2 million, primarily reflecting increase in advances to related companies in the amount of RMB71.7 million, partially offset by repayment from related companies in the amount of RMB68.0 million.

In 2019, net cash flows generated from investing activities was RMB0.5 million, primarily reflecting repayment from related companies in the amount of RMB220.8 million, partially offset by advances to related companies in the amount of RMB192.9 million.

In 2018, net cash flows used in investing activities was RMB14.7 million, primarily reflecting advances to related companies in the amount of RMB55.8 million, partially offset by repayment from related companies in the amount of RMB47.4 million.

Net Cash Flows from/(Used in) Financing Activities

In 2020, net cash flows used in financing activities was RMB66.7 million, reflecting dividends paid to the then shareholder in the amount of RMB66.0 million.

In 2019, net cash flows generated from financing activities was RMB16.1 million primarily reflecting proceeds from capital contribution by the then equity holder in the amount of RMB44.7 million, partially offset by (i) dividends paid to the then parent company in the amount of RMB14.1 million; and (ii) repayments of other loan in the amount of RMB12.6 million.

In 2018, net cash flows generated from financing activities was RMB12.4 million, primarily reflecting new other loan in the amount of RMB12.6 million.

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Working Capital

Our Directors are of the opinion that, after taking into account the financial resources available to us including the estimated net proceeds to be received by our Company of the Global Offering 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 prospectus.

INDEBTEDNESS

As of December 31, 2018, 2019 and 2020 and April 30, 2021, our total borrowings were all secured and guaranteed, and amounted to RMB12.6 million, nil, nil and nil, respectively. As of April 30, 2021, we did not have any unutilized banking facilities. The following table sets forth the components of our total borrowings as of the dates indicated.

	As of December 31,			As of
	2018	2019	2020	April 30,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000 (unaudited)
Non-current liabilities				
– Lease liabilities	–	1,488	775	378
Current liabilities:				
– Interest-bearing other borrowings	12,600	–	–	–
– Lease liabilities	185	713	713	740
Total	12,785	2,201	1,488	1,118

The table below sets forth a repayment schedule of the interest-bearing other borrowings as of the dates indicated.

	As of December 31,		
	2018	2019	2020
Repayable within one year	12,600	–	–
Total	12,600	–	–

Interest-bearing Other Borrowings

We recorded interest-bearing other borrowings of approximately RMB12.6 million, nil and nil as of December 31, 2018, 2019 and 2020, respectively. We incurred interest-bearing other borrowings in the amount of RMB12.6 million as of December 31, 2018 as we borrowed from an independent third-party trust institution in June 2018 with an effective interest rate of 12.0%. Such interest-bearing other borrowings were fully repaid in May 2019.

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Lease Liabilities

During the Track Record Period, we leased certain units for office space. As of December 31, 2018, 2019 and 2020, we recorded the amounts of lease liabilities of approximately RMB0.2 million, RMB2.2 million and RMB1.5 million, respectively.

Contingent Liabilities

As of December 31, 2018, 2019 and 2020 and April 30, 2021, we did not have any outstanding guarantees or other material contingent liabilities.

During the Track Record Period and up to the date of this prospectus, our Directors confirm that they are not aware of any material defaults in payment of our trade and other payables and interest-bearing borrowings. Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as of April 30, 2021, being the latest practicable date for the purpose of the indebtedness statement. Our Directors have confirmed that there had not been any material change in the indebtedness and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the procurement of property, plant and equipment as well as other intangible assets, such as our purchases of certain software relating to our fee collection system. The table below sets forth the amount of capital expenditures incurred during the Track Record Period.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Addition to:			
Property, plant and equipment	499	85	466
Other intangible assets	162	50	31
Total	661	135	497

The total estimated capital expenditure to be incurred for 2021 is approximately RMB4.6 million, which will mainly be used for procurement of intangible assets. We expect to fund these capital expenditures with our available cash resources, mainly including cash from our business operations.

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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.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2020, being the date of our most recent financial statement, and as of the Latest Practicable Date.

SUMMARY OF KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2018	2019	2020
Current ratio ⁽¹⁾ (times)	1.2	1.5	1.4
Gearing ratio ⁽²⁾ (%)	26.4	–	–
Net profit margin (%)	8.3	12.6	16.4
Return on total assets ⁽³⁾ (%)	8.6	13.7	24.1
Return on equity ⁽⁴⁾ (%)	29.5	30.6	62.5

Notes:

- (1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates.
- (2) 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%. Gearing ratio as of December 31, 2019 and 2020 is not meaningful because our interest-bearing borrowings as of the same dates were nil and nil, respectively.
- (3) Return on total assets is calculated based on our net profit of the respective year (annualized) divided by total assets of us as of the end of the respective year multiplied by 100%.
- (4) Return on equity is calculated based on our net profit of the respective year (annualized) divided by total equity of us as of the end of the respective year multiplied by 100%.

Current Ratio

Our current ratio was 1.2 times, 1.5 times and 1.4 times as of December 31, 2018 and 2019 and 2020, respectively. The increase in our current ratio from 2018 to 2019 was primarily due to increase in trade receivables which was generally in line with our business expansion. The decrease in our current ratio from 1.5 times in 2019 to the 1.4 times in 2020 was primarily due to increase in other payables and accruals which was generally in line with our business expansion.

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Gearing Ratio

Our gearing ratio was 26.4% as of December 31, 2018. Gearing ratio as of December 31, 2019 and 2020 is not meaningful because we did not record any interest-bearing borrowings as of December 31, 2019 and 2020.

Net Profit Margin

Our net profit margin increased during the Track Record Period. See “—Results of Operations” for further discussions.

Return on Total Assets

Our return on total assets increased from 8.6% in 2018 to 13.7% in 2019 and further increased to 24.1% in 2020, primarily as a result of a faster growth rate of net profit as compared to total assets of the relevant period resulting from improved profitability.

Return on Equity

Our return on total equity slightly increased from 29.5% in 2018 to 30.6% in 2019, primarily due to a faster growth rate of net profit as compared to total equity of the relevant period resulting from improved profitability. Our return on total equity increased from 30.6% in 2019 to 62.5% in 2020, primarily due to (i) improved profitability; and (ii) the decrease in equity as we declared dividends in June 2020.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

Our activities expose us to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below. See Note 36 in the Accountants’ Report in Appendix I to this prospectus for more details.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our other borrowings. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using fixed rate.

Credit Risk

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

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We expect that there is no significant credit risk associated with pledged deposits and cash and cash equivalents since they are deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect there will be any significant losses from non-performance by these counterparties.

We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a life time expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward looking information. As of December 31, 2018, 2019 and 2020, we have assessed that the expected credit loss rate for trade related amounts due from related companies was low since the related companies have a strong capacity to meet the contractual cash flow obligation in the near term. Thus, the impairment provision recognized during the Track Record Period was nil for trade related amounts due from related companies.

For trade receivables, we have large number of customers and there was no concentration of credit risk as the customer base of our trade receivables are widely dispersed. In addition, the receivable balances are monitored on an ongoing basis.

We expect that there is no significant credit risk associated with financial assets included in prepayments and other receivables since they have low historical default risk.

We expected that the credit risk associated with non-trade related amounts due from related companies to be low, since they have a strong capacity to meet the contractual cash flow obligation in the near term. We have assessed that the ECL rate for non-trade related amounts due from related companies is immaterial under the 12-month ECL method and considered them to have low risk, and thus the loss allowance is immaterial.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing other borrowings. Cash flows are closely monitored on an ongoing basis.

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The table below sets forth the maturity profile of our financial liabilities as of December 31, 2018, 2019 and 2020:

As of December 31, 2020

	Less than three months or on demand	More than three months and within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,620	–	–	18,620
Financial liabilities included in other payables and accruals	55,844	–	–	55,844
Lease liabilities	381	381	762	1,524
Due to related parties	510	–	–	510
Total.	75,355	381	762	76,498

As of December 31, 2019

	Less than three months or on demand	More than three months and within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,096	–	–	9,096
Financial liabilities included in other payables and accruals	38,309	–	–	38,309
Interest-bearing other borrowings	–	–	–	–
Lease liabilities	190	572	1,524	2,286
Due to related parties	361	–	–	361
Total.	47,956	572	1,524	50,052

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As of December 31, 2018

	Less than three months or on demand	More than three months and within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	4,882	–	–	4,882
Financial liabilities included in other payables and accruals	30,290	–	–	30,290
Interest-bearing other borrowings	–	12,600	–	12,600
Lease liabilities	–	291	–	291
Due to related parties	40	–	–	40
Total	35,212	12,891	–	48,103

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of us are also considered as related parties. See Note 33 to the Accountants' Report in Appendix I to this prospectus for a detailed discussion of related party transactions.

Significant Related Party Transactions

During the Track Record Period, we had the following significant transactions with related parties:

Advances Made to Related Parties

In 2018, 2019 and 2020, we made advances to Leading Holdings Group in the amount of approximately RMB55.8 million, RMB96.1 million and RMB2.2 million, respectively, in order to meet its working capital needs from time to time. As of January 31, 2021, Leading Holdings Group had fully repaid all outstanding advances to us. In 2019 and 2020, we made advances to Rong Liang Group in the amount of approximately RMB96.7 million and RMB69.5 million, respectively, in order to meet its working capital needs from time to time. As of January 31, 2021, Rong Liang Group had fully repaid all outstanding advances to us. Such financing arrangements take into consideration of (i) our long-standing cooperation with Leading Holdings Group and Rong Liang Group, both of which are ultimately controlled by the Ultimate Controlling Shareholders; and (ii) our rapid growth in revenue and financial performance with our future cash inflow from continued and successful operational management.

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These advances are non-interest-bearing during the Track Record Period, and therefore the capital lent out did not constitute currency funds bearing interest under the General Lending Provisions (貸款通則) promulgated by the PBOC. Moreover, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "Provisions"), for private lending contracts concluded between legal persons or unincorporated organizations and between legal persons and unincorporated organizations for the need of production and operation, except for the existence of circumstances stipulated in the Civil Code of the PRC (中華人民共和國民法典) (the "Civil Code") and Article 13 of the Provisions, where the parties concerned claim that the private lending contract is effective, the People's Court shall uphold such claim. In addition, the General Lending Provisions are department rules rather than compulsory laws or administrative regulations. The Civil Code of the PRC (《中華人民共和國民法典》) pre-empts the General Lending Provisions. The Civil Code states that property right holders have the right to freely dispose of their properties (including monetary funds) in accordance with the law. As such, our PRC Legal Advisors are of the view that our advances to related parties that were non-trade in nature during the Track Record Period were valid private loans and in compliance with all applicable laws and regulations.

Provision of Services

In 2018, 2019 and 2020, we had provided services, mainly including property management services and value-added services to related parties, in an aggregate amount of RMB58.3 million, RMB87.5 million and RMB130.0 million, respectively.

Lease of Office Buildings

During the Track Record Period, we leased from Leading Holdings Group certain units developed by Leading Holdings Group to serve as office buildings. Our rental fees from leasing office buildings from related parties amounted to approximately RMB0.2 million, RMB0.4 million and RMB0.7 million, respectively, in 2018, 2019 and 2020, respectively. We will continue the leasing arrangement after Listing.

Income Received for Management Consulting Services

We started to provide management consulting services to Zhenxiong Linghui since January 2019. In 2019 and 2020, we received income from Zhenxiong Linghui for our management consulting services in the amount of RMB0.2 million and RMB0.2 million, respectively.

Purchase from a Related Party

In 2020, we purchased carparks from Xichang Weichuang Real Estate Development Co., Ltd. (西昌唯創房地產開發有限公司), a related party, in an aggregate amount of RMB2.2 million.

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Related Party Balances

The table below sets forth the balances with related parties as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Due from related companies:			
Trade related			
– Companies controlled by the Controlling Shareholders	46,551	83,179	67,856
– Joint ventures of Leading Holdings Group.	118	11,583	1,342
– A joint venture	–	–	90
	46,669	94,762	69,288
Non-trade related			
– Companies controlled by the Controlling Shareholders	41,550	–	–
– The then parent company ⁽¹⁾	–	13,652	15,019
	41,550	13,652	15,019
Due to related companies:			
Trade related			
– Companies controlled by the Controlling Shareholders	40	361	510
Non-trade related			
– The then parent company ⁽¹⁾	–	–	–

Note:

(1) The then parent company is Rong Liang Group.

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The following table sets out the breakdown of trade related amount due from related companies by business line as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Due from related companies:			
– Trade related	46,669	94,762	69,288
Property management services	5,587	9,681	31,547
Value-added services to non-property owners	41,082	85,081	37,741
Community value-added services	–	–	–

For amounts due from related companies which were trade related, the credit terms are generally ranging from 30 to 90 days to related companies. As of December 31, 2018, 2019 and 2020, we recorded amounts due from related companies of RMB46.7 million, RMB94.8 million and RMB69.3 million, respectively, which were trade related and mainly represented trade receivables due from such related parties for provided property management services and value-added services to non-property owners. The increase in the trade related amounts due from related companies from December 31, 2018 to December 31, 2019 generally corresponded to our business growth. The decrease in trade related amounts due from related companies from December 31, 2019 to December 31, 2020 was primarily due to decreases in trade related amounts due from joint ventures of Leading Holdings Group and in trade related amounts due from companies controlled by the Controlling Shareholders as the result of our enhanced collection efforts.

The following table sets out our trade receivables turnover days for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	days	days	days
Due from related companies turnover days ⁽¹⁾			
– Trade related	310	295	230

Note:

- (1) Trade related due from related companies for a year equals the average of the opening and closing trade balance due from related parties divided by revenue attributed to related parties for the same period and multiplied by 365 days.

The average turnover days of the trade balance due from related companies were 310 days, 295 days and 230 days in 2018, 2019 and 2020, respectively. The general decrease of average turnover days of the trade balance due from related companies during the Track Record Period was primarily due to our efforts to collect trade related amounts due from related companies. The turnover days of the trade balance due from related companies were generally longer than the turnover days of the trade receivables from Independent Third Parties primarily

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because we did not collect payments from our related companies as frequently as we did from independent third-party customers as we considered that the default risk of our related companies was low and it therefore took a longer time for related company customers to settle their trade receivables.

During the Track Record Period, we had enhanced our efforts and adopted various measures to expedite the recovery of trade related amounts due from related companies, including but not limited to, (i) reviewing the payment status of our trade related amounts due from related companies on a monthly basis by checking monthly balances with related companies at the end of each month; (ii) issuing and sending invoices to relevant related companies the month following our recognition of trade related amounts due from related companies, and timely consulting them regarding the accuracy of the invoice; and (iii) maintaining strict credit control by proactively communicating with related companies or visiting them in person with respect to the settlement of outstanding balances; and (iv) sending letters to the related companies with long-term overdue receivables to demand immediate payments. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in collecting trade related amounts due from related companies. Our Directors are of the view that the average turnover days of the trade balances due from related companies will decrease in the future and it is expected that our related parties will settle the trade related amounts due from related companies according to the billing schedule going forward and after the Listing, as our relevant service contracts require the related companies to pay our services fee in full and on time and we have adopted the abovementioned enhanced collection efforts.

The following table sets forth an aging analysis and subsequent settlement as of May 31, 2021 of amounts due from related companies which are trade related based on the invoice date, which means amounts due from related companies' due date as of the dates indicated.

	As of December 31,			Subsequent settlement as of May 31, 2021 by aging group for trade receivables as of December 31, 2020	
	2018	2019	2020	RMB'000	%
	RMB'000	RMB'000	RMB'000	RMB'000	%
Within one year	40,948	70,551	53,380	40,118	75.2
0-90 days	19,295	41,376	41,087	27,825	67.7
91-180 days	12,977	13,916	6,574	6,574	100.0
181-270 days	6,003	5,995	2,729	2,729	100.0
271-365 days	2,673	9,264	2,990	2,990	100.0
One to two years	3,922	19,317	7,919	7,919	100.0
Two to three years	1,769	3,618	7,490	7,490	100.0
Over three years	30	1,276	499	499	100.0
Total trade related amount due from related companies	46,669	94,762	69,288	56,026	80.9
<i>Less: impairment</i>	-	-	-		
Net trade related amount due from related companies	46,669	94,762	69,288	56,026	80.9

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During the Track Record Period, we did not incur significant credit loss associated with amounts due from related companies that were trade related and aged over 180 days, nor were there any significant fluctuations in the historical credit loss incurred. Our amounts due from related companies that were trade related were not subject to any disputes or legal proceedings during the Track Record Period. We will continuously monitor and take follow-up actions in relation to the amounts due from related companies that were trade related. Our Directors are of the view that there is no material recoverability issue associated with these amounts due from related companies that were trade related and aged over 180 days based on our customers' current conditions, settlement records and financial status of related companies and that our provision for expected credit loss from the amounts due from related companies that were trade related and aged more than 180 days has properly reflected the risks in association with those amounts due from related companies as of the end of each period during the Track Record Period. The Reporting Accountants mainly (i) obtained an understanding of our internal control and assessment process relating to the expected credit loss model, significant assumptions and major data inputs; (ii) reviewed the modeling methodologies used for measuring the expected credit loss measurement, and assessed the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model; and (iii) examined on a sample basis the major data inputs to the expected credit loss model to assess their accuracy and completeness. Based on such procedures performed, the Reporting Accountants considered the model, key parameters, significant judgment and assumptions adopted by us and the measurement results were supportable by the evidence obtained and procedures performed.

As of December 31, 2018, 2019 and 2020, our trade related amounts due to related companies, which mainly represented trade payables due to such related companies, amounted to RMB0.04 million, RMB0.4 million and RMB0.5 million, respectively. The increase of our trade related amounts due to related companies during the Track Record Period was primarily due to increases in prepaid utility fees and certain prepaid property management fees by related parties. The following table sets forth an aging analysis of amounts due to related companies which are trade related based on invoice date as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year.	40	361	510
Total.	40	361	510

The delay in settling the amounts due to related companies was caused by the negotiation over the amount. In May 2021, all of our trade related amounts due to related companies as of December 31, 2020 had been fully settled.

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In addition, as of December 31, 2018, 2019 and 2020, we recorded amounts due from related companies of RMB41.6 million, RMB13.7 million and RMB15.0 million, respectively, which were non-trade related balances. Amounts due from related companies which are non-trade in nature mainly represented advance arrangements with our related companies which are all interest free, unsecured and repayable on demand in order to meet the working capital needs from time to time.

In addition, as of December 31, 2018, 2019 and 2020, we recorded amounts due to related companies of nil, nil and nil, respectively, which were non-trade related balances.

Our Directors are of the view that the related party transactions were conducted on a normal commercial terms and were fair and reasonable as a whole, would not distort our track record results or make the historical results not reflective of our future performance, and will be conducted on normal commercial terms after the Listing.

Our Directors confirm that all related party balances that are non-trade in nature, including amounts due from related companies and amounts due to related companies, will be settled upon the Listing. See Note 33 in Appendix I to this prospectus for further details on related party balances and transactions during the Track Record Period.

DIVIDEND

In 2018, we did not pay or declare any dividends. In 2019, we settled dividend of approximately RMB15.3 million. In June 2020, we declared dividends in the amount of RMB68.4 million to be paid to Rong Liang Group. As of January 31, 2021, we had paid such dividends. In June 2020, two of our subsidiaries declared dividends in the aggregate amount of RMB3.7 million to be paid to their non-controlling shareholders. As of January 31, 2021, we had not fully settled such dividends and we expect to fully pay such dividends upon the Listing. We have no fixed dividend policy and, subject to the compliance with the relevant laws of the Cayman Islands and our constitutional documents, our Company may have the right to declare dividends in any currency to be paid to the shareholders in general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits, retained earnings or share premium, subject to a solvency test being satisfied. Our future declarations of dividends will be at the absolute discretion of our Board. Any dividend distribution (other than interim dividend mentioned above) will also be subject to the approval of the Shareholders in the Shareholders' meeting.

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Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require enterprises incorporated in the PRC to set aside at least 10% of their after-tax profits based on the relevant accounting standards set out by the PRC regulatory authorities at the end of each year to fund certain statutory reserves until the statutory reserves reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the retained earnings of our Group amounted to RMB36.6 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, 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.

LISTING EXPENSES

The total amount of listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be RMB39.8 million (based on the mid-point of the indicative Offer Price range, before the exercise of the Over-allotment Option), representing approximately 16.5% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$4.15, being the mid point of the indicative Offer Price range and before the exercise of the Over-allotment Option). The Listing expenses in the amount of RMB14.5 million were charged for the year ended December 31, 2020, of which approximately RMB11.1 million was charged to our profit or loss account and approximately RMB3.4 million is expected to be accounted for as a deduction from equity, and approximately RMB25.3 million is expected to be charged subsequent to the end of the Track Record Period and upon completion of the Listing, of which approximately RMB12.4 million is expected to be charged to our profit or loss account and approximately RMB12.9 million is expected to be accounted for as a deduction from equity. The professional fees and/or other expenses related to the preparation of Listing 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 such expenses to have a material adverse impact on our financial results for the year ending December 31, 2021.

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UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

For illustrative purposes only, the following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the owners of the Company as of December 31, 2020 as if the Global Offering had taken place on that date. Because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of December 31, 2020 or any future dates.

	Combined net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted Combined net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets per Share	
	RMB'000 (note 1)	RMB'000 (note 2)		RMB (note 3)	HK\$ (note 3)
Based on an Offer Price of HK\$3.75 per Share	55,681	193,034	248,715	0.89	1.07
Based on an Offer Price of HK\$4.55 per Share	55,681	238,056	293,737	1.05	1.27

Notes:

- (1) The combined net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2020 is based on combined net assets of the Group attributable to equity holders of the Company as of December 31, 2020 of approximately RMB96.8 million as extracted from the Accountants' Report set out in Appendix I to this prospectus, after netting off other intangible assets of approximately RMB18.3 million and goodwill of approximately RMB22.8 million, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 70,000,000 Offer Shares at the indicative Price HK\$3.75 and HK\$4.55 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses payable by the Company and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB0.8289, which was the exchange rate prevailing on June 18, 2021 with reference to the rate published by PBOC. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 280,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued under the Over-allotment Option, or any Shares which may be allotted, issued or repurchased by the Company. For the purpose of the unaudited pro forma adjusted combined net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1 to RMB0.8289. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to December 31, 2020.

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NO MATERIAL ADVERSE CHANGE

Based on our unaudited management account, our revenue for the four months ended April 30, 2021 increased as compared to the same period in 2020, primarily due to the increase in our GFA under management after April 30, 2020. Despite the increase in our revenue, our overall financial performance for the four months ended April 30, 2021 decreased as compared to the same period in 2020, primarily due to (i) the one-off listing expenses, such as payment of professional fees, incurred in the four months ended April 30, 2021, and (ii) that the regulatory supportive policies issued by local government in response to the outbreak of COVID-19 pandemic, which lead to the non-recurring deduction and exemption of payment of social insurance contributions in the same period in 2020, were not in force for this period. Our Directors confirmed that there were no material deteriorations in our overall financial performance for the four months ended April 30, 2021, excluding the effect of the one-off listing expenses.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2020, and there has been no events since December 31, 2020 and up to the date of this prospectus which would materially affect the completeness and accuracy of the information in this section in material respects.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$242.5 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$4.15 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Major Categories	% of Total Proceeds	Amount	Sub-categories	Specific Plans	% of Total Proceeds	Timeframe		
						2022	2023	2024
		HK\$ in millions				HK\$ in millions		
Strategic acquisition and investment	70.0%	169.8	Acquire and invest in other property management companies	We expect to further expand our business and diversify the property portfolio and further solidify our market position by acquiring or investing in other property management companies that fit our selection criteria	70.0%	70.0	70.0	29.8

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	% of Total		Sub-categories	Specific Plans	% of Total		Timeframe		
	Proceeds	Amount			Proceeds	2022	2023	2024	
		HK\$ in millions					HK\$ in millions		
Upgrade information system and equipment	20.0%	48.5	Upgrade Lingyue Service Smart Property Management Platforms	We plan to use approximately HK\$6.4 million to further optimize the integration of our equipment and facilities and our information technology systems, primarily including customer management system, quality management system, equipment management system and smart patrolling system through IoT technologies, to enhance our centralized management, reduce the requirement of manual labor in our daily operation and improve our service quality. Specifically, we believe IoT technologies may improve (i) our customer management system and quality management system to achieve uniform service standard and real-time data monitoring and collection, (ii) our equipment management system to achieve 24/7 online monitoring, automatic inspection, record keeping, automatic troubleshooting and warning for our equipment and facilities; and (iii) our smart patrolling system to allow transmission of surveillance photographs of key locations at regular intervals to assist us with the supervision of the patrolling works. We plan to use approximately HK\$2.7 million to maintain and optimize the existing features of our Lingyue Service Smart Property Management Platforms. In response to our growing property project portfolio and increasing customer demand for better service quality, we need to constantly optimize and upgrade our information technology systems to reduce the requirement of manual labor in our daily operation and to ensure our service quality	10.0%	14.6	9.7	–	

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	% of Total		Sub-categories	Specific Plans	% of Total		Timeframe			
	Proceeds	Amount			Proceeds	2022	2023	2024		
		HK\$ in millions					HK\$ in millions			
				<p>We also plan to use approximately HK\$3.1 million to improve our fee collection system and smart parking system, to enhance the systems capabilities of handling online parking fee payments swiftly and automatic control of carpark entrance and to make sure the timely collection and accurate bookkeeping of parking fees. See “Business—Our Strategies—Upgrade our information technology system to enhance our operational efficiency and competitiveness”</p> <p>We also plan to use approximately HK\$12.1 million further develop our big data platform, so that it can assist us in collecting data and information from offline and online interactions with customers and from smart equipment, establishing customer profiles and conducting behavioral analysis so that we can engage in precision marketing and swiftly respond to the market changes</p> <p>We plan for these upgraded information systems to cover all of the property projects under our management and to start the rollout of these upgraded information systems around March 2022</p>						
			Upgrade and improve equipment and facilities in the communities under our management	We plan to use approximately HK\$9.1 million to upgrade and improve the equipment and facilities in the communities under management, including energy-saving lighting, lighting and greening in common area, utility and heating facilities and carparks, to promote energy conservation and improve the living environment of the communities under our management	10.0%	14.6	9.7	-		

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	% of Total		Sub-categories	Specific Plans	% of Total		Timeframe		
	Proceeds	Amount			Proceeds	2022	2023	2024	
		HK\$ in millions					HK\$ in millions		

We plan to use approximately HK\$15.2 million to add video surveillance systems and introduce facial recognition technologies into property projects and upgrade their security system. The facial recognition technologies offer a more accurate and hygiene way for us to manage door access without physical human interaction. Blacklists and whitelists may also be set up to manage who may have access to the community gates and building doors. The video surveillance system not only may cover the main roads, common areas and main entrance points, but also can monitor objects thrown out of property windows and their trajectories to help us combat high-rise littering. We also plan to implement other intelligent information systems, such as, cloud surveillance system and equipment remote control system in the property projects under our management. The cloud surveillance system and equipment remote control system may facilitate remote and centralized equipment monitoring and automatic equipment deployment and management and support such functions on mobile devices to help us reduce manual labor costs for equipment and facility maintenance. See “Business—Our Strategies—Upgrade our information technology system to enhance our operational efficiency and competitiveness”

FUTURE PLANS AND USE OF PROCEEDS

Major Categories	% of Total		Sub-categories	Specific Plans	% of Total		Timeframe		
	Proceeds	Amount			Proceeds	2022	2023	2024	
		HK\$ in millions					HK\$ in millions		
Working capital	10.0%	24.2	N/A	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	10.0%	N/A	N/A	N/A	

Plans for Strategic Acquisitions and Investments

As of the date of this prospectus, we had not identified or committed to any acquisition or investment targets for our use of net proceeds received by our Company from the Global Offering. When determining the amount of approximately HK\$169.8 million, or 70.0% of the net proceeds, allocated to potential acquisitions of and investment in other property management companies, assuming an Offer Price of HK\$4.15 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus), we have considered (i) the acquisition of or investment in majority equity interests of potential targets at a price-earning ratio of approximately 5.0 times to 10.0 times; (ii) the acquisitions of or investments in approximately five to 10 potential targets; and (iii) our criteria for strategic acquisitions and investments as disclosed below. For indicative purpose only, assuming an Offer Price of HK\$4.15 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus) with 70.0% of the net proceeds allocated to potential acquisitions of and investment in other property management companies, the acquisitions of or investments in approximately 10 potential targets following our criteria for strategic acquisitions and investments as disclosed below at a price-earning ratio of approximately 10.0, the amount of net proceeds to be used for purchasing each potential target would be approximately HK\$17.0 million. The amount of net proceeds to be used for purchasing each potential target is subject to material adjustments based on the market conditions, the operation and financial performance of the target, the terms and conditions of the acquisition or investment agreements. We have determined the criteria for evaluating potential targets based on 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 prospectus. The allocation of proceeds among the different types of targets above is subject to adjustments based on market conditions.

FUTURE PLANS AND USE OF PROCEEDS

Criteria for Strategic Acquisitions and Investments

We plan to strategically acquire or invest in other property management companies that focus on residential properties and/or non-residential properties such as office buildings, commercial complexes, hospitals, schools, industrial parks, government buildings and public facilities. Although we do not require any specific potential target to have a certain project portfolio structure in terms of property types and we expect different potential targets to have different project portfolio structures, we plan to maintain our existing overall project portfolio structure in terms of property types after integrating the project portfolios of the acquired companies.

We plan to focus on Western China and also consider suitable targets in other regions in China, including selected cities with good economic performance in Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區), without regard to any specific city tiers. We have a well-established position in Western China, and our existing property projects have already covered Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區). Accordingly, we expect to create synergy between the property projects of the acquired companies and our existing property projects and future property projects that we may obtain organically in these regions, by (i) sharing business contacts, business opportunities and other local resources between different property projects, (ii) reducing costs and achieving economies of scales through centralized purchase and manpower coordination in the same region, and (iii) sharing experiences on local regulatory, cultural and business environment among our Group.

We plan to focus on suitable targets which have: (i) a total GFA under management of over 1.0 million sq.m.; (ii) an annual revenue of not less than RMB10.0 million; (iii) an estimated average gross profit margin of more than 20% and an estimated average net profit margin of no less than 10% for the three financial years after acquisition and business integration; and (iv) have reputable brand and good corporate creditworthiness without negative credit record, major negative industrial news, negative reports due to substandard property management services, debt disputes, administrative penalties or pending legal proceedings and disputes.

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 companies with the property portfolio that meets our plans in the next two to three years with an estimated average investment payback period of approximately 10 years. For more criteria for potential targets, please refer to “—Criteria for Strategic Acquisitions and Investments” above.

FUTURE PLANS AND USE OF PROCEEDS

Savills and EH Consulting have identified increasing market concentration as a key development trend in China's property management industry. See "Industry Overview—The Property Management Industry in China" in this prospectus. According to Savills and EH Consulting, although 92% of the 2019 Top 100 Property Management Companies were associated by property development companies, there were approximately 137,000 property management companies of different scales and with different types of properties in their property project portfolios, and with a total market size of RMB809.5 billion in China in 2019, as compared to approximately 99,544 property developers at the same period. It means that most property management companies are not affiliated with property developers. In addition, according to Savills and EH Consulting, the targets of acquisition and investment activities in the property management industry in China are not necessarily limited to small-scale property management companies or property management companies not affiliated with property developers, in light of the actual occurrences of acquisition and investment activities in the market in recent years.

According to Savills and EH Consulting, there are various suitable targets available in the market for our consideration. Taking the property management industry in Sichuan Province as an example, there are 7,633 property management companies in Sichuan Province in 2020, among which approximately 2,900 property management companies generated a revenue of over RMB10.0 million on an individual basis in 2020. As advised by Savills and EH Consulting, as of December 31, 2019, based on our criteria for strategic acquisitions and investments, there were approximately 300 suitable potential targets in Western China, Yangtze River Delta (長江三角洲), Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and Beijing-Tianjin-Hebei Region (京津冀地區). For details, see "Industry Overview—Opportunities and Challenges in the Property Management Industry in China—Increased Market Concentration." As advised by Savills and EH Consulting, we believe that there are a rich variety of potential targets available for our consideration in China's property management service industry.

In January 2017, we set up a business development team and began to expand our business development scope by strategic acquisitions and investment. We direct our regional subsidiaries to conduct preliminary researches on the sizes, business operations, indebtedness, financial condition, and legal compliance statuses of potential acquisition and cooperation targets, and submit research reports for review and approval by our headquarters. If approved, our headquarters will instruct and supervise our regional companies to complete the bidding, contract negotiation and signing, and subsequent ramp-up processes. Our Directors are of the view that our acquisition plans are feasible and we can identify suitable investment or acquisition targets, having considered (i) our market research, financial due diligence and preliminary assessments and feasibility studies undertaken during the Track Record Period and up to the date of this prospectus with respect to strategic acquisitions and investments, (ii) our proven track record of historical acquisition and investment activities that were generally in line with our acquisition plans and selection criteria for acquisition and investment targets, (iii) our continuous efforts in implementing the acquisition and investment plans, including the work conducted by our business development team, and our management and business development team's capabilities and experience related to acquisitions and investments, (iv)

FUTURE PLANS AND USE OF PROCEEDS

our reputation in the industry and well-established position in Western China that may assist us with our acquisition and investment plans, and (v) Savills and EH Consulting's advice on the availability of potential targets in the selected regions in China suitable for our consideration.

Valuation Basis

We determine the amount of consideration for a potential target primarily by referring to its price-earnings ratio of comparable companies and its net profit in the most recent fiscal year. According to Savills and EH Consulting, equity interests in property management companies that meet our criteria set out above were usually changed hands at price-earnings ratios range from 2.7 times to 26.2 times. Our final price range may be determined on the basis of, or adjusted depending on, the target's size and our evaluation of its potential. In the event that the net proceeds received by our Company from the Global Offering are less than the capital expenditure needed, we intend to use our internal funds.

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 prospectus from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which our future plans relate;
- the Global Offering will be completed in accordance with and as described in the section entitled "Structure and Conditions of the Global Offering" in this prospectus;
- there will be no material changes in existing accounting policies from those stated in the audited combined financial statements 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 and elsewhere;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus;

FUTURE PLANS AND USE OF PROCEEDS

- 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 proceeds will be adjusted on a *pro rata* basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price Range.

If the Offer Price is fixed at HK\$4.55 per Offer Share (being the high end of the Offer Price Range stated in this prospectus), we will receive net proceeds of approximately HK\$269.7 million, after deduction of underwriting fees and commissions and estimated expenses in connection with the Global Offering.

If the Offer Price is fixed at HK\$3.75 per Offer Share (being the low end of the Offer Price Range stated in this prospectus), the net proceeds we receive will be approximately HK\$215.3 million, after deduction of underwriting fees and commissions and estimated expenses in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the unused net proceeds to short-term demand deposits with well-established and licensed commercial banks and authorized financial institutions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited
CMB International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
Seazen Resources Securities Limited
Vision Capital International Holdings Limited
Shenwan Hongyuan Securities (H.K.) Limited
CMBC Securities Company Limited
I Win Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 7,000,000 Hong Kong Offer Shares and the International Offering of initially 63,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares offered under the Global Offering as mentioned in this prospectus, (ii) the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms, and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor, at any time prior to 8:00 a.m. on the Listing Date, if:

- (1) there develops, occurs, exists or comes into effect:
 - (a) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large-scale outbreak of infectious disease (excluding such epidemic, pandemic and large-scale outbreaks of diseases subsisting as of date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (b) any change, development or event involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the Cayman Islands, the

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European Union (or any member thereof) or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

- (e) any change or any development involving a prospective change or any event or series of events which will or is likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authority of existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (f) any change or development or event involving a prospective change, or a materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (g) any change or development involving a prospective change or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, a material devaluation of United States Dollar, Euro, Hong Kong Dollar or Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (h) any proceeding of any third party being threatened or instigated against any member of our Group or our Ultimate Controlling Shareholders; or
- (i) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified him/her from taking part in the management of a company; or
- (j) the chairman or chief executive officer of our Company vacating his office; or
- (k) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other actions, or announcing an intention to investigate or take other actions, against any member of our Group or any executive Director; or
- (l) a contravention by any member of our Group of the Listing Rules or other applicable laws in any material respect; or
- (m) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including any Shares to be issued by our Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

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- (n) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (o) except with the prior approval of the Sole Sponsor, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (p) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (q) an order or petition is presented for the winding up of any member of our Group or any compromise or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) has or will have or may have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (c) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
- (d) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting agreements thereof; or

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- (2) there has come to the notice of the Sole Sponsor and the Sole Global Coordinator:
- (a) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and the formal notice (including any supplement or amendment thereto); or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (d) any event, act or omission which gives or is likely to give rise to any material liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement); or
 - (e) any material adverse change, or any development involving a prospective material adverse change in the assets, liabilities, properties, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group taken as a whole; or
 - (f) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by the warrantors as defined in the Hong Kong Underwriting Agreement; or
 - (g) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (h) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

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- (i) any of the experts (other than the Sole Sponsor) which is named as an expert in “Appendix IV—Statutory and General Information—D. Other Information—9. Qualifications and consents of experts”, has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its reports, letters, and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (j) a material portion of the orders in the bookbuilding process have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

A. Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Capitalization Issue, the Global Offering, the exercise of the Over-allotment Option, the options which may be granted under the Share Option Scheme and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

B. Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Capitalization Issue, the Global Offering, the Stock Borrowing Agreement, the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, he or she or it shall not and will procure that the registered holder(s) of the Shares will not:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; or
- (ii) in the period of a further six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (i) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a member of a group of the Controlling Shareholders, or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the Listing Rules) of our Company.

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it shall:

- (i) when he or she or it pledges or charges any Shares or securities of our Company beneficially owned by he or she or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (ii) when he or she or it receives indications, either verbal or written, from the pledgee or chargee of any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above by any of our Controlling Shareholders and disclose such matters by way of an announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Except for the Capitalization Issue, the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option and the options which may be granted under the Share Option Scheme) or otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is falling six months from the Listing Date (the “**First Six-Month Period**”), our Company hereby undertakes to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe

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for or purchase, any Shares or other securities of our Company, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest in any of the foregoing (including, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or securities of our Company or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
- (iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or other securities of our Company or Shares or, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period). During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, such that any Controlling Shareholder, directly or indirectly, would cease to be a group of controlling shareholders (within the meaning defined in the Listing Rules) of the Company. During the Second Six-Month Period, in the event that the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company. Each of our Controlling Shareholders undertake to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the undertakings above.

(B) Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders hereby undertakes to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Capitalization Issue and the Global Offering (including the issue of Shares pursuant to the exercise of the Over-Allotment Option and the options which may be granted under the Share Option Scheme) without the prior

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written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable, or any interest in any of the foregoing), or (c) enter into any transaction with the same economic effect as any transaction specified in subparagraphs (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in subparagraphs (a), (b) or (c) above, in each case, whether any of the transactions specified in subparagraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period); and
- (ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in subparagraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it will cease to be a group of Controlling Shareholders (as the term is defined in the Listing Rules) of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in subparagraphs (i)(a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company, provided that, subject to strict compliance with any requirements of applicable laws (including and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant Authority), nothing in this sub-section shall prevent any of our Controlling

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Shareholders from using Shares or other securities of the Company beneficially owned by him/her/it as security in favor of an authorized instruction (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)).

For the avoidance of doubt, the foregoing restrictions shall not prevent such party from purchasing additional Shares and selling any such additional Shares so purchased, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float.

We agree and undertake that upon receiving such information in writing from our Controlling Shareholders, we shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among the others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and the Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International

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Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) at its sole and absolute discretion, the Over-allotment Option, which will be exercisable at any time and from the Listing Date until up to (and including) the date which is the 30th days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 10,500,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Sole Global Coordinator (on behalf of the Underwriters) will receive a gross underwriting commission equal to 2.0% of the aggregate Offer Price in respect of all the Offer Shares (including any Offer Shares issued pursuant to the Over-allotment Option). Our Company may also in our sole discretion pay an aggregate discretionary incentive fee of up to 1.0% of the Offer Price for each Offer Share to one or more of the Underwriters.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Sole Global Coordinator in its sole discretion considers appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Sole Global Coordinator in its sole discretion considers appropriate).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees (including underwriting commissions), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK\$48.0 million (assuming an Offer Price of HK\$4.15 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum of 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

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INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 7,000,000 Shares (subject to reallocation) for subscription by the public in Hong Kong as described in “—The Hong Kong Public Offering” below; and
- (b) the International Offering of 63,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S as described in “—The International Offering” below.

Up to 10,500,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in “—The International Offering—Over-allotment Option” below.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “—The International Offering—Over-allotment Option” below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares under the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in “—The Hong Kong Public Offering—Reallocation” below.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 7,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of the Offer Shares initially available under the Global Offering, subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering and assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in “—Conditions of the Global Offering” below.

Allocation

The allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering (after taking into account of any allocation) is to be divided into two pools (subject to adjustment of odd lot size): Pool A and Pool B:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable).

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this subsection only, the “price” for the Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 3,500,000 Hong Kong Offer Shares (being 50% of the 7,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Sole Global Coordinator. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 7,000,000 Offer Shares, representing 10% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 21,000,000 Offer Shares (in the case of (1)), 28,000,000 Offer Shares (in the case of (2)) and 35,000,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

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- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 7,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 14,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$3.75 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator in its sole discretion considers appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.55 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the maximum price of HK\$4.55 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to Apply for Hong Kong Offer Shares”.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 63,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will involve private placements of the Offer Shares to institutional and professional investors and other investors outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Sole Global Coordinator (on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation”, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

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Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) at its sole and absolute discretion, the Over-allotment Option, which will be exercisable at any time and from the Listing Date until up to (and including) the date which is the 30th days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 10,500,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to reduce and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose

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of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, or any person acting for it may cover such over-allocation by (among other methods) exercising the Over-allotment Option in full or in part, by using our Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, that do not exceed the Offer Price, or through the stock borrowing agreement as detailed below or a combination of these means. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 10,500,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, or any person acting for it may choose to borrow Shares from the Lending Shareholder under the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and the Lending Shareholder on or around the Price Determination Date.

The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and will only be effected by the Stabilizing Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- the maximum number of Shares borrowed from the Lending Shareholder under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to the Lending Shareholder or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to the Lending Shareholder by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

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The Offer Price is expected to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date, which is expected to be on or about Monday, July 5, 2021 and in any event no later than Thursday, July 8, 2021. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$4.55 per Offer Share and is expected to be not less than HK\$3.75 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Reduction in Offer Price range and/or number of Offer Shares

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published on the website of our Company (www.lingyue-service.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and notify potential investors who had applied for the Offer Shares to confirm their applications in accordance with the procedures set out in the supplemental prospectus. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

STRUCTURE OF THE GLOBAL OFFERING

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Sole Global Coordinator (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Sole Global Coordinator.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced, unless positive confirmations from the applicants to proceed are received.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Friday, July 9, 2021 on the website of our Company (www.lingyue-service.com) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting”.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;
- (b) the Offer Price having been agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before Thursday, July 8, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (www.lingyue-service.com) and the website of the Stock Exchange (www.hkexnews.hk). In such eventuality, all application monies will be returned, without interest, on the terms set forth “How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

STRUCTURE OF THE GLOBAL OFFERING

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

Except that we have applied for the listing to the Stock Exchange, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, July 12, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, July 12, 2021. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares will be 2165.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of any Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a person who will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 29, 2021 until 12:00 noon on Monday, July 5, 2021 from:

- (i) any of the following offices of the Hong Kong Underwriters:

CCB International Capital Limited

12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen's Road Central
Central
Hong Kong

Seazen Resources Securities Limited

Units 4503-07, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Vision Capital International Holdings Limited

Room A01-A02, 11/F
Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 19
28 Hennessy Road
Hong Kong

CMBC Securities Company Limited

45/F., One Exchange Square
8 Connaught Place
Central
Hong Kong

I Win Securities Limited

Room 1916, Hong Kong Plaza
188 Connaught Road West
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the designated branches of the receiving bank:

Region	Branch name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
New Territories	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 29, 2021 until 12:00 noon on Monday, July 5, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to **BANK OF CHINA (HONG KONG) NOMINEES LIMITED — LING YUE SERVICES PUBLIC OFFER** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, June 29, 2021 – 9:00 a.m. to 5:00 p.m.
Wednesday, June 30, 2021 – 9:00 a.m. to 5:00 p.m.
Friday, July 2, 2021 – 9:00 a.m. to 5:00 p.m.
Saturday, July 3, 2021 – 9:00 a.m. to 1:00 p.m.
Monday, July 5, 2021 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, July 5, 2021, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening of the Application Lists”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cayman Islands Companies Act and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed “—14. Dispatch/Collection of Share Certificates and Refund Monies—Personal Collection” to collect the share certificate(s) and/or refund check(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “—2. Who Can Apply”, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 29, 2021 until 11:30 a.m. on Monday, July 5, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, July 5, 2021 or such later time under “—10. Effect of Bad Weather on the Opening of the Application Lists”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Ling Yue Services Group Limited”. **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up or indicate an interest for, any International Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Company Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, June 29, 2021	– 9:00 a.m. to 8:30 p.m.
Wednesday, June 30, 2021	– 8:00 a.m. to 8:30 p.m.
Friday, July 2, 2021	– 8:00 a.m. to 8:30 p.m.
Saturday, July 3, 2021	– 8:00 a.m. to 1:00 p.m.
Monday, July 5, 2021	– 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, June 29, 2021 until 12:00 noon on Monday, July 5, 2021 (24 hours daily, except on Monday, July 5, 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, July 5, 2021, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening of the Application Lists”.

Note:

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, July 5, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

HOW TO APPLY FOR HONG KONG OFFER SHARES

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section “Structure of the Global Offering—Pricing and Allocation”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, July 5, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, July 5, 2021 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, July 9, 2021 on the website of our Company at www.lingyue-service.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.lingyue-service.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, July 9, 2021;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, July 9, 2021 to 12:00 midnight on Thursday, July 15, 2021;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, July 9, 2021, Monday, July 12, 2021, Tuesday, July 13, 2021 and Wednesday, July 14, 2021;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, July 9, 2021 to Monday, July 12, 2021 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, July 9, 2021.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named

HOW TO APPLY FOR HONG KONG OFFER SHARES

applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to the arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Friday, July 9, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, July 12, 2021 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 9, 2021 or such other date as notified by us by announcement.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, July 9, 2021, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Friday, July 9, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, July 9, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, July 9, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 9, 2021, or such other date as notified by our Company by announcement as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, July 9, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, July 9, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “—11. Publication of Results” above on Friday, July 9, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, July 9, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, July 9, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, July 9, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the approval for the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on Ling Yue Services Group Limited, prepared for the purpose of incorporation in this prospectus received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LING YUE SERVICES GROUP LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Ling Yue Services Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-81, which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2018, 2019 and 2020 and the statement of financial position of the Company as at 31 December 2020 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-81 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2018, 2019 and 2020 and the Company as at 31 December 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Combined Statements of Profit or Loss and other Comprehensive Income

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
REVENUE	5	169,004	279,958	428,162
Cost of sales		(123,509)	(193,733)	(283,373)
GROSS PROFIT		45,495	86,225	144,789
Other income and gains	5	116	1,613	3,981
Administrative expenses		(26,618)	(43,405)	(61,563)
Other expenses		(95)	(152)	(783)
Finance costs	7	(881)	(546)	(49)
Impairment losses on financial assets, net		(484)	(2,024)	(2,177)
Share of profits and losses of:				
A joint venture		–	(161)	4
PROFIT BEFORE TAX	6	17,533	41,550	84,202
Income tax expense	10	(3,459)	(6,190)	(13,941)
PROFIT FOR THE YEAR		14,074	35,360	70,261
Attributable to:				
Owners of the parent		11,936	32,090	65,216
Non-controlling interests		2,138	3,270	5,045
		<u>14,074</u>	<u>35,360</u>	<u>70,261</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE				
PARENT				
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	14,074	35,360	70,261
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value	(2,682)	(148)	(450)
Income tax effect	402	22	68
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,794	35,234	69,879
Attributable to:			
Owners of the parent	9,656	31,964	64,834
Non-controlling interests	2,138	3,270	5,045
	11,794	35,234	69,879

Combined Statements of Financial Position

	Notes	31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	793	864	926
Prepayments and other receivables . . .	21	–	1,667	–
Right-of-use assets	14	404	2,241	1,467
Goodwill	15	4,302	18,855	22,772
Other intangible assets	16	8,457	19,555	18,335
Investment in a joint venture	17	–	64	68
Equity investments designated at fair value through other comprehensive income	18	6,921	6,773	6,323
Deferred tax assets	26	1,050	2,552	3,703
Total non-current assets		21,927	52,571	53,594
CURRENT ASSETS				
Inventories	19	–	–	2,155
Trade receivables	20	20,999	41,939	52,449
Due from related companies	33	88,219	108,414	84,307
Prepayments and other receivables . . .	21	7,184	24,774	30,426
Pledged deposits	22	25	–	–
Cash and cash equivalents	22	24,359	31,096	68,274
Total current assets		140,786	206,223	237,611
CURRENT LIABILITIES				
Trade payables	23	4,882	9,096	18,620
Other payables and accruals	24	91,732	122,211	148,523
Due to related companies	33	40	361	510
Interest-bearing other borrowings	25	12,600	–	–
Tax payable		4,326	6,325	6,857
Lease liabilities	14	185	713	713
Total current liabilities		113,765	138,706	175,223

	Notes	31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NET CURRENT ASSETS		27,021	67,517	62,388
TOTAL ASSETS LESS				
CURRENT LIABILITIES		48,948	120,088	115,982
NON-CURRENT LIABILITIES				
Lease liabilities	14	–	1,488	775
Deferred tax liabilities	26	1,246	2,918	2,739
Total non-current liabilities		1,246	4,406	3,514
NET ASSETS		<u>47,702</u>	<u>115,682</u>	<u>112,468</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	–	–	–
Reserves	28	38,137	100,314	96,788
Non-controlling interests		38,137	100,314	96,788
		9,565	15,368	15,680
TOTAL EQUITY		<u>47,702</u>	<u>115,682</u>	<u>112,468</u>

Combined Statements of Changes in Equity

	Attributable to owners of the parent									
	Issued capital RMB'000 <i>Note 27</i>	Merger reserve RMB'000 <i>Note 28(a)</i>	Capital reserve RMB'000 <i>Note 28(b)</i>	Fair value reserve of financial assets at fair value		Statutory surplus reserve RMB'000 <i>Note 28(d)</i>	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				through other comprehensive income RMB'000 <i>Note 28(c)</i>	through other comprehensive income RMB'000 <i>Note 28(d)</i>					
As at 1 January 2018	-	5,575	-	(1,017)	2,523	21,400	28,481	1,515	29,996	
Profit for the year	-	-	-	-	-	11,936	11,936	2,138	14,074	
Other comprehensive income for the year										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(2,280)	-	-	(2,280)	-	(2,280)	
Total comprehensive income for the year	-	-	-	(2,280)	-	11,936	9,656	2,138	11,794	
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	245	245	
Acquisition of a subsidiary (<i>note 30</i>)	-	-	-	-	-	-	-	5,667	5,667	
Appropriations to statutory surplus reserve	-	-	-	-	416	(416)	-	-	-	
At 31 December 2018.	-	5,575*	-	(3,297)*	2,939*	32,920*	38,137	9,565	47,702	

* These reserve accounts comprise the total combined reserves of RMB38,137,000 in the combined statement of financial position as at 31 December 2018.

	Attributable to owners of the parent								
	Issued capital RMB'000 <i>Note 27</i>	Merger reserve RMB'000 <i>Note 28(a)</i>	Capital reserve RMB'000 <i>Note 28(b)</i>	Fair value reserve of financial assets through other comprehensive income RMB'000 <i>Note 28(c)</i>	Statutory surplus reserve RMB'000 <i>Note 28(d)</i>	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	-	5,575	-	(3,297)	2,939	32,920	38,137	9,565	47,702
Profit for the year	-	-	-	-	-	32,090	32,090	3,270	35,360
Other comprehensive income for the year									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(126)	-	-	(126)	-	(126)
Total comprehensive income for the year	-	-	-	(126)	-	32,090	31,964	3,270	35,234
Acquisition of a subsidiary under common control	-	(434)	-	-	-	-	(434)	-	(434)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	60	60
Capital contribution by the then parent company	-	44,700	-	-	-	-	44,700	-	44,700
Acquisition of a subsidiary (<i>note 30</i>)	-	-	-	-	-	-	-	3,716	3,716
Appropriations to statutory surplus reserve	-	-	-	-	3,029	(3,029)	-	-	-
Dividends paid to the then shareholder	-	-	-	-	-	(14,053)	(14,053)	-	(14,053)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(1,243)	(1,243)
At 31 December 2019	-	49,841*	-	(3,423)*	5,968*	47,928*	100,314	15,368	115,682

* These reserve accounts comprise the total combined reserves of RMB100,314,000 in the combined statement of financial position as at 31 December 2019.

	Attributable to owners of the parent								
	Issued capital RMB'000 Note 27	Merger reserve RMB'000 Note 28(a)	Capital reserve RMB'000 Note 28(b)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 Note 28(c)	Statutory surplus reserve RMB'000 Note 28(d)	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	-	49,841	-	(3,423)	5,968	47,928	100,314	15,368	115,682
Profit for the year	-	-	-	-	-	65,216	65,216	5,045	70,261
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(382)	-	-	(382)	-	(382)
Total comprehensive income for the year	-	-	-	(382)	-	65,216	64,834	5,045	69,879
Disposal of a subsidiary (note 31)	-	-	-	-	-	-	-	(1,011)	(1,011)
Transfer from statutory surplus reserve	-	10,000	-	-	(10,000)	-	-	-	-
Appropriations to statutory surplus reserve	-	-	-	-	8,220	(8,220)	-	-	-
Dividends declared to the then parent company	-	-	-	-	-	(68,360)	(68,360)	-	(68,360)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	(3,722)	(3,722)
At 31 December 2020	-	59,841*	-	(3,805)*	4,188*	36,564*	96,788	15,680	112,468

* These reserve accounts comprise the total combined reserves of RMB96,788,000 in the combined statement of financial position as at 31 December 2020.

Combined Statements of Cash Flows

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		17,533	41,550	84,202
Adjustments for:				
Finance costs	7	881	546	49
Interest income	5	(48)	(171)	(119)
Share of profits and losses of a joint venture	17	–	161	(4)
Dividend income from equity investments at fair value through other comprehensive income	5	–	(324)	–
Loss on disposal of a subsidiary		–	–	637
Depreciation of property, plant and equipment	6,13	171	334	409
Depreciation of right-of-use assets	6,14	203	465	774
Amortisation of other intangible assets	6,16	370	1,603	2,230
Impairment of trade receivables	6,20	468	1,812	1,917
Impairment of other receivables	6,21	16	212	259
(Increase)/decrease in pledged deposits		(25)	25	–
Increase in inventories		–	–	(2,155)
Increase in trade receivables		(3,390)	(22,752)	(13,349)
Increase in prepayments and other receivables		(358)	(4,424)	(9,839)
Increase in trade payables		2,149	3,753	9,701
Increase in other payables and accruals		23,418	19,802	29,278
(Increase)/decrease in amounts due from related companies		(27,343)	(48,092)	25,423
Increase in amounts due to related companies		40	321	162
Cash generated from/(used in) operations		14,085	(5,179)	129,575
Interest received		48	77	469
Interest paid		(1,154)	(273)	(49)
Tax paid		(3,063)	(4,489)	(14,855)
Net cash flows from/(used in) operating activities		9,916	(9,864)	115,140

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(499)	(85)	(466)
Purchase of other intangible assets		(162)	(50)	(31)
Acquisition of subsidiaries		(7,116)	(15,715)	(5,919)
Advance payment for acquisition of a subsidiary		–	(1,667)	–
Disposal of subsidiaries		–	–	(2,427)
Acquisition of a joint venture		–	(225)	–
Advance to a non-controlling shareholder of a subsidiary		–	(1,338)	–
Repayment of an advance from a non-controlling shareholder of a subsidiary		1,500	1,000	–
Increase in other receivables		–	(9,360)	–
Advances to related companies		(55,836)	(192,864)	(71,698)
Repayment from related companies		47,435	220,761	67,972
Repayment of an advance to a third party		–	–	1,320
Net cash flows (used in)/from investing activities		(14,678)	457	(11,249)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution by the then parent company		–	44,700	–
New other loan		12,600	–	–
Repayment of other loan		–	(12,600)	–
Capital injection by the non-controlling shareholders of subsidiaries		245	60	–
Principal portion of lease payments		(422)	(286)	(713)
Consideration paid for acquisition of a subsidiary under common control		–	(434)	–
Dividends paid to the then shareholder		–	(14,053)	(66,000)
Dividends paid to the non-controlling shareholders		–	(1,243)	–
Net cash flows from/(used in) financing activities		12,423	16,144	(66,713)

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS.				
Cash and cash equivalents at beginning of year		7,661	6,737	37,178
		<u>16,698</u>	<u>24,359</u>	<u>31,096</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.				
		<u><u>24,359</u></u>	<u><u>31,096</u></u>	<u><u>68,274</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	24,384	31,096	68,274
Less: Pledged deposits	22	<u>25</u>	<u>—</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS				
		<u><u>24,359</u></u>	<u><u>31,096</u></u>	<u><u>68,274</u></u>

Statement of Financial Position of the Company

	31 December 2020
	<u>RMB'000</u>
CURRENT ASSETS	
Cash and cash equivalents	–
Prepayments and other receivables	–
Total current assets	<u>–</u>
NON-CURRENT ASSETS	
Investments in subsidiaries	–
Total non-current assets	<u>–</u>
CURRENT LIABILITIES	
Other payables	–
Total current liabilities	<u>–</u>
NET CURRENT LIABILITIES	<u>–</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>–</u>
NET ASSETS	<u><u>–</u></u>
EQUITY	
Equity attributable to owners of the parent	
Share capital	–
Reserve	–
TOTAL EQUITY	<u><u>–</u></u>

The Company was incorporated in the Cayman Islands on 28 August 2020. On its date of incorporation, 10,000 shares of HK\$0.01 each were allotted (note 27).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 28 August 2020. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in the provision of property management services.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 21 January 2021 as set out in the paragraph headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

The then parent company of the Group is Rong Liang Group Co., Ltd. before the Reorganisation. The controlling shareholders of the Company are Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli (the "Controlling Shareholders").

As at the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
<u>Directly held:</u>					
Ling Yue Investment Limited	(3)	British Virgin Islands 18 September 2020	USD50,000	100%	Investment holding
Duyue Investment Limited	(3)	British Virgin Islands 6 August 2020	USD50,000	100%	Investment holding
<u>Indirectly held:</u>					
Ling Yue Capital Limited	(3)	Hong Kong 8 October 2020	HKD10,000	100%	Investment holding
Duyue Capital Limited	(3)	Hong Kong 3 September 2020	HKD10,000	100%	Investment holding
成都融悦景匯企業管理有限公司 Chengdu Rongyue Jinghui Enterprise Management Co., Ltd. ("Chengdu Rongyue Jinghui")	(3)	PRC/Mainland China 11 December 2020	USD5,000,000	100%	Investment holding
領悅物業服務集團有限公司 Lingyue Property Service Group Co., Ltd. ("Lingyue Property Services")	(4)	PRC/Mainland China 21 January 2002	RMB60,606,100	100%	Property management
四川領匯企業管理有限公司 Sichuan Linghui Enterprise Management Co., Ltd. ("Sichuan Linghui")	(5)	PRC/Mainland China 10 January 2018	RMB1,000,000	100%	Property management
烏魯木齊領匯都能物業服務有限公司 Urumqi Linghui Duneng Property Service Co., Ltd. ("Urumqi Linghui Duneng")	(1)	PRC/Mainland China 23 July 2018	RMB500,000	100%	Property management

Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
綿陽融匯領悅物業管理有限公司 Mianyang Ronghui Lingyue Property Management Co., Ltd. ("Mianyang Ronghui Lingyue")	(2)	PRC/Mainland China 13 August 2019	RMB500,000	100%	Property management
四川領居智慧生活服務有限公司 Sichuan Lingju Zhihui Life Service Co., Ltd. ("Sichuan Lingju Zhihui")	(3)	PRC/Mainland China 27 September 2020	RMB500,000	100%	Property management
西昌融悅物業服務有限公司 Xichang Rongyue Property Service Co., Ltd. ("Xichang Rongyue")*	(3)	PRC/Mainland China 7 December 2020	RMB500,000	100%	Property management
四川匯豐億景物業服務有限公司 Sichuan Huifeng Yijing Property Management Co., Ltd. ("Sichuan Huifeng Yijing")*	(1, 6)	PRC/Mainland China 22 November 2018	RMB1,000,000	50%	Property management
吉林省君逸物業服務有限公司 Jilin Junyi Property Service Co., Ltd. ("Jilin Junyi")*	(4)	PRC/Mainland China 29 January 2013	RMB500,000	55%	Property management
Indirectly held (continued)					
眉山市天富物業管理服務有限公司 Meishan Tianfu Property Management Co., Ltd. ("Meishan Tianfu")*	(1)	PRC/Mainland China 25 March 2010	RMB5,000,000	51%	Property management
成都和誠領匯物業管理有限責任公司 Chengdu Hecheng Linghui Property Management Co., Ltd. ("Chengdu Hecheng Linghui")*	(2)	PRC/Mainland China 3 June 2019	RMB500,000	51%	Property management
新鄉領匯物業服務有限公司 Xinxiang Linghui Property Service Co., Ltd. ("Xinxiang Linghui")*	(2)	PRC/Mainland China 11 June 2019	RMB500,000	51%	Property management
眉山領匯延天物業服務有限公司 Meishan Linghui Yantian Property Service Co., Ltd. ("Meishan Linghui Yantian")*	(2)	PRC/Mainland China 7 August 2019	RMB500,000	70%	Property management
資陽市車城佳美物業有限公司 Ziyang Checheng Jiamei Property Service Co., Ltd. ("Ziyang Jiamei")*	(5)	PRC/Mainland China 3 March 2004	RMB3,010,000	53.69%	Property management
資陽市佳美保安服務有限公司 Ziyang Jiamei Security Service Co., Ltd. ("Ziyang Jiamei Security")*	(2)	PRC/Mainland China 16 January 2019	RMB1,060,000	53.69%	Property management
資陽市好佳美電子商務有限公司 Ziyang Haojiamei E-Commerce Co., Ltd. ("Ziyang Haojiamei")*	(1)	PRC/Mainland China 7 September 2015	RMB360,000	53.69%	Property management

Name	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
新地(成都)物業服務有限公司 Xindi (Chengdu) Property Service Co., Ltd. ("Chengdu Xindi")	(1)	PRC/Mainland China 7 July 2006	RMB3,210,000	100.00%	Property management
庫車星宇悅物業服務有限公司 Kuche Xingyuyue Property Service Co., Ltd. ("Kuche Xingyuyue")*	(3)	PRC/Mainland China 8 July 2020	RMB200,000	55%	Property management
巴州匯悅美湖物業服務有限公司 Bazhou Huiyue Meihu Property Service Co., Ltd. ("Bazhou Huiyue Meihu")*	(3)	PRC/Mainland China 28 May 2020	RMB500,000	52%	Property management
駐馬店匯悅物業服務有限公司 Zhumadian Huiyue Property Service Co., Ltd. ("Zhumadian Huiyue")*	(3)	PRC/Mainland China 1 July 2020	RMB500,000	52%	Property management
鄭州匯悅物業服務有限公司 Zhengzhou Huiyue Property Service Co., Ltd. ("Zhengzhou Huiyue")*	(3)	PRC/Mainland China 23 September 2020	RMB500,000	52%	Property management
喀什合創匯悅物業服務有限公司 Kashi Hechuanghuiyue Property Service Co., Ltd. ("Kashi Hechuanghuiyue")*	(3)	PRC/Mainland China 25 December 2020	RMB500,000	65%	Property management
資陽市佳美清潔服務有限公司 Ziyang Jiamei Cleaning Service Co., Ltd. ("Ziyang Jiamei cleaning")*	(3)	PRC/Mainland China/ 11 March 2020	RMB60,000	53.69%	Property management
資陽市佳美物業服務管理有限公司 Ziyang Jiamei Property Service Management Co., Ltd. ("Ziyang Jiamei property")*	(3)	PRC/Mainland China/ 11 March 2020	RMB60,000	53.69%	Property management

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company having control over them.

- (1) No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2018, 2019 and 2020 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
- (2) No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2019 and 2020 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
- (3) No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2020 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
- (4) The statutory financial statements for the years ended 31 December 2018 and 2019 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhonghui Certified Public Accountants LLP Chengdu Branch (中匯會計師事務所(特殊普通合夥)成都分所), which is a certified public accounting firm registered in the PRC.

- (5) The statutory financial statements for the years ended 31 December 2019 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhonghui Certified Public Accountants LLP Chengdu Branch (中匯會計師事務所(特殊普通合夥)成都分所), which is a certified public accounting firm registered in the PRC.
- (6) Pursuant to agreement with the other shareholder who holds 25% equity interests in Sichuan Huifeng Yijing, the shareholder would act in concert with Sichuan Linghui in exercise of his voting power at the general meetings. Sichuan Huifeng Yijing has no board of directors, but an executive director, who is appointed by Sichuan Linghui. Sichuan Linghui has rights to variable returns from its involvement with Sichuan Huifeng Yijing and has the ability to affect those returns through its power over Sichuan Huifeng Yijing. Accordingly, Sichuan Huifeng Yijing is consolidated in the Group's Historical Financial Information as a subsidiary.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 21 January 2021. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018, has been adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. For financial liabilities, there are two classifications: amortised cost and fair value through profit or loss. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit loss ("ECL") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three-stage" approach, which is based on the change in credit quality of financial assets since the initial recognition. Early adoption of IFRS 9 and its amendments is permitted.

IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, which are effective for annual periods beginning on or after 1 January 2018, have been adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. Early adoption of IFRS 15 and its amendments is permitted.

IFRS 16 *Leases*, which is effective for annual periods beginning on or after 1 January 2019, has been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. IFRS 16 includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Early adoption of IFRS 16 and its amendments is permitted.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income (“FVOCI”) which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ¹
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 17	<i>Insurance Contracts</i> ³
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{3, 5}
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{3, 5}
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41 ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ³

- 1 Effective for annual periods beginning on or after 1 January 2021
- 2 Effective for annual periods beginning on or after 1 January 2022
- 3 Effective for annual periods beginning on or after 1 January 2023
- 4 No mandatory effective date yet determined but available for adoption
- 5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the combined statement of profit or loss and combined other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations other than those under common control and goodwill

Business combinations for entities or businesses not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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 combined 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 combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for the goodwill or excess of acquirer's interest in the net fair value of acquirer'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 combined statements of profit or loss and other comprehensive income include 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 transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	20% to 33.3%
Electronic equipment	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 years.

Customer relationship

Customer relationship acquired in business combinations are recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method over the expected useful lives which is 10 years, taking into account the prior experience of the renewal pattern of property management contracts.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased office buildings	1 to 5 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Inventories

Costs of purchased carparks are determined after deducting rebates and discounts. 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.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

(a) Property management services

For property management services, the Group bills a fixed amount for services provided on a regular basis and recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of the performance completed.

The Group charges property management fees in respect of the property management services on a lump sum basis.

On a lump sum basis, the Group is entitled to retain the full amount of received property management fees. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees that the Group has collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Group recognises as revenue the full amount of property management fees that the Group has charged the property owners and property developers.

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represent the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

(b) Value-added services to non-property owners

Revenue from value-added services to non-property owners mainly includes revenue from preliminary planning and design consultancy services to property developers, revenue from cleaning, security, greening, repair and maintenance services to property developers at the pre-delivery stage, and revenue from security support services. The Group agrees the price for each service with the customers upfront and recognises as revenue in the amount to which the Group has the right to invoice and that corresponds directly with the value of performance completed. Revenue from these services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from value-added services to non-property owners also includes revenue from sales assistance services, additional tailored services customised to non-property owners, housing repair services and pre-delivery inspection services to property developers recognised at a point in time when such consultancy services have been provided.

(c) Community value-added services

Revenue from community value-added services including temporary parking service, additional tailored services customised, housing repair services, preliminary planning and design consultancy services is recognised at a point in time when the service has been provided.

Revenue from the provision of utilities collection service, community common area and advertising booth rental services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and other intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits*Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2018, 2019 and 2020, the carrying amounts of goodwill was RMB4,302,000, RMB18,855,000 and RMB22,772,000, respectively. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the Historical Financial Information.

Impairment of non-financial long-term assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets, including right-of-use assets, property, plant and equipment and other intangible assets at the end of each of the Relevant Periods. These non-financial long-term assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales or lease transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

PRC corporate income tax (“CIT”)

The Group is subject to corporate income tax in the PRC. As a result of the fact that certain matters relating to the income tax have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for the income tax to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 26 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the property management business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical information is presented.

Information about major customers

For the years ended 31 December 2018, 2019 and 2020, revenue from Leading Holdings Group Limited and its subsidiaries (“Leading Holdings Group”) contributed 32.4%, 25.1% and 22.3% of the Group's revenue, respectively. Other than the revenue from Leading Holdings Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the property management services, value-added services to non-property owners and community value-added services during each of the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Property management services	113,723	182,282	298,900
Value-added services to			
non-property owners	48,831	90,040	113,022
Community value-added services	6,450	7,636	16,240
	<u>169,004</u>	<u>279,958</u>	<u>428,162</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Property management services	Value-added services to non-property owners	Community value-added services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018				
Category of revenue				
Rendering of services	113,723	48,831	6,450	169,004
Total revenue from contracts with customers	<u>113,723</u>	<u>48,831</u>	<u>6,450</u>	<u>169,004</u>
Geographical market				
Mainland China	<u>113,723</u>	<u>48,831</u>	<u>6,450</u>	<u>169,004</u>
Timing of revenue recognition				
Revenue recognised over time	113,723	48,374	1,192	163,289
Revenue recognised at a point in time	–	457	5,258	5,715
Total revenue from contracts with customers	<u>113,723</u>	<u>48,831</u>	<u>6,450</u>	<u>169,004</u>
For the year ended 31 December 2019				
Category of revenue				
Rendering of services	182,282	90,040	7,636	279,958
Total revenue from contracts with customers	<u>182,282</u>	<u>90,040</u>	<u>7,636</u>	<u>279,958</u>
Geographical market				
Mainland China	<u>182,282</u>	<u>90,040</u>	<u>7,636</u>	<u>279,958</u>
Timing of revenue recognition				
Revenue recognised over time	182,282	88,070	1,213	271,565
Revenue recognised at a point in time	–	1,970	6,423	8,393
Total revenue from contracts with customers	<u>182,282</u>	<u>90,040</u>	<u>7,636</u>	<u>279,958</u>

	Property management services	Value-added services to non-property owners	Community value-added services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020				
Category of revenue				
Rendering of services	298,900	113,022	16,240	428,162
Total revenue from contracts with customers	<u>298,900</u>	<u>113,022</u>	<u>16,240</u>	<u>428,162</u>
Geographical market				
Mainland China	<u>298,900</u>	<u>113,022</u>	<u>16,240</u>	<u>428,162</u>
Timing of revenue recognition				
Revenue recognised over time	298,900	111,184	4,078	414,162
Revenue recognised at a point in time	–	1,838	12,162	14,000
Total revenue from contracts with customers	<u>298,900</u>	<u>113,022</u>	<u>16,240</u>	<u>428,162</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year:			
Property management services	<u>27,460</u>	<u>36,197</u>	<u>48,935</u>

(ii) *Unsatisfied performance obligations*

For property management services, community value-added services and value-added services to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a regular basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Other income and gains			
Bank interest income	48	77	114
Interest income from a third party	–	94	5
Dividend income from equity investments at fair value through other comprehensive income	–	324	–
Government grants	28	903	3,661
Management consulting service fees received from a joint venture	–	170	170
Others	40	45	31
	<u>116</u>	<u>1,613</u>	<u>3,981</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Cost of services provided*		123,509	193,733	283,373
Depreciation of property, plant and equipment	13	171	334	409
Depreciation of right-of-use assets	14(a)	203	465	774
Amortisation of other intangible assets	16	370	1,603	2,230
Auditor's remuneration		14	74	1,190
Impairment of financial assets, net				
Impairment of trade receivables, net	20	468	1,812	1,917
Impairment of other receivables, net	21	16	212	259
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):				
Wages, salaries and other allowances		90,708	142,520	194,093
Pension scheme contributions and social welfare		8,303	16,790	15,638
		<u>99,011</u>	<u>159,310</u>	<u>209,731</u>

* An amount of RMB78,088,000, RMB125,317,000 and RMB171,949,000 of employee benefit expenses was included in cost of services during the years ended 31 December 2018, 2019 and 2020, respectively.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on other loans	873	541	–
Interest expense on lease liabilities (<i>note 14</i>) . . .	8	5	49
	<u>881</u>	<u>546</u>	<u>49</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

On 28 August 2020, Mr. Liu Yuhui was appointed as the director of the Company. Subsequent to the end of the Relevant Periods, Mr. Liu Yuhui was appointed as the chairman and redesignated as the executive director on 26 January 2021. Ms. Luo Hongping was appointed as the executive director of the Company on 26 January 2021. Ms. Wang Tao and Ms. Hou Sanli were appointed as non-executive directors of the Company on 26 January 2021.

Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Fees			
Other emoluments:			
Salaries, allowances and benefits in kind	–	–	–
Performance-related bonuses	–	–	–
Pension scheme contributions and social welfare	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, Ms. Luo Ying, Ms. Zou Dan and Ms. Zhang Qian were appointed as independent non-executive directors of the Company on June 22, 2021. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Liu Yuhui	-	-	-	-	-
Ms. Luo Hongping	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-executive directors:					
Ms. Wang Tao	-	-	-	-	-
Ms. Hou Sanli	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Year ended 31 December 2019

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Liu Yuhui	-	-	-	-	-
Ms. Luo Hongping	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-executive directors:					
Ms. Wang Tao	-	-	-	-	-
Ms. Hou Sanli	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Year ended 31 December 2020

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Liu Yuhui	-	-	-	-	-
Ms. Luo Hongping	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-executive directors:					
Ms. Wang Tao	-	-	-	-	-
Ms. Hou Sanli	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2018, 2019 and 2020.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2018, 2019 and 2020 included nil director. Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2018, 2019 and 2020 of the remaining 5, 5 and 5 highest paid employees, respectively, who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,218	1,852	1,759
Performance related bonuses	1,253	936	1,222
Pension scheme contributions and social welfare	311	287	321
	3,782	3,075	3,302
	<u>3,782</u>	<u>3,075</u>	<u>3,302</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2018	2019	2020
Nil to HK\$500,000	-	1	2
HK\$500,001 to HK\$1,000,000	5	4	2
HK\$1,000,001 to HK\$1,500,000	-	-	1
	5	5	5
	<u>5</u>	<u>5</u>	<u>5</u>

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the years ended 31 December 2018, 2019 and 2020.

All subsidiaries of the Group operating in Mainland China are taxed in accordance with the Chinese Corporate Income Tax Law. There were three types of tax rates during the Relevant Periods, including the 25% tax rate, the 15% tax rate under the western preferential tax rate policy, and the preferential tax rate policy for small and low-profit enterprises. For the years ended 31 December 2020, Lingyue Property Service and its western branches were subject to the 15% income tax rate, and the remaining branches were subject to the 25% income tax rate. Except for Sichuan Linghui and Ziyang Jiamei, the subsidiaries are subject to the preferential tax rate policy for small and low-profit enterprises. Sichuan Linghui applies a 25% income tax rate. Ziyang Jiamei applies a 15% western preferential tax rate.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current – Mainland China:			
Charge for the year	3,591	6,501	15,224
Deferred tax (<i>note 26</i>)	(132)	(311)	(1,283)
Total tax charge for the year	<u>3,459</u>	<u>6,190</u>	<u>13,941</u>

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before tax	17,533	41,550	84,202
Tax at the statutory tax rate	4,383	10,388	21,051
Lower tax rate(s) for specific provinces or enacted by local authority	(1,277)	(4,475)	(7,242)
Expenses not deductible for tax	293	307	133
Tax losses and deductible temporary differences not recognised	60	17	16
Income not subject to tax	–	(81)	–
Tax losses utilised from previous years	–	(6)	(16)
Profits and losses attributable to a joint venture . .	–	40	(1)
Tax charge at the Group's effective rate	<u>3,459</u>	<u>6,190</u>	<u>13,941</u>

The share of tax credit attributable to a joint venture amounted to nil and RMB54,000 for the years ended 31 December 2018, 2019, respectively. The share of tax charge attributable to a joint venture amounted to RMB1,000 for the years ended 31 December 2020. Both are included in "Share of profits and losses of a joint venture" in the combined statements of profit or loss and other comprehensive income.

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

The Group made distributions to the non-controlling shareholders before the completion of the Reorganisation in the amounts of nil, RMB1,243,000 and RMB3,722,000 for the years ended 31 December 2018, 2019 and 2020, respectively.

The Group made distributions to the then shareholder before the completion of the Reorganisation in the amounts of nil, RMB14,053,000 and nil for the years ended 31 December 2018, 2019 and 2020, respectively.

The Group made distributions to the then parent company before the completion of the Reorganisation in the amounts of nil, nil and RMB68,360,000 for the years ended 31 December 2018, 2019 and 2020, respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods on the basis as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000
31 December 2018			
At 1 January 2018.			
Cost	574	1,290	1,864
Accumulated depreciation.	(344)	(1,055)	(1,399)
	<u>230</u>	<u>235</u>	<u>465</u>
Net carrying amount			
At 1 January 2018.	230	235	465
Additions	–	499	499
Depreciation provided during the year (<i>note 6</i>).	(69)	(102)	(171)
	<u>161</u>	<u>632</u>	<u>793</u>
At 31 December 2018, net of accumulated depreciation			
At 31 December 2018			
Cost	574	1,789	2,363
Accumulated depreciation.	(413)	(1,157)	(1,570)
	<u>161</u>	<u>632</u>	<u>793</u>
Net carrying amount			
	Machinery	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000
31 December 2019			
At 1 January 2019.			
Cost	574	1,789	2,363
Accumulated depreciation.	(413)	(1,157)	(1,570)
	<u>161</u>	<u>632</u>	<u>793</u>
Net carrying amount			

	Machinery	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019.	161	632	793
Additions.	38	47	85
Acquisition of a subsidiary (<i>note 30</i>).	53	267	320
Depreciation provided during the year (<i>note 6</i>). . .	(115)	(219)	(334)
At 31 December 2019, net of accumulated depreciation	<u>137</u>	<u>727</u>	<u>864</u>
At 31 December 2019			
Cost	665	2,103	2,768
Accumulated depreciation.	(528)	(1,376)	(1,904)
Net carrying amount	<u>137</u>	<u>727</u>	<u>864</u>
	Machinery	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000
31 December 2020			
At 1 January 2020.			
Cost	665	2,103	2,768
Accumulated depreciation.	(528)	(1,376)	(1,904)
Net carrying amount	<u>137</u>	<u>727</u>	<u>864</u>
At 1 January 2020.	137	727	864
Additions.	137	329	466
Acquisition of a subsidiary (<i>note 30</i>).	–	5	5
Depreciation provided during the year (<i>note 6</i>). . .	(73)	(336)	(409)
At 31 December 2020, net of accumulated depreciation	<u>201</u>	<u>725</u>	<u>926</u>
At 31 December 2020			
Cost	802	2,437	3,239
Accumulated depreciation.	(601)	(1,712)	(2,313)
Net carrying amount	<u>201</u>	<u>725</u>	<u>926</u>

14. LEASES

The Group as a lessee

The Group leases certain units in buildings for its office spaces. The lease terms range from one year to five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	404	2,241
Additions	607	2,302	–
Depreciation charge (<i>note 6</i>)	(203)	(465)	(774)
	<u>404</u>	<u>2,241</u>	<u>1,467</u>

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year . . .	–	185	2,201
New leases	607	2,302	–
Accretion of interest recognised during the year (<i>note 7</i>)	8	5	49
Payments	(430)	(291)	(762)
	<u>185</u>	<u>2,201</u>	<u>1,488</u>

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Analysed into:			
Current portion	185	713	713
Non-current portion	–	1,488	775
	<u>185</u>	<u>1,488</u>	<u>775</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

(e) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	8	5	49
Depreciation charge of right-of-use assets	203	465	774
Expense relating to short-term leases (included in cost of sales).	569	1,168	1,183
Total amount recognised in profit or loss.	<u>780</u>	<u>1,638</u>	<u>2,006</u>

The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.

15. GOODWILL

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost and net carrying amount at the beginning of the year	–	4,302	18,855
Acquisition of a subsidiary (note 30)	4,302	14,553	3,917
Cost and net carrying amount at the end of the year	<u>4,302</u>	<u>18,855</u>	<u>22,772</u>

Impairment testing of goodwill

During the Relevant Periods, the Group completed the acquisition of Meishan Tianfu, Ziyang Jiamei and Chengdu Xindi at a consideration of RMB10,200,000, RMB18,861,000 and RMB9,000,000 respectively, which resulted in the recognition of goodwill of RMB4,302,000, RMB14,553,000 and RMB3,917,000, respectively.

For the purpose of impairment testing, the Group's goodwill acquired through the above business combination was related to the subsidiary which was regarded as a cash-generating unit ("CGU"). The recoverable amount of this CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management.

As at 31 December 2018

CGU	Principal business	Goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Discount rate
Meishan Tianfu	Property management	4,302	3%	3%	18.1%

As at 31 December 2019

CGU	Principal business	Goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Discount rate
Meishan Tianfu	Property management	4,302	3%	3%	17.8%
Ziyang Jiamei	Property management	14,553	3-4%	3%	17.2%

As at 31 December 2020

CGU	Principal business	Goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Discount rate
Meishan Tianfu	Property management	4,302	3%	3%	17.9%
Ziyang Jiamei	Property management	14,553	3-4%	3%	17.7%
Chengdu Xindi	Property management	3,917	4-105%	3%	17.6%

Assumptions were used in the value-in-use calculations of the above mentioned CGU for the Relevant Periods. The following describes each key assumption on which management had based its cash flow projections of the CGU to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Annual revenue growth rate – The predicted revenue growth rate of the CGU for the five years subsequent to the date of assessment is one of the assumptions used in the value-in-use calculations.

Terminal growth rate – The terminal growth rate was estimated to be 3.0% which has taken into consideration the prevailing industry practice.

Details of the headroom measured by the excess of the recoverable amount over the carrying amount of the CGU as at 31 December 2018, 2019 and 2020 are set out as follows:

	31 December		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Meishan Tianfu.	3,766	5,550	7,473
Ziyang Jiamei	–	11,064	18,200
Chengdu Xindi	–	–	2,473
	<u>3,766</u>	<u>16,614</u>	<u>28,146</u>

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the hypothetical changes to the discount rate or annual revenue growth rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2018, 2019 and 2020:

	Meishan Tianfu	Ziyang Jiamei	Chengdu Xindi
As at 31 December 2018			
Increase in discount rate	2.6%	–	–
Decrease in annual revenue growth rate.	3.0%	–	–
As at 31 December 2019			
Increase in discount rate	3.9%	2.8%	–
Decrease in annual revenue growth rate.	3.8%	2.6%	–
As at 31 December 2020			
Increase in discount rate	5.7%	5.1%	4.2%
Decrease in annual revenue growth rate.	5.5%	5.6%	3.9%

At the end of each of the Relevant Periods, the management of the Group considered there was no reasonably possible change in the key assumptions mentioned above that would cause the carrying amount of CGU to exceed its recoverable amount. The management of the Group determined that there was no impairment of its CGU.

16. OTHER INTANGIBLE ASSETS

	<u>Software</u>	<u>Customer relationship</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
31 December 2018			
At the beginning of the year:			
Cost	62	–	62
Accumulated amortisation	(62)	–	(62)
Net carrying amount	<u>–</u>	<u>–</u>	<u>–</u>
Carrying amount at the beginning of the year	–	–	–
Additions	162	–	162
Acquisition of a subsidiary (<i>note 30</i>)	–	8,665	8,665
Amortisation provided during the year (<i>note 6</i>)	(9)	(361)	(370)
Carrying amount at the end of the year	<u>153</u>	<u>8,304</u>	<u>8,457</u>
At the end of the year:			
Cost	224	8,665	8,889
Accumulated amortisation	(71)	(361)	(432)
Net carrying amount	<u>153</u>	<u>8,304</u>	<u>8,457</u>
	<u>Software</u>	<u>Customer relationship</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
31 December 2019			
At the beginning of the year:			
Cost	224	8,665	8,889
Accumulated amortisation	(71)	(361)	(432)
Net carrying amount	<u>153</u>	<u>8,304</u>	<u>8,457</u>
Carrying amount at the beginning of the year	153	8,304	8,457
Additions	50	–	50
Acquisition of a subsidiary (<i>note 30</i>)	–	12,651	12,651
Amortisation provided during the year (<i>note 6</i>)	(104)	(1,499)	(1,603)
Carrying amount at the end of the year	<u>99</u>	<u>19,456</u>	<u>19,555</u>
At the end of the year:			
Cost	274	21,316	21,590
Accumulated amortisation	(175)	(1,860)	(2,035)
Net carrying amount	<u>99</u>	<u>19,456</u>	<u>19,555</u>

	Software	Customer relationship	Total
	RMB'000	RMB'000	RMB'000
31 December 2020			
At the beginning of the year:			
Cost	274	21,316	21,590
Accumulated amortisation	(175)	(1,860)	(2,035)
Net carrying amount	<u>99</u>	<u>19,456</u>	<u>19,555</u>
Carrying amount at the beginning of the year	99	19,456	19,555
Additions	31	–	31
Acquisition of a subsidiary (note 30)	–	979	979
Amortisation provided during the year (note 6)	(58)	(2,172)	(2,230)
Carrying amount at the end of the year	<u>72</u>	<u>18,263</u>	<u>18,335</u>
At the end of the year:			
Cost	305	22,296	22,601
Accumulated amortisation	(233)	(4,033)	(4,266)
Net carrying amount	<u>72</u>	<u>18,263</u>	<u>18,335</u>

17. INVESTMENT IN A JOINT VENTURE

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of net assets	–	64	68

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
鎮雄領匯物業管理有限公司 Zhenxiong Linghui Property Management Co., Ltd. ("Zhenxiong Linghui")	RMB500,000	PRC/Mainland China	45%	45%	45%	Property management

Pursuant to the investment framework agreement and the articles of association of Zhenxiong Linghui, all shareholder resolutions of the entity shall be resolved by all shareholders on a unanimous basis. Therefore, the entity was accounted for as a joint venture of the Group as at 31 December 2019 and 2020.

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of the joint venture's profit/(loss) for the year	–	(161)	4
Share of the joint venture's total comprehensive loss	–	(161)	4
Aggregate carrying amount of the Group's investment in the joint venture.	–	64	68

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value.	6,921	6,773	6,323

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

19. INVENTORIES

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Carparks purchased from a related party	–	–	2,155

20. TRADE RECEIVABLES

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade receivables	23,941	46,693	59,120
Impairment	(2,942)	(4,754)	(6,671)
	20,999	41,939	52,449

Trade receivables mainly arise from property management services, value-added services to non-property owners and community value-added services.

Property management services, value-added services to non-property owners and community value-added services are provided in accordance with the terms of the relevant agreements, and the receivables are due for payment upon the issuance of the demand notes.

An ageing analysis of the trade receivables as at the end of each of Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	16,207	35,686	39,298
1 to 2 years	3,489	4,363	8,776
2 to 3 years	958	1,330	2,995
Over 3 years	345	560	1,380
	<u>20,999</u>	<u>41,939</u>	<u>52,449</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	2,474	2,942	4,754
Impairment losses, net (<i>note 6</i>)	468	1,812	1,917
Amount written off as uncollectible	–	–	–
At end of year	<u>2,942</u>	<u>4,754</u>	<u>6,671</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2018

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate (%)	5.74	17.26	36.18	66.47	
Gross carrying amount (RMB'000)	17,194	4,217	1,501	1,029	23,941
Expected credit losses (RMB'000)	987	728	543	684	2,942

31 December 2019

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate (%) . . .	5.63	17.38	36.03	63.09	
Gross carrying amount (RMB'000)	37,816	5,281	2,079	1,517	46,693
Expected credit losses (RMB'000)	2,130	918	749	957	4,754

31 December 2020

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate (%) . . .	5.38	15.88	29.14	52.87	
Gross carrying amount (RMB'000)	41,532	10,433	4,225	2,930	59,120
Expected credit losses (RMB'000)	2,234	1,657	1,231	1,549	6,671

21. PREPAYMENTS AND OTHER RECEIVABLES

	31 December		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current			
Due from third parties (<i>note 34</i>)	–	11,051	9,360
Prepayments on behalf of customers to utility suppliers	813	2,075	3,327
Due from a non-controlling shareholders of a subsidiary (<i>note 34</i>)	2,700	3,038	1,511
Other prepayments	1,357	3,338	8,319
Advances to employees	995	1,675	1,690
Deposits	281	1,337	2,542
Other receivables (<i>note 34</i>)	1,159	2,593	4,269
	<u>7,305</u>	<u>25,107</u>	<u>31,018</u>
Less: Allowance for impairment	<u>(121)</u>	<u>(333)</u>	<u>(592)</u>
	<u>7,184</u>	<u>24,774</u>	<u>30,426</u>
Non-current			
Prepayments for investments in a subsidiary . . .	<u>–</u>	<u>1,667</u>	<u>–</u>

Other receivables are unsecured and have no fixed terms of repayment.

The movements in the loss allowance for impairment of other receivables are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	105	121	333
Impairment losses, net (<i>note 6</i>)	16	212	259
Amount written off as uncollectible	–	–	–
At end of year	<u>121</u>	<u>333</u>	<u>592</u>

For other receivables included in amounts due from third parties, advances to employees and deposits, the Group made periodic individual assessment on the recoverability based on historical settlement records and past experience. The Group has assessed that the credit risk of these other receivables has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs, and has assessed that the expected credit losses are immaterial.

For other receivables included in prepayments on behalf of customers to utility suppliers and other receivables, the Group determined the expected credit loss rate by considering the nature and historical default rates. The Group applied a 5% expected credit loss rate to these other receivables during the Relevant Periods.

22. CASH AND CASH EQUIVALENTS

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash and bank balances	24,384	31,096	68,274
Less: Pledged deposits	25	–	–
Cash and cash equivalents	<u>24,359</u>	<u>31,096</u>	<u>68,274</u>

At 31 December 2018, 2019 and 2020, all the Group's cash and bank balances were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2018, bank deposits of RMB25,000 were pledged as security for bidding projects.

The Group collects deposits from profitable operating activities in the common areas of the community in accordance with the relevant rules and regulations in the PRC.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values at 31 December 2018, 2019 and 2020.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	4,589	8,819	18,429
Over 1 year	293	277	191
	4,882	9,096	18,620
	4,882	9,096	18,620

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2018, 2019 and 2020, the carrying amounts of trade payables approximated to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	Note	31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	36,197	57,692	62,360
Pending output value added tax		2,172	3,461	3,742
Payroll and welfare payables		19,982	19,821	24,166
Deposits received (note 34)		19,604	18,736	14,465
Receipts on behalf of customers for utilities (note 34)		2,146	6,564	11,640
Consideration payables for acquisition of a subsidiary (note 34)		3,060	1,509	–
Business tax and surcharges		3,091	2,928	2,411
Due to non-controlling shareholders of subsidiaries (note 34)		1,914	8,083	9,988
Dividends payable to non-controlling shareholders of subsidiaries (note 34)		–	–	2,195
Listing expenses (note 34)		–	–	12,918
Others (note 34)		3,566	3,417	4,638
		91,732	122,211	148,523
		91,732	122,211	148,523

Note:

(a) Details of contract liabilities are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>			
Property management services	36,197	57,692	62,360
Total contract liabilities	36,197	57,692	62,360
	36,197	57,692	62,360

	Accrued expenses	Lease liabilities	Tax loss	Fair value adjustment of equity investments at FVOCI	Impairment of financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018 and 1 January 2019 . . .	–	1	–	581	469	1,051
Acquisition of a subsidiary (<i>note 30</i>) . . .	–	–	1,395	–	–	1,395
Deferred tax credited to other comprehensive income.	–	–	–	22	–	22
Deferred tax credited to profit or loss during the year (<i>note 10</i>) . . .	–	1	(234)	–	319	86
At 31 December 2019 and 1 January 2020 . . .	–	2	1,161	603	788	2,554
Acquisition of a subsidiary (<i>note 30</i>) . . .	–	–	–	–	127	127
Disposal of a subsidiary (<i>note 31</i>).	–	–	–	–	(1)	(1)
Deferred tax credited to other comprehensive income.	–	–	–	68	–	68
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>) . . .	451	7	192	–	311	961
At 31 December 2020 . . .	451	9	1,353	671	1,224	3,709

Deferred tax liabilities

	Amortisation of intangible assets	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018.	–	–	–
Deferred tax (credited)/charged to profit or loss during the year (<i>note 10</i>)	(54)	1	(53)
Acquisition of a subsidiary (<i>note 30</i>)	1,300	–	1,300
At 31 December 2018 and 1 January 2019.	1,246	1	1,247
Deferred tax (credited)/charged to profit or loss during the year (<i>note 10</i>)	(226)	1	(225)
Acquisition of a subsidiary (<i>note 30</i>)	1,898	–	1,898
At 31 December 2019 and 1 January 2020.	2,918	2	2,920

	Amortisation of intangible assets	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
Deferred tax (credited)/charged to profit or loss during the year (<i>note 10</i>)	(326)	4	(322)
Acquisition of a subsidiary (<i>note 30</i>)	147	–	147
At 31 December 2020	<u>2,739</u>	<u>6</u>	<u>2,745</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the combined statements of financial position	<u>1,050</u>	<u>2,552</u>	<u>3,703</u>
Net deferred tax liabilities recognised in the combined statements of financial position	<u>1,246</u>	<u>2,918</u>	<u>2,739</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, 2019 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors determined that the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so such retained earnings are not likely to be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,938,000, RMB7,189,000 and RMB5,484,000 for the years ended 31 December 2018, 2019 and 2020, respectively.

Deferred tax assets have not been recognised in respect of the following items:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Deductible temporary differences.	31	44	55
Tax losses.	<u>30</u>	<u>28</u>	<u>17</u>

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences arising in Mainland China of RMB62,000, RMB72,000 and RMB72,000 as at 31 December 2018, 2019 and 2020, respectively, as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The Group had tax losses arising in Mainland China of nil, RMB7,741,000 and RMB9,021,000 as at 31 December 2018, 2019 and 2020, respectively, that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose.

27. SHARE CAPITAL

	31 December		
	2018	2019	2020
	HK\$	HK\$	HK\$
Authorised:			
38,000,000 ordinary shares of HK\$0.01 each . .	—	—	—

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 31 December 2017 and 1 January 2018		
Issuance of new shares	—	—
At 31 December 2018 and 1 January 2019		
Issuance of new shares	—	—
At 31 December 2019 and 1 January 2020		
Issuance of new shares	10,000	—*
At 31 December 2020	10,000	—*

* Less than HK\$1,000

On 28 August 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued to the initial subscriber, an independent third party and such share was transferred to Yuelai Holding Limited on the same date. On 28 August 2020, an additional 9,999 shares were allotted and issued in the following manner:

- (a) 3,315 shares to Yuelai Holding Limited, which was wholly owned by Mr. Liu Yuhui;
- (b) 3,316 shares to Linghui Holding Limited, which was wholly owned by Mr. Liu Ce;
- (c) 3,317 shares to Tianyue Holding Limited, which was wholly owned by Mr. Liu Haowei;
- (d) 17 shares to Linghui Capital Limited, which was wholly owned by Ms. Hou Sanli;
- (e) 17 shares to Fusheng Capital Holding Limited, which was wholly owned by Ms. Long Yiqin; and
- (f) 17 shares to Tianyue Capital Limited, which was wholly owned by Ms. Wang Tao.

On 21 January 2021, 50,000 shares were allotted and issued in the following manner:

- (a) 16,381 shares to Yuelai Holding Limited, which was wholly owned by Mr. Liu Yuhui;
- (b) 16,381 shares to Linghui Holding Limited, which was wholly owned by Mr. Liu Ce;
- (c) 16,386 shares to Tianyue Holding Limited, which was wholly owned by Mr. Liu Haowei;
- (d) 84 shares to Linghui Capital Limited, which was wholly owned by Ms. Hou Sanli;
- (e) 84 shares to Fusheng Capital Holding Limited, which was wholly owned by Ms. Long Yiqin;
- (f) 84 shares to Tianyue Capital Limited, which was wholly owned by Ms. Wang Tao; and
- (g) 600 shares to Duyue Holding Limited, which was wholly owned by Mr. Wei Yue.

Pursuant to the written resolutions of the Controlling Shareholders passed on June 22, 2021 the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$6,000,000 divided into 600,000,000 shares by the creation of 562,000,000 additional shares.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

(a) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(b) Capital reserve

The excess of the par value over the share capital of the Company was recognised as capital reserve.

(c) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income represents unrealised fair value gains or losses for equity investment designated at FVOCI.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

29. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests			
Jilin Junyi	45%	45%	45%
Meishan Tianfu	49%	49%	49%
Qiannanhu Life Property Service Co., Ltd. (“Qiannanhu Life”)	49%	49%	49%
Ziyang Jiamei	–	46%	46%
Profit for the year allocated to non-controlling interests			
Jilin Junyi	1,609	1,088	1,177
Meishan Tianfu	442	1,164	930
Qiannanhu Life	86	680	–
Ziyang Jiamei	–	370	2,625
Dividends paid/payable to non-controlling interests of			
Jilin Junyi	–	1,243	2,195
Meishan Tianfu	–	–	1,527
Accumulated balances of non-controlling interests			
Jilin Junyi	3,124	2,969	1,952
Meishan Tianfu	6,109	7,273	6,675
Qiannanhu Life	331	1,011	–
Ziyang Jiamei	–	4,086	6,711

The following tables illustrate the summarised financial information of the above subsidiaries, from the date they became subsidiaries of the Group to 31 December 2018, 2019 and 2020.

The amounts disclosed are before any inter-company eliminations:

	Jilin Junyi	Meishan Tianfu	Qiannanhu Life
	RMB'000	RMB'000	RMB'000
2018			
Revenue	13,033	4,912	4,095
Total expenses	(9,457)	(4,010)	(3,919)
Profit for the year	3,576	902	176
Total comprehensive income for the year	3,576	902	176
Current assets	12,479	14,316	5,424
Non-current assets	4	8,304	2
Current liabilities	(5,540)	(8,907)	(4,750)
Non-current liabilities	–	(1,246)	–
Net cash flows from operating activities	2,270	4,182	3,242
Net cash flows from investing activities	–	1,500	–
Net increase in cash and cash equivalents	2,270	5,682	3,242

	Ziyang Jiamei	Jilin Junyi	Meishan Tianfu	Qiannanhu Life
2019	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	38,310	10,874	12,684	4,470
Total expenses	(37,510)	(8,457)	(10,309)	(3,083)
Profit for the year	800	2,417	2,375	1,387
Total comprehensive income for the year	<u>800</u>	<u>2,417</u>	<u>2,375</u>	<u>1,387</u>
Current assets	18,425	13,571	15,097	5,846
Non-current assets	13,501	4	7,438	1
Current liabilities	(21,301)	(6,977)	(6,576)	(3,783)
Non-current liabilities	<u>(1,803)</u>	<u>-</u>	<u>(1,116)</u>	<u>-</u>
Net cash flows from/(used in) operating activities	1,550	(390)	(1,892)	(345)
Net cash flows used in investing activities	-	-	(338)	-
Net cash flows used in financing activities	<u>-</u>	<u>(2,762)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,550</u>	<u>(3,152)</u>	<u>(2,230)</u>	<u>(345)</u>
	Ziyang Jiamei	Jilin Junyi	Meishan Tianfu	
2020	RMB'000	RMB'000	RMB'000	
Revenue	87,344	10,473	13,423	
Total expenses	(81,676)	(7,858)	(11,525)	
Profit for the year	5,668	2,615	1,898	
Total comprehensive income for the year	<u>5,668</u>	<u>2,615</u>	<u>1,898</u>	
Current assets	29,380	14,346	13,460	
Non-current assets	12,431	4	6,571	
Current liabilities	(25,706)	(10,014)	(5,423)	
Non-current liabilities	<u>(1,613)</u>	<u>-</u>	<u>(986)</u>	
Net cash flows from/(used in) operating activities	8,821	(890)	48	
Net cash flows from investing activities	<u>1,674</u>	<u>-</u>	<u>-</u>	
Net increase/(decrease) in cash and cash equivalents	<u>10,495</u>	<u>(890)</u>	<u>48</u>	

30. BUSINESS COMBINATIONS

31 December 2018

On 28 July 2018, the Group acquired a 51% interest in Meishan Tianfu from an independent third party with a cash consideration of RMB10,200,000. Meishan Tianfu is engaged in the provision of property management and other community services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB7,140,000 paid on 14 September 2018 and 28 September 2018 and the remaining RMB3,060,000 paid on 25 September 2019 and 8 October 2019.

	Notes	Fair value recognised on acquisition
		RMB'000
Other intangible assets	16	8,665
Trade receivables		620
Cash and cash equivalents		24
Prepayments and other receivables		4,200
Other payables and accruals		(644)
Deferred tax liabilities	26	(1,300)
		<hr/>
Total identifiable net assets at fair value		11,565
Non-controlling interests		(5,667)
		<hr/>
Goodwill on acquisition	15	4,302
		<hr/>
Satisfied by cash		10,200
		<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Total cash consideration	(10,200)
Consideration to be paid included in other payables (<i>note 24</i>)	3,060
Total cash and cash equivalents acquired	24
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition	(7,116)
	<hr/> <hr/>

Since the acquisition, Meishan Tianfu contributed RMB4,912,000 to the Group's revenue and a profit of RMB902,000 to the combined profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the combined revenue of the Group and the combined profit of the Group for the year ended 31 December 2018 would have been RMB171,495,000 and RMB13,515,000, respectively.

31 December 2019

On 12 July 2019, the Group acquired a 53.69% interest in Ziyang Jiamei from an independent third party with a cash consideration of RMB18,861,000. Ziyang Jiamei is engaged in the provision of property management and other community services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB3,772,000 paid on 17 July 2019, RMB13,580,000 paid on 27 December 2019 and the remaining RMB1,509,000 paid on 15 September 2020.

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	13	320
Other intangible assets	16	12,651
Deferred tax assets	26	1,395
Prepayments and other receivables		3,536
Cash and cash equivalents		4,697
Trade payables		(460)
Other payables and accruals		(12,217)
Deferred tax liabilities	26	(1,898)
		<hr/>
Total identifiable net assets at fair value		8,024
Non-controlling interests		(3,716)
		<hr/>
Goodwill on acquisition	15	14,553
		<hr/>
Satisfied by cash		18,861
		<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Total cash consideration	(18,861)
Consideration to be paid included in other payables (<i>note 24</i>)	1,509
Total cash and cash equivalents acquired	4,697
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition	(12,655)
	<hr/> <hr/>

Since the acquisition, Ziyang Jiamei contributed RMB38,310,000 to the Group's revenue and a profit of RMB800,000 to the combined profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the combined revenue of the Group and the combined profit of the Group for the year ended 31 December 2019 would have been RMB305,029,000 and RMB27,547,000, respectively.

31 December 2020

On 7 August 2020, the Group acquired a 100% interest in Chengdu Xindi from an independent third party with a cash consideration of RMB9,000,000. Chengdu Xindi is engaged in the provision of property management and other community services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB550,000 paid on 13 June 2019, RMB1,117,000 paid on 21 November 2019 and the remaining RMB7,333,000 paid on 5 July 2020 and 17 July 2020.

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	13	5
Other intangible assets	16	979
Deferred tax assets	26	127
Trade receivables		2,003
Prepayments and other receivables		166
Cash and cash equivalents		2,923
Other payables and accruals		(652)
Tax payable		(321)
Deferred tax liabilities	26	(147)
		<hr/>
Total identifiable net assets at fair value		5,083
Non-controlling interests		–
		<hr/>
Goodwill on acquisition	15	3,917
		<hr/>
Satisfied by cash		9,000
		<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Total cash consideration	(9,000)
Advance payment for acquisition of a subsidiary	1,667
Total cash and cash equivalents acquired	2,923
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition	(4,410)
	<hr/> <hr/>

Since the acquisition, Chengdu Xindi contributed RMB1,221,000 to the Group's revenue and a loss of RMB356,000 to the combined profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the combined revenue of the Group and the combined profit of the Group for the year ended 31 December 2020 would have been RMB430,321,000 and RMB69,846,000, respectively.

31. DISPOSAL OF SUBSIDIARIES

31 December 2020

On 6 January 2020, the Group disposed of its entire equity interest in Qiannanhuai Life to a non-controlling shareholder for a cash consideration of RMB561,000. Net assets disposed of and reconciliation of disposal loss and cash outflow on disposal are as follows:

	Note	<u>6 January 2020</u> RMB'000
Net assets disposed of:		
Deferred tax assets	26	1
Prepayments and other receivables		189
Cash and bank balances		2,897
Trade receivables		2,760
Other payables and accruals		(3,623)
Tax payable		(160)
Non-controlling interests		<u>(1,011)</u>
		1,053
Loss on disposal of a subsidiary		<u>(492)</u>
		<u>561</u>
Satisfied by:		
Cash		<u>561</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	561
Cash and bank balances disposed of	<u>(2,897)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(2,336)</u>

31 December 2020

On 28 September 2020, the Group disposed of its entire equity interest in Sichuan Rongyue Jiahui Real Estate Brokerage Co., Ltd (“Sichuan Rongyue Jiahui”) to the then shareholder for a cash consideration of RMB1. Net assets disposed of and reconciliation of disposal loss and cash outflow on disposal are as follows:

	25 September 2020
	RMB'000
Net assets disposed of:	
Prepayments and other receivables	708
Due from a related company	49
Cash and bank balances	91
Trade receivables	165
Trade payables	(178)
Other payables and accruals	(677)
Due to a related company	(13)
	<u>145</u>
Loss on disposal of a subsidiary	<u>(145)</u>
	<u>–</u>
Satisfied by:	
Cash	<u>–</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances disposed of	<u>(91)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(91)</u>

32. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

During the years ended 31 December 2018, 2019 and 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB607,000, RMB2,302,000 and nil, respectively, in respect of lease arrangements for office spaces.

(b) Changes in liabilities arising from financing activities

	Interest-bearing other borrowings	Lease liabilities	Due to related companies	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	–	–	–
Cash flows from financing activities . .	12,600	(422)	–	12,178
Cash flows from non-financing activities	–	–	40	40
New leases	–	607	–	607
Interest expenses	–	8	–	8
Interest paid classified as operating cash flows	–	(8)	–	(8)
At 31 December 2018	<u>12,600</u>	<u>185</u>	<u>40</u>	<u>12,825</u>
Cash flows from financing activities . .	(12,600)	(286)	–	(12,886)
Cash flows from non-financing activities	–	–	321	321
New leases	–	2,302	–	2,302
Interest expenses	–	5	–	5
Interest paid classified as operating cash flows	–	(5)	–	(5)
At 31 December 2019	<u>–</u>	<u>2,201</u>	<u>361</u>	<u>2,562</u>
Cash flows from financing activities . .	–	(713)	–	(713)
Cash flows from non-financing activities	–	–	149	149
New leases	–	–	–	–
Interest expenses	–	49	–	49
Interest paid classified as operating cash flows	–	(49)	–	(49)
At 31 December 2020	<u>–</u>	<u>1,488</u>	<u>510</u>	<u>1,998</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within operating activities	577	1,173	1,232
Within financing activities	422	286	713
	<u>999</u>	<u>1,459</u>	<u>1,945</u>

33. RELATED PARTY TRANSACTIONS

(a) Name of related parties and relationship with the Group

Name of related party	Relationship with the Group
融量集團有限公司 (“Rong Liang Group Co., Ltd.”)	The then parent company
領地集團有限公司 (“Leading Real Estate Group Co., Ltd.”)	Company controlled by the Controlling Shareholders
樂山領地房地產開發有限公司 (“Leshan Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌領地房地產開發有限公司 (“Xichang Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都領地泛太房地產開發有限公司 (“Chengdu Leading Fantai Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安領地房地產開發有限公司 (“Ya’an Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
廣東領地房地產開發有限公司 (“Guangdong Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
佛山市南海領地房地產開發有限公司 (“Foshan Nanhai Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
惠州領地房地產開發有限公司 (“Huizhou Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
汕尾市領地房地產開發有限公司 (“Shanwei City Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
吉林省領地房地產開發有限公司 (“Jilin Province Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
新疆領地房地產開發有限公司 (“Xinjiang Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都港基房地產開發有限公司 (“Chengdu Gangji Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
沐川海納房地產開發有限公司 (“Muchuan Haina Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
樂山領悅房地產開發有限公司 (“Leshan Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
樂山華匯達房地產開發有限公司 (“Leshan Huahuida Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
樂山華瑞房地產開發有限公司 (“Leshan Huarui Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川融悅嘉匯房地產經紀有限公司 (“Sichuan Rongyue Jiahui Real Estate Brokerage Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川凱旋房地產開發有限公司 (“Sichuan Kaixuan Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川陸地房地產開發有限公司 (“Sichuan Ludi Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川源地房地產開發有限公司 (“Sichuan Yuandi Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
眉山唯創房地產開發有限公司 (“Meishan Weichuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
仁壽領創房地產開發有限公司 (“Renshou Lingchuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
眉山川瑞達房地產開發有限公司 (“Meishan Chuanruida Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders

Name of related party	Relationship with the Group
西昌唯創房地產開發有限公司 (“Xichang Weichuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌領創房地產開發有限公司 (“Xichang Lingchuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌領悅房地產開發有限公司 (“Xichang Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
攀枝花領悅房地產開發有限公司 (“Panzhihua Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌恒量房地產開發有限公司 (“Xichang Hengliang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都悅航房地產開發有限公司 (“Chengdu Yuehang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
重慶泛太房地產開發有限公司 (“Chongqing Fantai Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
南充領創房地產開發有限公司 (“Nanchong Lingchuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
綿陽嘉瑞誠房地產開發有限公司 (“Mianyang Jiariucheng Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安領悅房地產開發有限公司 (“Ya’an Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安源地房地產開發有限公司 (“Ya’an Yuandi Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安領地房地產開發有限公司 (“Ya’an Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安泛亞房地產開發有限公司 (“Ya’an Pan Asia Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安唯創房地產開發有限公司 (“Ya’an Weichuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安新領域房地產開發有限公司 (“Ya’an New Field Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
雅安金宏房地產開發有限公司 (“Ya’an Jinhong Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
南充領悅房地產開發有限公司 (“Nanchong Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
廣東領悅房地產開發有限公司 (“Guangdong Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
佛山市禪城區領悅房地產開發有限公司 (“Foshan Chancheng Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
駐馬店盛世偉光房地產開發有限公司 (“Zhumadian Shengshi Weiguang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
駐馬店盛世匯通房地產開發有限公司 (“Zhumadian Shengshi Huitong Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
駐馬店偉昇房地產開發有限公司 (“Zhumadian Weisheng Real Estate Development Co. Ltd.”)	Company controlled by the Controlling Shareholders
駐馬店偉順房地產開發有限公司 (“Zhumadian Weishun Real Estate Development Co. Ltd.”)	Company controlled by the Controlling Shareholders
駐馬店偉匯房地產開發有限公司 (“Zhumadian Weihui Real Estate Development Co. Ltd.”)	Company controlled by the Controlling Shareholders
承德市君越房地產開發有限公司 (“Chengde Junyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
承德市雙灤區海建房地產開發有限公司 (“Chengde Shuangluan Haijian Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders

Name of related party	Relationship with the Group
荊州領創房地產開發有限公司 (“Jingzhou Lingchuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
貴州川達房地產開發有限公司 (“Guizhou Chuanda Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
庫爾勒領創房地產開發有限公司 (“Korla Lingchuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
新疆兆龍誠祥房地產開發有限公司 (“Xinjiang Zhaolong Chengxiang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
新疆民佰房地產開發有限公司 (“Xinjiang Minbai Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
綿陽鴻遠領悅房地產開發有限公司 (“Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都寶瑞商業管理有限公司 (“Chengdu Baorui Business Management Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌寶瑞商業管理有限公司 (“Xichang Baorui Business Management Co., Ltd.”)	Company controlled by the Controlling Shareholders
長春寶瑞企業管理有限公司 (“Changchun Baorui Enterprise Management Co., Ltd.”)	Company controlled by the Controlling Shareholders
西藏陸地實業有限公司 (“Tibet Ludi Industrial Co., Ltd.”)	Company controlled by the Controlling Shareholders
眉山華瑞宏大置業有限公司 (“Meishan Huarui Honda Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌嘉悅蜀韻酒店管理有限公司 (“Xichang Jiayue Shuyun Hotel Management Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌市海誠旅遊開發有限公司 (“Xichang Haicheng Tourism Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
郫縣升達置業有限責任公司 (“Pixian Shengda Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都漢景實業有限公司 (“Chengdu Hanjing Industrial Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都新隆置業有限公司 (“Chengdu Xinlong Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
新津菁陽投資有限公司 (“Xinjin Jingyang Investment Co., Ltd.”)	Company controlled by the Controlling Shareholders
綿陽市三和實業有限公司 (“Mianyang Sanhe Industrial Co., Ltd.”)	Company controlled by the Controlling Shareholders
綿陽市宇航數碼科技有限公司 (“Mianyang Yuhang Digital Technology Co., Ltd.”)	Company controlled by the Controlling Shareholders
綿陽金泰實業有限公司 (“Mianyang Jintai Industrial Co., Ltd.”)	Company controlled by the Controlling Shareholders
深圳市榮啟投資發展有限公司 (“Shenzhen Rongqi Investment Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
凱里凱龍置業有限公司 (“Kaili Kailong Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川領慈健康產業有限公司 (“Sichuan Lingci Health Industry Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都青羊至誠和愛門診部有限公司 (“Chengdu Qingyang Zhicheng HeAi Clinic Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都佳雪置業有限公司 (“Chengdu Jiaxue Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川宏晟悅華房地產開發有限公司 (“Sichuan Hongsheng Yuehua Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders

Name of related party	Relationship with the Group
四川長壽坊房地產開發有限責任公司 (“Sichuan Changshoufang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
眉山領地房地產開發有限公司 (“Meishan Leading Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都領跑房地產開發有限公司 (“Chengdu Lingpao Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
承德川達房地產開發有限公司 (“Chengde Chuanda Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
鄭州領域房地產開發有限公司 (“Zhengzhou Lingyu Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
鄭州泛達房地產開發有限公司 (“Zhengzhou Fanda Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
荊州領悅房地產開發有限公司 (“Jingzhou Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都信勉置業有限公司 (“Chengdu Xinmian Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
烏魯木齊領地瑞華房地產開發有限公司 (“Urumqi Leading Ruihua Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
烏魯木齊領地恒達房地產開發有限公司 (“Urumqi Leading Hengda Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
仁壽領悅房地產開發有限公司 (“Renshou Lingyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
仁壽源地房地產開發有限公司 (“Renshou Yuandi Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
瀘州泛亞房地產開發有限公司 (“Luzhou Fanya Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌泛太房地產開發有限公司 (“Xichang Fantai Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
宜賓川瑞達房地產開發有限公司 (“Yibin Chuanruida Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
廣元唯創房地產開發有限公司 (“Guangyuan Weichuang Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
會理霞光置業有限公司 (“Huili Xianguang Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
漯河偉悅房地產開發有限公司 (“Luohe Weiyue Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
南充源地房地產開發有限公司 (“Nanchong Yuandi Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
攀枝花唯創房地產開發有限公司 (“Panzhuhua Weichuang Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
彭州旭合置業有限公司 (“Pengzhou Xuhe Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
西昌廣源房地產開發有限公司 (“Xichang Guangyuan Real Estate Development Co., Ltd.”)	Company controlled by the Controlling Shareholders
新松機器人產業發展(張家界)有限公司 (“Sinsong Robot Industry Development (Zhangjiajie) Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都潤德英赫置業有限公司 (“Chengdu Runde Yinghe Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
成都領源英赫置業有限公司 (“Chengdu Lingyuan Yinghe Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
四川省瑞與祥房地產開發有限公司 (“Sichuan Ruiyuxiang Real Estate Co., Ltd.”)	Joint venture of Leading Holdings Group

Name of related party	Relationship with the Group
雅安城投領地房地產開發有限公司 (“Ya’an Chengtuo Leading Real Estate Development Co., Ltd.”) . . .	Joint venture of Leading Holdings Group
樂山川達房地產開發有限公司 (“Leshan Chuanda Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
樂山領創房地產開發有限公司 (“Leshan Leading Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
雅安聖域房地產開發有限公司 (“Ya’an Shengyu Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
樂山市碧盛房地產開發有限公司 (“Leshan Bisheng Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
江油碧智房地產開發有限公司 (“Jiangyou Bizhi Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
瀛凱眾成文化投資有限公司 (“Yingkai Zhongcheng Cultural Investment Co., Ltd.”)	Joint venture of Leading Holdings Group
西昌市盛碧房地產開發有限公司 (“Xichang Shengbi Real Estate Development Co., Ltd.”)	Joint venture of Leading Holdings Group
鎮雄領匯物業管理有限公司 (“Zhenxiong Linghui Property Management Co., Ltd.”)	Joint venture

- (b) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Advances to related companies			
Companies controlled by the Controlling Shareholders	55,836	96,137	2,192
The then parent company	–	96,727	69,506
Repayment of advances to related companies			
Companies controlled by the Controlling Shareholders	47,435	137,687	2,192
The then parent company	–	83,074	65,780
Property management services and value added services rendered to related companies (i)			
Companies controlled by the Controlling Shareholders	55,380	70,626	116,696
Joint ventures of Leading Holdings Group.	2,942	16,863	13,269
	<u>58,322</u>	<u>87,489</u>	<u>129,965</u>
Rental fees to related companies (i)			
Companies controlled by the Controlling Shareholders	186	373	733
Management consulting service income (i)			
A joint venture	–	170	170
Carparks purchased from a company (i)			
controlled by the Controlling Shareholders	–	–	2,155

- (i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Outstanding balances with related parties

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Due from related companies:			
Trade related			
Companies controlled by the Controlling Shareholders	46,551	83,179	67,856
Joint ventures of Leading Holdings Group	118	11,583	1,342
A joint venture	–	–	90
	<u>46,669</u>	<u>94,762</u>	<u>69,288</u>
Due from related companies:			
Non-trade related			
Companies controlled by the Controlling Shareholders	41,550	–	–
The then parent company	–	13,652	15,019
	<u>41,550</u>	<u>13,652</u>	<u>15,019</u>
Due to related companies:			
Trade-related			
Companies controlled by the Controlling Shareholders	40	361	510
	<u>40</u>	<u>361</u>	<u>510</u>
Due to related companies:			
Non-trade related			
The then parent company	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

All the related party balances which are non-trade in nature will be settled upon listing.

(d) Other transactions with related parties

As at 31 December 2018, the Group's borrowing of RMB12,600,000, from an independent third-party trust institution, was secured by the Group's 100% equity interests in Sichuan Huifeng Property Service Company Limited. The borrowing was also guaranteed by Leading Real Estate Group Co., Ltd. and Rong Liang Group Co., Ltd., related parties of the Group.

The above other borrowing has been fully repaid and the related pledge and the guarantees have been released subsequently.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Short term employee benefits	535	607	904
Pension scheme contributions and social welfare	118	125	138
Total compensation paid to key management personnel	<u>653</u>	<u>732</u>	<u>1,042</u>

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

31 December 2020

Financial assets

	Financial assets at amortised cost	Financial assets fair value through other comprehensive income
	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (<i>note 21</i>)	15,140	–
Equity investments at fair value through other comprehensive income (<i>note 35</i>).	–	6,323
Trade receivables (<i>note 20</i>)	52,449	–
Due from related companies (<i>note 33</i>)	84,307	–
Cash and cash equivalents (<i>note 22</i>).	68,274	–
	<u>220,170</u>	<u>6,323</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals (<i>note 24</i>)	55,844
Interest-bearing other borrowings (<i>note 25</i>)	–
Due to related parties (<i>note 33</i>).	510
Lease liabilities (<i>note 14</i>)	1,488
Trade payables (<i>note 23</i>).	18,620
	<u>76,462</u>

31 December 2019

The carrying amounts of each of the categories of financial instruments are as follows (continued):

Financial assets

	Financial assets at amortised cost	Financial assets fair value through other comprehensive income
	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (<i>note 21</i>)	16,682	–
Equity investments at fair value through other comprehensive income (<i>note 35</i>)	–	6,773
Trade receivables (<i>note 20</i>)	41,939	–
Due from related companies (<i>note 33</i>)	108,414	–
Cash and cash equivalents (<i>note 22</i>)	31,096	–
	<u>198,131</u>	<u>6,773</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals (<i>note 24</i>)	38,309
Interest-bearing other borrowings (<i>note 25</i>)	–
Due to related parties (<i>note 33</i>)	361
Lease liabilities (<i>note 14</i>)	2,201
Trade payables (<i>note 23</i>)	9,096
	<u>49,967</u>

31 December 2018

Financial assets

	Financial assets at amortised cost	Financial assets fair value through other comprehensive income
	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (<i>note 21</i>)	3,859	–
Equity investments at fair value through other comprehensive income (<i>note 35</i>)	–	6,921
Trade receivables (<i>note 20</i>)	20,999	–
Due from related companies (<i>note 33</i>)	88,219	–
Pledged deposits (<i>note 22</i>)	25	–
Cash and cash equivalents (<i>note 22</i>)	24,359	–
	<u>137,461</u>	<u>6,921</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals (<i>note 24</i>)	30,290
Interest-bearing other borrowings (<i>note 25</i>)	12,600
Due to related parties (<i>note 33</i>)	40
Lease liabilities (<i>note 14</i>)	185
Trade payables (<i>note 23</i>)	4,882
	<u>47,997</u>

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December			31 December		
	2018	2019	2020	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Equity investments designated at fair value through other comprehensive income	6,921	6,773	6,323	6,921	6,773	6,323
	<u>6,921</u>	<u>6,773</u>	<u>6,323</u>	<u>6,921</u>	<u>6,773</u>	<u>6,323</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, Interest-bearing other borrowings, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the unlisted equity investment has been estimated by using the market approach, using the ratio of price to book value ("PB ratio") of certain comparable companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the combined statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018, 2019 and 2020:

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity investments	Market approach	Discount for lack of marketability ("DLOM")	2018: 25%-30%	A 5% increase/decrease in DLOM would result in a decrease/increase in fair value by RMB477,000
			2019: 25%-30%	A 5% increase/decrease in DLOM would result in a decrease/increase in fair value by RMB467,000
			2020: 25%-30%	A 5% increase/decrease in DLOM would result in a decrease/increase in fair value by RMB436,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	—	—	—	—
Equity investments designated at fair value through other comprehensive income	—	—	6,323	6,323

31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	—	—	—	—
Equity investments designated at fair value through other comprehensive income	—	—	6,773	6,773

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	—	—	—	—
Equity investments designated at fair value through other comprehensive income	—	—	6,921	6,921

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income:			
At 1 January	9,604	6,921	6,773
Total losses recognised in other comprehensive income	(2,683)	(148)	(450)
At 31 December	<u>6,921</u>	<u>6,773</u>	<u>6,323</u>

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in trade receivables, amounts due from related companies, financial assets included in prepayments and other receivables, cash and cash equivalents, trade payables, amounts due to related companies, financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's other borrowings set out in note 25. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using fixed rate.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, financial assets included in prepayments and other receivables, amounts due from related companies, pledged deposits, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with pledged deposits and cash and cash equivalents since they are deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from the non-performance by these counterparties.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a life time expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward-looking information. As at 31 December 2018, 2019 and 2020, the Group has assessed that the expected credit loss rate for trade related amounts due from related companies was low since the related companies have a strong capacity to meet the contractual cash flow obligation in the near term. Thus, the impairment provision recognised during the Relevant Periods was nil for trade related amounts due from related companies.

For trade receivables from third parties, the Group has a large number of customers and there was no concentration of credit risk as the customer base of the Group's trade receivables is widely dispersed. In addition, the receivable balances are monitored on an ongoing basis.

The Group expected there is no significant credit risk associated with financial assets included in prepayments and other receivables since they have low historical default risk.

The Group expected the credit risk associated with non-trade related amounts due from related companies to be low, since they have a strong capacity to meet the contractual cash flow obligation in the near term. The Group has assessed that the ECL rate for non-trade related amounts due from related companies was immaterial under the 12-month ECL method and considered them to have low risk, and thus the loss allowance was immaterial.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018, 2019 and 2020.

As at 31 December 2020

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	52,449	52,449
Financial assets included in prepayments and other receivables					
– Normal**	15,140	–	–	–	15,140
Due from related companies:					
Trade related	–	–	–	69,288	69,288
Non-trade related					
– Normal**	15,019	–	–	–	15,019
Cash and cash equivalents					
– Not yet past due	68,274	–	–	–	68,274
	<u>98,433</u>	<u>–</u>	<u>–</u>	<u>121,737</u>	<u>220,170</u>

As at 31 December 2019

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	41,939	41,939
Financial assets included in prepayments and other receivables					
– Normal**	16,682	–	–	–	16,682
Due from related companies:					
Trade related	–	–	–	94,762	94,762
Non-trade related					
– Normal**	13,652	–	–	–	13,652
Cash and cash equivalents					
– Not yet past due	31,096	–	–	–	31,096
	<u>61,430</u>	<u>–</u>	<u>–</u>	<u>136,701</u>	<u>198,131</u>

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	20,999	20,999
Financial assets included in prepayments and other receivables					
– Normal**	3,859	–	–	–	3,859
Due from related companies:					
Trade related	–	–	–	46,669	46,669
Non-trade related					
– Normal**	41,550	–	–	–	41,550
Pledged deposits					
– Not yet past due	25	–	–	–	25
Cash and cash equivalents					
– Not yet past due	24,359	–	–	–	24,359
	<u>69,793</u>	<u>–</u>	<u>–</u>	<u>67,668</u>	<u>137,461</u>

* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments and other receivables and amounts due from related companies is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(c) **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

31 December 2020

	Less than 3 months or on demand	More than 3 months and within 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note 23).	18,620	–	–	18,620
Financial liabilities included in other payables and accruals (note 24)	55,844	–	–	55,844
Lease liabilities (note 14)	381	381	762	1,524
Due to related parties (note 33).	510	–	–	510
	<u>75,355</u>	<u>381</u>	<u>762</u>	<u>76,498</u>

31 December 2019

	Less than 3 months or on demand	More than 3 months and within 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note 23)	9,096	–	–	9,096
Financial liabilities included in other payables and accruals (note 24) . .	38,309	–	–	38,309
Lease liabilities (note 14)	190	572	1,524	2,286
Due to related parties (note 33). . . .	361	–	–	361
	<u>47,956</u>	<u>572</u>	<u>1,524</u>	<u>50,052</u>

31 December 2018

	Less than 3 months or on demand	More than 3 months and within 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note 23)	4,882	–	–	4,882
Financial liabilities included in other payables and accruals (note 24) . .	30,290	–	–	30,290
Interest-bearing other borrowings (note 25)	–	12,600	–	12,600
Lease liabilities (note 14)	–	291	–	291
Due to related parties (note 33). . . .	40	–	–	40
	<u>35,212</u>	<u>12,891</u>	<u>–</u>	<u>48,103</u>

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is the sum of interest-bearing borrowings divided by total equity. The gearing ratio as at 31 December 2018, 2019 and 2020 was as follows:

	31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest-bearing other borrowings (note 25)	12,600	–	–
Total equity	47,702	115,682	112,468
Gearing ratio	26.40%	–	–

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our combined net tangible assets as of 31 December 2020 as if it had taken place on 31 December 2020.

The unaudited pro forma adjusted combined 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 Global Offering been completed as of 31 December 2020 or any future dates. It is prepared based on our combined net tangible assets as of 31 December 2020 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted Combined net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets per Share	
	RMB'000 (note 1)	RMB'000 (note 2)		RMB (note 3)	HK\$ (note 3)
Based on an Offer Price of HK\$3.75 per Share . .	55,681	193,034	248,715	0.89	1.07
Based on an Offer Price of HK\$4.55 per Share . .	55,681	238,056	293,737	1.05	1.27

Notes:

1. The combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2020 is based on combined net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB96.8 million as extracted from the Accountants' Report set out in Appendix I to this prospectus, after netting off other intangible assets of approximately RMB18.3 million and goodwill of approximately RMB22.8 million, respectively.
2. The estimated net proceeds from the Global Offering are based on 70,000,000 Offer Shares at the indicative Price HK\$3.75 and HK\$4.55 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses payable by the Company and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB0.8289, which was the exchange rate prevailing on 18 June 2021 with reference to the rate published by PBOC. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 280,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued under the Over-allotment Option, or any Shares which may be allotted, issued or repurchased by the Company. For the purpose of the unaudited pro forma adjusted combined net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1 to RMB0.8289. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to 31 December 2020.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of Ling Yue Services Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ling Yue Services Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2020, and related notes as set out on pages II-1 to II-2 of the prospectus dated 29 June 2021 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2020 as if the transaction had taken place at 31 December 2020. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2020, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2021

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 August 2020 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 22, 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be repaid or repaid all travelling, hotel and incidental

expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has

been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to

compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the

board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the

treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 September 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting

shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on August 28, 2020. Our Company has established its principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 23, 2020. Ms. Ko Mei Ying has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the Cayman Islands Companies Act, the Memorandum and the Articles and the applicable laws of the Cayman Islands. A summary of certain provisions of the Memorandum and the Articles and relevant aspects of the Cayman Islands Companies Act is set out in "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law."

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued to an initial subscriber, who is an Independent Third Party on August 28, 2020, which was then transferred to Yuelai Holding which was wholly owned by Mr. Liu Yuhui, on the same date. On the same date, 9,999 Shares were allotted and issued in the following manner:

- (a) 3,317 Shares to Tianyue Holding which is wholly owned by Mr. Liu Haowei;
- (b) 3,316 Shares to Linghui Holding which is wholly owned by Mr. Liu Ce;
- (c) 3,315 Shares to Yuelai Holding which is wholly owned by Mr. Liu Yuhui;
- (d) 17 Shares to Tianyue Capital which is wholly owned by Ms. Wang Tao;
- (e) 17 Shares to Fusheng Capital which is wholly owned by Ms. Long Yiqin; and
- (f) 17 Shares to Linghui Capital which is wholly owned by Ms. Hou Sanli.

On January 21, 2021, 50,000 Shares were allotted and issued in the following manner:

- (a) 16,386 Shares to Tianyue Holding which is wholly owned by Mr. Liu Haowei;
- (b) 16,381 Shares to Linghui Holding which is wholly owned by Mr. Liu Ce;
- (c) 16,381 Shares to Yuelai Holding which is wholly owned by Mr. Liu Yuhui;
- (d) 84 Shares to Tianyue Capital which is wholly owned by Ms. Wang Tao;
- (e) 84 Shares to Fusheng Capital which is wholly owned by Ms. Long Yiqin;

- (f) 84 Shares to Linghui Capital which is wholly owned by Ms. Hou Sanli; and
- (g) 600 Shares to Duyue Holding which is wholly owned by Mr. Wei Yue.

Pursuant to the written resolutions of our Shareholders passed on June 22, 2021, the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$6,000,000 divided into 600,000,000 Shares by the creation of additional 562,000,000 Shares, and following such increase, the authorized share capital of our Company was HK\$6,000,000 divided into 600,000,000 Shares of HK\$0.01 each.

Immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$2,800,000 divided into 280,000,000 Shares, all fully paid or credited as fully paid, and 320,000,000 Shares will remain unissued.

Save as disclosed above and as mentioned in “—5. Written resolutions of our Shareholders passed on June 22, 2021,” there has been no alteration in the share capital of our Company since its incorporation.

3. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in note 1 of “Appendix I—Accountants’ Report.”

Set out below is certain information of our non-wholly owned subsidiaries as of the Latest Practicable Date:

<u>No.</u>	<u>Non-wholly owned subsidiary</u>	<u>Other non-Group shareholders^(Note)</u>	<u>Approximate percentage of the equity interests held</u>
1.	Zhengzhou Huiyue	Xinxiang Shenneng Real Estate Development Co., Ltd. (新鄉申能房地產開發有限公司)	48%
2.	Meishan Linghui	Meishan Wuxing Property Management Co., Ltd. (眉山市物興物業管理有限公司)	15%
		Meishan Mading Property Management Co., Ltd. (眉山馬丁物業管理有限公司)	15%
3.	Jilin Junyi	Nuoruide Investment Holding Group Co., Ltd. (諾睿德投資控股集團有限公司)	45%

No.	Non-wholly owned subsidiary	Other non-Group shareholders ^(Note)	Approximate percentage of the equity interests held
4.	Xinxiang Linghui	Xinxiang Kunpeng Property Management Co., Ltd. (新鄉市鯤鵬物業管理有限公司)	49%
5.	Meishan Tianfu	Meishan Tianfu Labor Subcontracting Co., Ltd. (眉山天富勞務分包有限公司)	49%
6.	Chengdu Hecheng	Sichuan Yihe Chengbang Culture Communication Co., Ltd. (四川一和誠邦文化傳播有限公司)	49%
7.	Sichuan Huifeng	Sichuan Jingbang Property Service Co., Ltd. (四川景邦物業服務有限公司)	25%
		Sichuan Chuanyi Huifeng Property Management Co., Ltd. (四川省川億滙豐物業管理有限公司)	25%
8.	Kuche Xingyuyue	Wang Kewei (王科偉)	45%
9.	Ziyang Jiamei	Li Yan'e (李雁鄂)	46.31%
10.	Zhumadian Huiyue	Zhumadian Jianda Real Estate Development Co., Ltd. (駐馬店建大房地產開發有限公司)	48%
11.	Bazhou Huiyue	Li Kai (李愷)	48%
12.	Kashi Hechuang	Kashi Huitai Real Estate Development Co., Ltd. (喀什慧泰房地產開發有限公司)	35%
13.	Sichuan Linghui Yisheng	Sichuan Yisheng Industrial Co., Ltd. (四川頤升實業有限公司)	49%

Note:

Save as disclosed above, to the best of our knowledge, information and belief, having made all reasonable enquiries, each of the other non-Group shareholders was Independent Third Parties save for their respective equity interests in the relevant subsidiaries of our Company as of the Latest Practicable Date.

4. Changes in the share capital or the registered capital of our subsidiaries

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital or the registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Lingyue Property Services

On October 23, 2020, the registered capital of Lingyue Property Services was increased from RMB50 million to RMB60 million.

On December 1, 2020, the registered capital of Lingyue Property Services was increased from RMB60 million to approximately RMB60.6 million.

Ziyang Jiamei

On February 4, 2021, the registered capital of Ziyang Jiamei was increased from RMB3.01 million to RMB5.01 million.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Written resolutions of our Shareholders passed on June 22, 2021

Pursuant to the written resolutions passed by our Shareholders on June 22, 2021:

- (a) we approved and conditionally adopted the Memorandum and the Articles which will become effective upon Listing;
- (b) the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$6,000,000 divided into 600,000,000 Shares by the creation of an additional 562,000,000 Shares ranking *pari passu* in all respects with the existing Shares of the Company with immediate effect;
- (c) conditional on (aa) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued pursuant to the Capitalization Issue, the Global Offering and as mentioned in this prospectus including the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme; (bb) the Offer Price having been duly determined; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreements (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorized to allot and issue the Shares upon the exercise of the Over-allotment Option;

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out “—D. Other Information—1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize the sum of HK\$2,099,400 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 209,940,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (vi) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or

any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares brought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (vi) above.

6. Reorganization

In preparation for the Listing, the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details with regard to the Reorganization, see “History, Reorganization and Corporate Structure.”

7. Buyback by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the buyback by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note:

Pursuant to the written resolutions passed by our Shareholders on June 22, 2021, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the buyback of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(ii) Source of funds

Buybacks must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles, the Listing Rules and the Cayman Islands Companies Act. A listed company may not buy back its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Core connected persons

The Listing Rules prohibit our Company from knowingly buying back the Shares on the Stock Exchange from a “core connected person,” which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his/her Shares to our Company.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buybacks

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Islands Companies Act, any buyback of Shares may also be paid out of capital.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital and/or the gearing position of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of 280,000,000 Shares in issue immediately after the Listing (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), would result in up to 28,000,000 Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of Hong Kong Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate. Our Directors have no present intention to exercise the power to buy back Shares to such extent.

If the Buyback Mandate is fully exercised immediately following completion of the Capitalization Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be 28,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Ultimate Controlling Shareholders will be increased to approximately 82.5% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement (股權轉讓協議) dated June 30, 2019 entered into between Jilin Leading Real Estate Development Co., Ltd. (吉林省領地房地產開發有限公司) and Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司), pursuant to which Jilin Leading Real Estate Development Co., Ltd. (吉

- 林省領地房地產開發有限公司) agreed to transfer its 55% equity interest in Jilin Junyi Property Services Co., Ltd. (吉林省君逸物業服務有限公司) to Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司) at a consideration of RMB433,850.65;
- (b) an equity transfer agreement (股權轉讓協議) dated July 8, 2020 entered into between Weng Xuanzhi (翁玄芝) and Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司), pursuant to which Weng Xuanzhi (翁玄芝) agreed to transfer her 100% equity interest in Xindi (Chengdu) Property Services Co., Ltd. (新地(成都)物業服務有限公司) to Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司) at a consideration of RMB9,000,000;
- (c) an equity transfer agreement (股權轉讓協議) dated September 25, 2020 entered into between Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司) and Rong Liang Group Co., Ltd. (融量集團有限公司), pursuant to which Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司) agreed to transfer its 100% equity interest in Sichuan Rongyue Jiahui Real Estate Brokerage Co., Ltd. (四川融悅嘉匯房地產經紀有限公司) to Rong Liang Group Co., Ltd. (融量集團有限公司) at a consideration of RMB1;
- (d) a capital increase agreement of Lingyue Property Services Group Co., Ltd. (關於領悅物業服務集團有限公司的增資協議) dated November 20, 2020 entered into between Rong Liang Group Co., Ltd. (融量集團有限公司) and Duyue Capital Limited, pursuant to which Duyue Capital Limited agreed to inject RMB637,375 (or its foreign currency equivalent), of which RMB606,100 to be contributed as the registered capital of Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司) and the remainder of RMB31,275 to be contributed as the capital reserve of Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司);
- (e) an equity transfer agreement (股權轉讓協議) dated December 4, 2020 entered into among Henan Meiman Property Management Co., Ltd. (河南省美滿物業管理有限公司), Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司) and Xinxiang Linghui Meiman Property Services Co., Ltd. (新鄉市領匯美滿物業服務有限公司), pursuant to which Sichuan Linghui Enterprise Management Co., Ltd. (四川領匯企業管理有限公司) agreed to transfer its 51% equity interest in Xinxiang Linghui Meiman Property Services Co., Ltd. (新鄉市領匯美滿物業服務有限公司) to Henan Meiman Property Management Co., Ltd. (河南省美滿物業管理有限公司) at nil consideration;
- (f) an equity transfer agreement on Lingyue Property Services Group Co., Ltd. (關於領悅物業服務集團有限公司的股權轉讓協議) dated December 15, 2020 entered into between Rong Liang Group Co., Ltd. (融量集團有限公司) and Chengdu Rongyue Jinghui Enterprise Management Co., Ltd. (成都融悅景匯企業管理有限公司), pursuant to which Rong Liang Group Co., Ltd. (融量集團有限公司) agreed to

transfer its 99% equity interest in Lingyue Property Services Group Co., Ltd. (領悦物業服務集團有限公司) to Chengdu Rongyue Jinghui Enterprise Management Co., Ltd. (成都融悦景匯企業管理有限公司) at a consideration of RMB63,056,900;

- (g) a share transfer agreement (股份轉讓協議) dated January 21, 2021 entered into between Duyue Holding Limited and Ling Yue Group Limited (領悦集團有限公司), pursuant to which Duyue Holding Limited agreed to sell, and Ling Yue Group Limited (領悦集團有限公司) agreed to purchase one ordinary share of Duyue Investment Limited, representing 100% of the issued share capital of Duyue Investment Limited, and Ling Yue Group Limited (領悦集團有限公司) agreed to issue 600 ordinary shares with par value of HK\$0.01 each to Duyue Holding Limited as settlement;
- (h) the Deed of Indemnity; and
- (i) the Hong Kong Underwriting Agreement.

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 or may be material to our business:

No.	Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Date of expiry
1. . .	領悦	305393818	2, 6, 11, 16, 18, 19, 20, 21, 24, 25	Lingyue Property Services	Hong Kong	September 17, 2020	September 16, 2030
2. . .	領悦	305158468	9, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	Lingyue Property Services	Hong Kong	December 31, 2019	December 30, 2029
3. . .	領悦	33207299	36	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029

No.	Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Date of expiry
4. . .	领悦	33207298	37	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
5. . .	领悦	33207297	43	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
6. . .	领悦	33207296	44	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
7. . .	领悦	33207289	38	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
8. . .	领悦	33207288	40	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
9. . .	领悦	33207272	41	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
10. .	领悦	33207270	42	Lingyue Property Services	PRC	May 14, 2019	May 13, 2029
11. .	领悦	5717828	36	Lingyue Property Services	PRC	January 14, 2010	January 13, 2030
12. .	领悦	5717827	37	Lingyue Property Services	PRC	January 14, 2010	January 13, 2030
13. .	领悦	5717825	40	Lingyue Property Services	PRC	January 7, 2010	January 6, 2030
14. .	领悦	5717822	43	Lingyue Property Services	PRC	January 14, 2010	January 13, 2030
15. .	领悦	5717821	44	Lingyue Property Services	PRC	January 14, 2010	January 13, 2030

As of the Latest Practicable Date, our Group has applied for the registration of the following trademark which, in the opinion of our Directors, is or may be material to our business:

No.	Trademark	Application number	Class	Name of applicant	Place of application	Date of application
1. . .	A 	305513030	1, 2, 3, 6, 9, 11, 16, 17, 19, 20,	Lingyue Property	Hong Kong	January 21, 2021
	B 		21, 27, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	Services		

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name which, in the opinion of our Directors, is or may be material to our business:

No.	Domain Name	Name of Registered Proprietor	Date of Registration	Date of expiry
1. . . .	lingyue- service.com	Lingyue Property Services	March 10, 2020	March 10, 2022

(c) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyright which, in the opinion of our Directors, is or may be material to our business:

<u>No.</u>	<u>Copyright</u>	<u>Version</u>	<u>Registration number</u>	<u>Name of registered proprietor</u>	<u>Date of first publication</u>
1. . .	Lingyue Shi Xiang Yue property owners mobile application system (領悅“時相悅”小區業主 App系統)	V1.0	2021SR0762950	Lingyue Services	February 17, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option or any option which may be granted under the Share Option Scheme is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interest in our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of shares interested⁽¹⁾</u>	<u>Percentage of interest</u>
Mr. Liu Yuhui ⁽²⁾	Interest of a controlled corporation	207,900,000 (L)	74.25%
Ms. Wang Tao ⁽²⁾	Interest of a controlled corporation	207,900,000 (L)	74.25%
Ms. Hou Sanli ⁽²⁾	Interest of a controlled corporation	207,900,000 (L)	74.25%

Notes:

- The letter “L” denotes the person’s long position in our Shares.
- Pursuant to the Acting in Concert Deed, our Ultimate Controlling Shareholders have agreed and confirmed that from the date when they became the registered owners and/or beneficial owners of the equity interests in our Group until after Listing and to the date when any one of them cease to be our Controlling Shareholders: (a) they had been and would continue to be parties acting in concert and they have agreed to consult with each other and reach an unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group. See “Relationship with Controlling Shareholders—Acting in Concert Deed.” By virtue of the SFO, each of our Ultimate Controlling Shareholders together with their respective investment holding companies (being Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital) are all deemed to be interested in the total Shares directly held by Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital. Therefore, each of Mr. Liu Yuhui, Ms. Wang Tao and Ms. Hou Sanli is deemed to be interested in the Shares held by Tianyue Holding, Linghui Holding, Yuelai Holding, Tianyue Capital, Fusheng Capital and Linghui Capital for the purpose of Part XV of the SFO.

Interest in associated corporations of our Company

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Number of shares interested⁽¹⁾</u>	<u>Percentage of interest</u>
Mr. Liu Yuhui	Yuelai Holding	Beneficial owner	1	100%
Ms. Wang Tao	Tianyue Capital	Beneficial owner	1	100%
Ms. Hou Sanli	Linghui Capital	Beneficial owner	1	100%

Note:

- The letter “L” denotes the person’s long position in our Shares.

(b) Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the date of appointment or re-designation as an executive Director, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the date of appointment, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Mr. Liu Yuhui, our executive Director and chairman of the Board, is not entitled to remuneration. Ms. Luo Hongping, our executive Director and chief financial officer, is entitled to a remuneration and shall be paid on the basis of a twelve-month year. Each of our non-executive Directors is not entitled to remuneration. For the years ended December 31, 2018, 2019 and 2020, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid to our Directors was nil. For details, please refer to note 8 of the accountant's report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of RMB100,000 per annum to each of the independent non-executive Directors. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2021 is estimated to be no more than RMB0.7 million.

2. Substantial shareholders

(a) *Interests of the substantial Shareholders in our Company*

Save as disclosed in “Substantial Shareholders” so far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option or any option which may be granted under the Share Option Scheme is not exercised, no person (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(b) *Interests of the substantial Shareholders in other members of our Group*

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive of our Company) were entitled to exercise, or control the exercise of, 10% or more of the issued voting shares at any general meeting of other members of our Group:

<u>Members of our Group</u>	<u>Name of shareholder(s)</u>	<u>Approximate percentage of the equity interests held</u>
Zhengzhou Huiyue	Xinxiang Shenneng Real Estate Development Co., Ltd. (新鄉申能房地產開發有限公司)	48%
Meishan Linghui	Meishan Wuxing Property Management Co., Ltd. (眉山市物興物業管理有限公司)	15%
	Meishan Mading Property Management Co., Ltd. (眉山馬丁物業管理有限公司)	15%
Jilin Junyi	Nuoruide Investment Holding Group Co., Ltd. (諾睿德投資控股集團有限公司)	45%
Xinxiang Linghui	Xinxiang Kunpeng Property Management Co., Ltd. (新鄉市鯤鵬物業管理有限公司)	49%
Meishan Tianfu	Meishan Tianfu Labor Subcontracting Co., Ltd. (眉山天富勞務分包有限公司)	49%

Members of our Group	Name of shareholder(s)	Approximate percentage of the equity interests held
Chengdu Hecheng	Sichuan Yihe Chengbang Culture Communication Co., Ltd. (四川一和誠邦文化傳播有限公司)	49%
Sichuan Huifeng	Sichuan Jingbang Property Service Co., Ltd. (四川景邦物業服務有限公司)	25%
	Sichuan Chuanyi Huifeng Property Management Co., Ltd. (四川省川億滙豐物業管理有限公司)	25%
Kuche Xingyuyue	Wang Kewei (王科偉)	45%
Ziyang Jiamei	Li Yan'e (李雁鄂)	46.31%
Zhumadian Huiyue	Zhumadian Jianda Real Estate Development Co., Ltd. (駐馬店建大房地產開發有限公司)	48%
Bazhou Huiyue	Li Kai (李愷)	48%
Kashi Hechuang	Kashi Huitai Real Estate Development Co., Ltd. (喀什慧泰房地產開發有限公司)	35%
Sichuan Linghui Yisheng	Sichuan Yisheng Industrial Co., Ltd. (四川頤升實業有限公司)	49%

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted 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 prospectus.

4. Disclaimers

- (a) save as disclosed in this section, none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

- (b) none of our Directors or experts referred to under the paragraph headed “—D. Other Information—9. 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 have within the two years immediately preceding the date of this prospectus 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;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) save as disclosed in this section, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, save as disclosed in this section, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and
- (f) so far as is known to our Directors as of the Latest Practicable Date, save as disclosed in “Business” section, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on June 22, 2021.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries;
- (ii) any directors (including independent non-executive Directors) of our Company or any of our subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of our subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering, being 28,000,000 Shares (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting in compliance with Rules 17.03(3) and 17.06 of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular to be issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time. The circular to be issued by our Company shall contain the identity of the Eligible Participants, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(c) and (d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person(as defined in

the Listing Rules)) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine which including (or, alternatively, documents accompanying the offer document which state):

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c) above;
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the expiry of the option as may be determined by the Board;
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c) above; and
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of offer of the option; and
- (ii) having an aggregate value, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of option

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be), and where an option is granted to a Director:
 - (aa) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (bb) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the Listing Date. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation (which date shall be the latest actual working day with our Company or the relevant subsidiary whether salary is paid in lieu or notice or not); or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of death.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Cayman Islands Companies Act, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the

aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be allotted and issued on the exercise of options shall be subject to the provisions of the Articles of Association and shall carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations shall be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he or he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alternations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Stock Exchange granting the listing of and permission to deal in, our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waivers of any such condition(s) by the Sole Global Coordinator (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 28,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of matters, including (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Group on or before the Listing Date; (ii) any additional tax demand, late charges or penalties incurred after the Listing Date arising from any unreported tax, outstanding tax payment and any other tax liabilities resulting from any breach of applicable laws or regulations in the relevant jurisdiction by any member of the Group on or before the Listing Date; and (iii) any claims, penalties or other indebtedness resulting from any insufficient contribution to social insurance and housing provident funds during the Track Record Period as disclosed in “Business—Social Insurance and Housing Provident Fund Contributions,” save for (a) to the extent that sufficient provision or reserve has been made for such taxation or non-compliance incident in the audited combined financial statements of our Group as set out in Appendix I; (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the Listing Date without the prior written consent or agreement of our Controlling Shareholders, unless such act or omission is conducted or agreed upon in the ordinary course of business of our Group or under a legally binding obligation created on or before the Listing Date; and (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing.

3. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of US\$550,000 for acting as the sponsor for the Listing.

The Sole Sponsor has made an application on our Company’s behalf to the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). All necessary arrangements have been made for the Shares to be admitted into CCASS.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US\$3,630 and were paid by our Company.

6. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since December 31, 2020 (being the date on which the latest audited combined financial information of our Group was prepared).

7. Promoter

Our Company has no promoter. Within the two years immediately preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares**(a) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) *Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
CCB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities) Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisors to our Company as to the PRC laws
Savills Corporate Appraisal & Advisory Limited and Ningbo EH Business Consulting Co., Ltd.	Industry consultants

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its names included herein in the form and context in which they respectively appear.

10. Interests of experts in our Company

None of the persons named in “—D. Other Information—9. 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.

11. Binding effect

This prospectus shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in “History, Reorganization and Corporate Structure,” no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or payable for subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) 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 prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (f) our Directors have been advised that under Cayman Islands Companies Act the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Islands Companies Act;
- (g) our Company has no outstanding convertible debt securities or debentures;
- (h) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong; and
- (i) there is no arrangement under which future dividends are waived or agreed to be waived.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus 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 prospectus, the English language version shall prevail.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in “Appendix IV—Statutory and General Information—D. Other Information—9. Qualifications and consents of experts;” and (c) a copy of each of the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts.”

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2018, 2019 and 2020 from Ernst & Young, the text of which is respectively set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the years ended December 31, 2018, 2019 and 2020;
- (e) the legal opinion dated the prospectus date issued by Commerce & Finance Law Offices, our legal advisors as to PRC laws, in respect of certain aspects, general corporate matters and the property interest of our Group;
- (f) the letter of advice dated the prospectus date issued by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this prospectus;
- (g) the industry report issued by Savills Corporate Appraisal & Advisory Limited and Ningbo EH Business Consulting Co., Ltd.;
- (h) the Cayman Islands Companies Act;
- (i) the rules of the Share Option Scheme;

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- (j) the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts;”
- (k) the service agreements and letters of appointment entered into between our Company and each of the Directors (as applicable) referred to “Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders— 1. Directors;” and
- (l) the written consents referred to in “Appendix IV—Statutory and General Information—D. Other Information— 9. Qualifications and consents of experts.”

Ling Yue Services Group Limited
領悅服務集團有限公司

