You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountant's Report with the accompanying notes included as Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For more information, please see "Risk Factors" and "Forward-looking Statements".

*The consolidated statement of comprehensive income data and consolidated cash flow data for the years ended December 31, 2017, 2018 and 2019, and the consolidated balance sheet data as of December 31, 2017, 2018 and 2019 set forth in this Financial Information section have been derived from our audited consolidated financial statements (the "**Audited Financial Statements**") which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA.*

OVERVIEW

We are the largest property management service provider in central China by total GFA under management as of December 31, 2018 and total revenue for the year ended December 31, 2018, according to CIA. Throughout more than two decades of history, we have significantly grown our business and operations. We believe our prospects and the pursuit of better living experience and lifestyle by the people in Henan are inseparable, and our deep roots in local markets and cultures give us the scale and influence to achieve our primary goal: to create a company that offers a full spectrum of services relating to our customers' individual housing needs, and improves consumers' day-to-day lives.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands with limited liability on October 16, 2018. In preparation for the Global Offering, we underwent the Reorganization, as detailed in the section entitled "History, Reorganization and Corporate Structure". Following the Reorganization, our Company became the holding company of all the companies now comprising our Group. Our financial information has been prepared and presented as a continuation of the consolidated financial statements of Central China New Life. For further details, please refer to Note 1.3 to the Accountant's Report as set out in Appendix I to this prospectus.

The historical financial information of our Group has been prepared in accordance with HKFRS.

HKFRS 9

Adoption of new impairment model

HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses instead of as incurred losses basis under HKAS 39. We assessed that the adoption of the new impairment methodology under HKFRS 9 would not result in significant difference in bad debt provision and did not have any significant impact on our Group's consolidated financial position and performance as compared with HKAS 39.

HKFRS 15

Presentation of contract liabilities

Under HKFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration or an amount of consideration is due from the customer as contract liabilities. Should HKAS 18 be applied throughout the Track Record Period, approximately RMB131.1 million, RMB201.3 million and RMB370.0 million would be classified as advances from customers as at December 31, 2017, 2018 and 2019. Our Directors considered that the adoption of HKFRS 15 as compared to the requirements of HKAS 18 did not have any significant impact on our consolidated financial position and performance during the Track Record Period, except for classification of advances from customers to contract liabilities.

HKFRS 16

Our Group leases various properties. Under HKFRS 16, leases, which have previously been classified as "operating leases" under HKAS 17, are recognized as a right-of-use asset and "Investment Properties" and corresponding liability at the date of which the lease asset for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset and investment properties are depreciated over the lease term on a straight-line basis. Our Directors confirm that, comparing to HKAS 17, the adoption of HKFRS 16 did not have a significant impact on the Group's financial position (net assets) and performance during the Track Record Period.

The table set forth below summarised the impacts of the adoption of IFRS 16 on certain key items of our consolidated financial statements:

	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference
	RMB'000	RMB'000	RMB'000
Profit from continuing operations			
FY2017	39,126	39,134	(8)
FY2018	51,970	51,986	(16)
FY2019	232,839	232,856	(17)
Profit from discontinued operations			
FY2017	(42,602)	(39,318)	(3,284)
FY2018	(69,737)	(65,506)	(4,231)
FY2019 (Note(a))	(5,054)	(4,340)	(714)
Total assets as at:			
December 31, 2017	1,339,820	1,125,930	213,890
December 31, 2018	1,323,842	1,127,682	196,160
December 31, 2019 (Note(a))	1,463,444	1,460,319	3,125
Total liabilities as at:			
December 31, 2017	1,240,236	1,023,054	217,182
December 31, 2018	1,226,527	1,026,120	200,407
December 31, 2019 (Note(a))	1,081,795	1,078,653	3,142
Total equity as at:			
December 31, 2017	99,584	102,876	(3,292)
December 31, 2018	97,315	101,562	(4,247)
December 31, 2019 (Note(a))	381,649	381,666	(17)

Note:

(a) On March 15, 2019, the Group disposed the discontinued operation which was principally engaged in the provision of sub-leasing services. Accordingly, the impact of the adoption of HKFRS 16 on total assets, total liabilities and total equity as of December 31, 2019 was all from continuing operations and the difference of adoption HKFRS 16 decreased significantly compared with previous years end.

The following table sets forth the impact of adopting HKFRS 16 on the key ratios:

	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference
	RMB'000	RMB'000	RMB'000
Return on equity as at:			
FY2017	(3.5%)	(0.2%)	(3.3%)
FY2018	(18.3%)	(13.3%)	(5.0%)
FY2019	59.7%	59.9%	(0.2%)
Return on asset as at:			
FY2017	(0.3%)	0.0%	(0.3%)
FY2018	(1.3%)	(1.2%)	(0.1%)
FY2019	15.6%	15.6%	0.0%
Current Ratio as at:			
December 31, 2017	2.3x	2.7x	(0.4)
December 31, 2018	1.7x	1.9x	(0.2)
December 31, 2019	1.3x	1.3x	0.0
Gearing Ratio as at:			
December 31, 2017	612.5%	592.9%	19.6%
December 31, 2018	448.5%	429.7%	18.8%
December 31, 2019	0.0%	0.0%	0.0%

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 entitled "Risk Factors" in this prospectus and those discussed below:

Business Mix

During the Track Record Period, our business and results of operations were affected by our business mix. Our profit margins vary across our three business segments, namely (i) property management and value-added services, (ii) lifestyle services and (iii) commercial property management and consultation services. Any change in the structure of revenue contribution from our three business segments or change in profit margin of any business segment may have a corresponding impact on our overall profit margin. Please see "—Description of Certain Consolidated Statements of Comprehensive Income Items—Revenue" for a breakdown of our revenue by business segment during the Track Record Period.

In general, the gross profit margins for our commercial property management and consultation services were higher than those for our property management and value-added services and lifestyle services. Our overall gross profit margin increased throughout the Track Record Period, primarily attributable to increasing gross profit margins generated from property management and value-added services and the expansion of our lifestyle services and commercial property management and consultation services. As our new business segments continue to expand, we expect our lifestyle services and commercial property management and consultation services will increase their contributions to our revenue in the future.

Our Branding, Pricing Ability and Fee Collection Ability

We regard our brand as our important asset, which can have an impact on our pricing ability. We generally price our property management services by following our internal guidelines and considering all the costs of the property management project. We start with a minimum benchmark profit margin, and take into account factors such as the stage of the project, and the nature of value added services we will provide, while maintaining price competitiveness. For more information, please see "Business—Property Management and Value-Added Services—Property Management—Property Management Fees." During the Track Record Period, we successfully raised the fee rates charged for our property management services for 17 properties we managed. As a result, for years ended December 31, 2017, 2018 and 2019, the average property management fee rate charged for the residential properties we manage was approximately RMB1.73 per sq.m./month, RMB1.89 per sq.m./month and RMB1.82 per sq.m./month, respectively.

We are proactive in assuring that our property management customers pay our fees on-time. If payments are not made on-time, we take a number of measures, including sending notices to customers who are late in making payment, and collection through court claims when necessary. Our collection rate of property management fees, calculated by dividing the property management fees we actually received during a period by the total property management fees payable to us accumulated during the same period, was approximately 85.9%, 89.6% and 90.1%, respectively, during the Track Record Period.

Our pricing ability, ability to maintain and increase the fee rates we charge for our services, and ability to timely collect fees can materially affect our results and operations.

For illustrative purposes only, we set out below a sensitivity analysis of our profit for the year with reference to the fluctuations of property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in property management fees on our profit for the year, while all other factors remain unchanged:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue from our property management business	330,377	423,358	592,356
Total profit for the year	39,126	51,970	232,839
Assuming 5% decrease in our property management fees			
Impact on revenue from our property management business	(16,519)	(21,168)	(29,618)
Impact on profit for the year*(Note)*	(12,389)	(15,876)	(22,213)
Assuming 10% decrease in our property management fees			
Impact on revenue from our property management business	(33,038)	(42,336)	(59,236)
Impact on profit for the year*(Note)*	(24,779)	(31,752)	(44,427)

Note: Impact on profit for the year was calculated assuming EIT of 25%.

Ability to Mitigate the Impact of Rising Labor Costs

Since property management is labor-intensive, employee benefit expenses constitute a substantial portion of our cost of sales. During the Track Record Period, our employee benefit expenses increased as a result of the expansion of our business and accordingly, an increase in the number of employees we employed. During the Track Record Period, our employee benefit expenses recorded in our cost of sales and expenses were approximately RMB144.9 million, RMB225.6 million and RMB546.0 million, respectively, representing approximately 31.5%, 32.5% and 31.1%, respectively, of our total revenue. In order to manage such rising costs, we have implemented a number of cost-saving measures, such as tool automation, resource platformization, service standardization and operation digitalization. We have also outsourced our cleaning, security, gardening and repair and maintenance services to third-party subcontractors while maintaining close supervision over their services to ensure service quality. During the Track Record Period, our scale of operations and concentration in Henan allowed us to maintain a stable percentage of labor cost to our total revenue. During the Track Record Period, our operation primarily was in Henan. However, as we expand our business to cities and regions outside of Henan, we may not be able to control the labor costs efficiently or effectively in the future.

GFA under Management

During the Track Record Period, we generated a majority of our revenue from our property management and value-added services, which contributed approximately 91.5%, 89.4% and 76.4% of our total revenue during the Track Record Period, respectively. Accordingly, our business and results of operations depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to secure new and renew our existing property management service contracts. During the Track Record Period, we experienced fast growth in GFA under our management, which was approximately 20.4 million sq.m., 25.7 million sq.m. and 57.0 million sq.m. as of December 31, 2017, 2018 and 2019, respectively.

During the Track Record Period, a significant portion of the properties we managed under our property management segment was developed by the CCRE Group. However, we have made continuous efforts to expand our customer base to include more third-party property developers, with a view to building additional revenue sources and diversifying our property management portfolio. As of December 31, 2017, 2018 and 2019, properties developed by the CCRE Group and its associates or joint ventures accounted for approximately 90.9%, 83.7% and 68.9%, respectively, of our total GFA under management. During the Track Record Period, our bid win rates for properties developed by the CCRE Group and its associates or joint ventures was 100%, and our bid win rates for properties developed by third-party developers was 92.9%, 96.7% and 88.4%, respectively for the same period. Due to the expansion of our business scale, we progressively increased our participation in tender bids for property management projects initiated by third-party developers (especially the governmental bodies) for 2019. During the Track Record Period, we made 14, 61 and 86 tender bids. To our Directors' best knowledge and belief, such third-party developers elected to appoint other property management companies, having taking into account, among others, our competitors' and our proposed service terms and prior business relationship with such third-party developers. During the same periods, our contract retention rate for property management service was over 80% on average, excluding 15 contracts which we decided not to renew following our review of their profitability.

Ability to Improve Management and Operational Efficiency

We plan to further improve our management and operational efficiency and reduce our operating costs by leveraging advanced technologies. We have invested and will continue to invest in the establishment of intelligent communities and upgraded facilities, the development of financial sharing system, process control and KPI integration system and the achievement of digitalized documentation and cloud computing. For more information, please see "Business—Business Strategies—Further Improve Management and Operational Efficiency by Leveraging Advanced Technologies." Our ability to improve management and operational efficiency depends on our ability to apply advanced technologies to our management and operation.

Competition

We face competition from companies of different nature and scale due to the diversity of our business. In property management and value-added services, we primarily compete against large national and local property management companies in the PRC. We believe the CCRE Group's growth into a reputable property developer also complements our own advancement. During the Track Record Period, our percentage of contracted GFA for property development projects by third-party property developers has increased. This demonstrates that while we were able to enjoy the support of our affiliate, we are also capable of searching for and taking advantage of market opportunities independently. According to CIA, we ranked 15th among the Top 100 Property Management Companies in China in 2018. In lifestyle services, we generally face competition from local travel agencies, mobile app providers and participants in the food and beverage industry. In commercial property management and consultation services, our primary competitors are international commercial real estate services firms and local commercial assets operators. We believe our well known brand, our long-established presence in Henan and strong understanding of its culture are among our key competitive advantages. For more information, please see "Business—Competition" and "Industry Overview —Property Management Industry in the PRC and Henan—Competition in the PRC Property Management Industry." Our ability to compete effectively against our competitors and maintain or improve our market position will depend on our ability to continue to leverage our competitive strengths.

CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving higher degree of judgment or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are discussed in detail below.

Critical Accounting Policies

We have identified certain accounting policies that we believe are significant to the preparation of our financial statements. Our critical accounting policies, which are important for understanding our financial position and results of operations, are set forth in detail in Note 2 of the Accountant's Report in Appendix I to this prospectus, respectively. Our significant accounting policies include, among others:

Revenue recognition

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

(a) Property management services and value-added services

We provide property management services, onsite sales assistance service, consultancy services, installation service, property inspection services, property agency services and membership services. Revenue from providing services is recognized in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by our performance when we perform.

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

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

Consultancy services, mainly include consultancy services to property developers providing designing, cleaning, greening, construction supervision, repair and maintenance services to property developers at the pre-delivery stage. We agree the price for each service with the customers upfront and issue a monthly bill to the customers which varies based on the actual level of service completed in that month.

For installation service, we provide installation services for the security system and other establishment of intelligent communities. We recognize revenue over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; or (b) completion of physical proportion of the contract work.

For property inspection service, we provide property quality inspection to property developer and the revenue is recognized upon the completion of service.

We act as a sales agent for property developers landlords and tenants and provide property agency services, for which we charge such property developers a commission calculated based on the contract purchase price. Revenue from agency services is recognized at a point in time when the service is rendered and the sales and purchase agreement or leasing agreement is executed and become effective.

For the membership service, we provide exclusive customer services to VIP members selected by the CCRE Group. We bill CCRE a management fee based on the number of members and additional fees for organizing special events.

(b) Lifestyle services

Lifestyle services mainly include products and services offered on travel services and sales of goods and provision of catering services.

For travel services, we provide short-term self-operated tour service. Revenue from tours is recognized over time in accounting period in which the control of services are transferred to the customer because the customer simultaneously receives and consumes benefits provided by our performance as we performs. Payment is usually made to us before the customers receive the tour services.

We determine the presentation of our revenue by assessing whether we act as the principal of the services that are rendered. We present our revenue on a gross basis (that is, the amount billed to the users) as we act as a principal by pre-purchasing the travel related products from the travel service suppliers. The purchase payments to the travel suppliers are recorded as “cost of revenue” in the consolidated statements of comprehensive income.

We procure merchandise from suppliers and sell goods directly to the property owners online and in community. Sales of goods are recognized when we deliver the goods to the customers. We present the revenue on a net basis when we act as an agent with no control over the goods and does not assume inventory risk.

We operate food courts to provide catering services. Revenue from provision of catering services are recognized at the time when the food and beverage are delivered to the customers.

(c) Commercial property management and consultation services

Commercial property management and consultation services include hotel management and operation services and management for agricultural and cultural tourism projects, and commercial real estate operation.

We recognize the fee received or receivable as revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by us and all the related management costs as our cost of services.

If contracts involve the sale of multiple services, we allocate the transaction price to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, we present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer services to the customer, we present the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Critical accounting estimates and judgments

The preparation of Historical Financial Information requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances

(a) Allowance on doubtful receivables and contract assets

We make allowances on receivables and contract assets based on assumptions about risk of default and expected loss rates. We used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and contract assets, as well as doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Current and deferred income tax

We are subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(c) Share-based payment

As mentioned in Note 25 to the Accountant's Report in Appendix I to this prospectus, we have granted share options to its employees. Our Directors have used the Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity valued, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

(d) Impairment of goodwill

We test annually whether goodwill has suffered any impairment. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires us to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise.

Goodwill arises from our Group's acquisition of subsidiaries (Note 32 as disclosed in Appendix I) and was determined at the acquisition date respectively, being the difference between the consideration (including fair value of previous equity interest in the acquired entity) and the fair value of net identifiable assets of acquirees. The summary of the goodwill disclosed in Note 32 as Appendix I is as below:

	As at December 31, 2019
	RMB'000
Acquisition A (note (1))	25,640
Acquisition B (note (2))	3,314
Acquisition C (note (3))	1,868
Acquisition D (note (3))	3,629
Acquisition E (note (3))	7,868
	42,319

Note (1) The acquiree is engaged in the provision of e-commerce services through its self-operated platform.

Note (2) The acquiree is engaged in sales of smart home products and the provision of related design and installation services.

Note (3) The acquirees are engaged in property management services.

Impairment testing of goodwill has been performed based on the related acquiree's cash-generating unit ("**CGU**"). According to the result of the impairment testing, the estimated recoverable amounts of CGUs exceed their carrying amount (i.e. the headroom (note (a))) as below:

	As at December 31, 2019
	RMB'000
Acquisition A CGU	43,118
Acquisition B CGU	55,133
Acquisition C CGU	3,841
Acquisition D CGU	5,198
Acquisition E CGU	5,608

Note (a) The headroom of each CGU is calculated based on the its recoverable amount deducting its carrying amount and goodwill allocated.

Our Directors performed sensitivity analysis based on the assumptions that expected growth rate of revenue or pre-tax discount rate would be changed by taking into accounts the volatility of the business and industry in which the acquirees are engaged. Had the following estimated key assumption for the forecast period been changed as below, the headroom would decrease to the amounts:

	As at December 31, 2019
	RMB'000
Acquisition A CGU	
—Expected growth rate of revenue decreases by 15%	16,776
—Pre-tax discount rate increases by 1%	37,078
Acquisition B CGU	
—Expected growth rate of revenue decreases by 15%	28,667
—Pre-tax discount rate increases by 1%	48,005
Acquisition C CGU	
—Expected growth rate of revenue decreases by 1% (note(a))	3,315
—Pre-tax discount rate increases by 1%	3,352
Acquisition D CGU	
—Expected growth rate of revenue decreases by 1% (note(a))	4,917
—Pre-tax discount rate increases by 1%	3,884
Acquisition E CGU	
—Expected growth rate of revenue decreases by 1% (note(a))	4,119
—Pre-tax discount rate increases by 1%	3,607

Note (a): Considering the GFA to be managed applied in the forecast is estimated based on the signed contract, the sensitivity on growth rate of revenue is assessed on the scenario of excluding the estimation of the price up on property management fee (1%).

Based on the above assessment and the historical result, our Directors have not identified any reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the carrying amounts of the CGUs to exceed their respective recoverable amounts as of December 31, 2019.

Impairment of financial assets

We assess on a forward looking basis the expected credit losses associated with our debt instruments carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how we determine whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, we applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our Group and our subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Fair value of financial assets at fair value through profit or loss

Our financial instruments recognized in the consolidated balance sheets are mainly trade and other receivables, financial assets at fair value through profit or loss, and financial liabilities carried at amortized cost. The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. We use estimated discounted cash flows to make assumptions.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Our financial assets at fair values through profit or loss included wealth management products and fund products, fair value of which are estimated based on unobservable inputs (level 3). During the Track Record Period, (i) our wealth management products primarily included short-term structured deposits offered by commercial banks in the PRC, such as Bank of China, China CITIC Bank and Shanghai Pudong Development Bank; and (ii) our fund products primarily included investments in private equity funds in the PRC.

The Group's financial assets at fair value through profit or loss mainly consists of the wealth management products and fund products. Our Directors are satisfied that the valuation of level 3 financial assets at fair value through profit or loss mainly through checking the expected return rate of the financial instruments with the signed agreements, the reference of return of similar financial instruments, reviewing the fund account statements and the calculation prepared and reviewed by management.

Our Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out in Appendix I to this prospectus.

The Sole Sponsor has conducted the following due diligence work in relation to our Directors' assessment of fair value of the wealth management products and fund products, including: (i) reviewing the disclosures in relevant notes (in particular note 19) to the Accountant's Report, which is set out in Appendix I to this prospectus; (ii) understanding the general features of the wealth management products, including in particular the risk level and expected return with a view to ascertaining whether the fair value assessed by our Directors is reasonable; (iii) reviewing the transaction records (such as account statements and bank slips) for the subscription and redemption of our wealth management products and fund products with a view to understanding the reported market value of such wealth management products and fund products as of the end of each Track Record Period; and (iv) discussing with our Reporting Accountant on our Reporting Accountant's work done in relation to our wealth management products and fund products generally, and more specifically on the Sole Sponsor's observations of the transaction records mentioned above with a view to understanding the accounting treatment of our wealth management products and fund products, and whether such treatment is commensurate with nature of the relevant products.

On the basis of the work done by our Directors and our Reporting Accountant and the Sole Sponsor's due diligence work set out above, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubts on the fair value of the wealth management products and fund products assessed by our Directors.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

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

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Continuing operations			
Revenue	460,532	693,988	1,754,402
Cost of sales	(355,268)	(533,306)	(1,178,118)
Gross profit	105,264	160,682	576,284
Selling and marketing expenses	(5,172)	(11,748)	(46,494)
Administrative expenses	(63,681)	(86,360)	(230,311)
Net impairment losses on financial assets	(574)	(1,539)	(182)
Other income	56,809	49,405	20,463
Other gains—net	8,055	4,730	4,096
Operating profit	100,701	115,170	323,856
Finance income	202	223	933
Finance cost	(49,312)	(43,020)	(17,219)
Finance cost—net	(49,110)	(42,797)	(16,286)
Share of net (loss)/profit of an associate accounted for using the equity method	1,310	(506)	(29)
Profit before income tax	52,901	71,867	307,541
Income tax expenses	(13,775)	(19,897)	(74,702)
Profit from continuing operations	39,126	51,970	232,839
Loss from discontinued operation	(42,602)	(69,737)	(5,054)
Profit/(loss) for the year	(3,476)	(17,767)	227,785
Profit/(loss) is attributable to:			
—Owners of the Company	23,411	19,471	233,954
—Non-controlling interests	(26,887)	(37,238)	(6,169)
	(3,476)	(17,767)	227,785
Profit/(loss) for the year	(3,476)	(17,767)	227,785
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income/(loss) for the year	(3,476)	(17,767)	227,785
Total comprehensive income/(loss) for the year is attributable to:			
—Owners of the Company	23,411	19,471	233,954
—Non-controlling interests	(26,887)	(37,238)	(6,169)
	(3,476)	(17,767)	227,785

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total comprehensive income/(loss) for the year attributable to owners of the company arises from:			
—Continuing operations	39,126	51,293	232,132
—Discontinued operations	(15,715)	(31,822)	1,822
	23,411	19,471	233,954
Earnings per share for profit from continuing operations attributable to the owners of the Company (expressed in RMB per share)			
—Basic and diluted	1.03	1.35	6.07
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
—Basic and diluted	0.62	0.51	6.12

Revenue

During the Track Record Period, all of our revenue from our operations was substantially derived in Henan.

The table below sets forth our revenue from contracts with customers by business segment for the period as indicated:

	For the year ended December 31,					
	2017		2018		2019	
	At a point in time	Over time	At a point in time	Over time	At a point in time	Over time
	RMB'000		*RMB'000*		*RMB'000*	
Property management and value-added services	17,719	403,678	89,578	531,134	453,143	887,949
Lifestyle services	—	23,877	—	62,179	159,988	148,587
Commercial property management and consultation services	—	15,258	—	11,097	47,074	57,661
Total	17,719	442,813	89,578	604,410	660,205	1,094,197

During the Track Record Period, our revenue primarily was generated from the following three business segments:

(i) Property management and value-added services. In addition to our core property management business, this business segment includes value-added services to non-property owners, intelligent community solutions, property agency service and customized services provided to VIPs of the Central China Consumers Club. This business segment represented approximately 91.5%, 89.4% and 76.4% of our total revenue during the Track Record Period, respectively;

(ii) Lifestyle services. This business segment primarily comprises Jianye + (建業+) platform, travel services and Cuisine Henan Foodcourts (建業大食堂), and represented approximately 5.2%, 9.0% and 17.6% of our total revenue during the Track Record Period, respectively; and

(iii) Commercial property management and consultation services. This business segment primarily consists of hotel management, commercial property management and suburban tourism complexes. Commercial property management and consultation services contributed 3.3%, 1.6%, and 6.0% of our total revenue during the Track Record Period, respectively.

The following table sets forth a breakdown of our revenue and segment results by business segment for the periods indicated:

	Year ended December 31,								
	2017			2018			2019		
	Revenue RMB'000	%	Segment results RMB'000	Revenue RMB'000	%	Segment results RMB'000	Revenue RMB'000	%	Segment results RMB'000
Property management and value-added services	421,397	91.5	42,360	620,712	89.4	78,947	1,341,092	76.4	286,527
Lifestyle services	23,877	5.2	(4,586)	62,179	9.0	(5,569)	308,575	17.6	55,151
Commercial property management and consultation services	15,258	3.3	4,256	11,097	1.6	(3,486)	104,735	6.0	19,464
Total	460,532	100.0	42,030	693,988	100.0	69,892	1,754,402	100.0	361,142

The following table sets forth a breakdown of revenue by nature for the periods as indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management and value-added services						
Subtotal of revenue	**421,397**	**100.0**	**620,712**	**100.0**	**1,341,092**	**100.0**
fixed	395,002	93.7	542,160	87.3	1,012,262	75.5
variable	26,395	6.3	78,552	12.7	328,830	24.5

Revenue from property management and value-added services

Revenue from our property management and value-added services generally increased during the Track Record Period, primarily driven by an increase in total GFA under our management and an increase in the average property management fee rate we charged. As of December 31, 2017, 2018 and 2019, the total GFA under our management was approximately 20.4 million sq.m., 25.7 million sq.m. and 57.0 million sq.m., respectively. During the Track Record Period, the average property management fee rate charged for the residential properties we managed was approximately RMB1.73 per sq.m./month, RMB1.89 per sq.m./month and RMB1.82 per sq.m./month, respectively.

The lump-sum basis revenue model is the dominant method of collecting property management fees in China, especially in relation to residential properties, according to CIA. The advantage of the lump-sum basis revenue model is that it incentivizes property management companies to optimize their cost structure and streamline their business operations to enhance profitability, which is conducive to the development of the PRC property management industry as a whole. During the Track Record Period, we charged property management fees for property management services primarily on a lump sum basis. We expect property management fees charged on a lump-sum basis to continue to account for substantially all of our revenue from property management services in the foreseeable future.

The following table sets forth a breakdown of our revenue from property management and value-added services by sub-business segment for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management	330,377	78.4	423,358	68.2	592,356	44.2
Value-added services:						
Community value-added services	25,699	6.1	31,473	5.1	57,852	4.3
Value-added services to non-property owners	64,625	15.3	111,973	18.0	204,113	15.2
Intelligent community solutions	—	—	—	—	179,944	13.4
Property agency	696	0.2	47,079	7.6	259,657	19.4
Central China Consumer Club	—	—	6,829	1.1	47,170	3.5
Total	421,397	100.0	620,712	100.0	1,341,092	100.0

During the Track Record Period, we derived a substantial amount of our revenue from property management services we provided. During the Track Record Period, revenue generated from property management services amounted to approximately RMB330.4 million, RMB423.4 million and RMB592.4 million, respectively, accounting for approximately 78.4%, 68.2% and 44.2%, respectively, of our total revenue from property management and value-added services for those same periods. In general, the decrease in our percentage of total revenue from property management services during the Track Record Period was primarily due to the fast growth of our value-added services, in particular revenue contributed by intelligent community solutions and property agency services.

Revenue from lifestyle services

The lifestyle services we offer include (i) products and services offered on our Jianye + (建業+) platform, (ii) travel services and (iii) services in our Cuisine Henan Foodcourts (建業大食堂). The following table sets forth the components of our revenue from lifestyle services for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Jianye + (建業+) platform	—	0.0	—	0.0	156,316	50.6
Travel services	23,877	100.0	62,179	100.0	138,789	45.0
Cuisine Henan	—	0.0	—	0.0	13,470	4.4
Total	23,877	100.0	62,179	100.0	308,575	100.0

The following table sets forth a breakdown of revenue by nature for the periods as indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Lifestyle services						
Subtotal of revenue	**23,877**	**100.0**	**62,179**	**100.0**	**308,575**	**100.0**
fixed	—	0.0	—	0.0	24,678	8.0
variable	23,877	100.0	62,179	100.0	283,897	92.0

Segment loss for lifestyle services

Our Group recorded losses of approximately RMB4.6 million and RMB5.6 million for our lifestyle services for the years ended December 31, 2017 and 2018, respectively. The losses were primarily due to our commencement of travel services in 2016 with the establishment of Henan Central China New Life Travel Services Co., Ltd.* (河南建業新生活旅遊服務有限公司) on May 18, 2016. As such company was still at the launching stage, we incurred fixed nature expenses such as overhead and labor expenses in the ordinary course of business. The total expenses incurred were approximately RMB29.7 million and RMB67.1 million while the revenue derived from such business segment was approximately RMB23.9 million and RMB62.2 million for the years ended December 31, 2017 and 2018, respectively. Our segment results for our lifestyle services increased to approximately RMB55.2 million for the year ended December 31, 2019 primarily due to our increase in registered users and members and the average spending per user for our Jianye + (建業+) platform.

Revenue from commercial property management and consultation services

We also engage in commercial property management and consultation services, which primarily comprise (i) hotel management; (ii) commercial property management; and (iii) cultural tourism complex management. We commenced hotel management services in 2017. We commenced commercial property management and consultation services and cultural tourism complex management services in 2019. The following table sets forth the components of our revenue from commercial property management and consultation services for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Hotel Management	15,258	100.0	11,097	100.0	17,499	16.7
Commercial Property Management	—	—	—	—	16,451	15.7
Cultural Tourism Complex Management	—	—	—	—	70,785	67.6
Total	15,258	100.0	11,097	100.0	104,735	100.0

The following tables sets forth a breakdown of revenue by nature for the periods as indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Commercial property management and consultation services						
Subtotal of revenue	**15,258**	**100.0**	**11,097**	**100.0**	**104,735**	**100.0**
fixed	10,351	67.8	8,972	80.9	103,077	98.4
variable	4,907	32.2	2,125	19.1	1,658	1.6

Segment loss for commercial property management and consultation services

Our Group recorded loss of approximately RMB3.5 million for our commercial property management and consultation services for the year ended December 31, 2018. It was primarily due to the establishment of Henan Central New Life Agricultural Development Co., Ltd* (河南建業新生活農業發展有限公司) (formerly known as Henan Songyan Agricultural Development Co., Ltd* (河南嵩炎農業發展有限公司)) on November 6, 2018 where such company incurred administrative and selling and marketing expenses of approximately RMB1.7 million for the year ended December 31, 2018 during the launching stage of the business. We commenced the operation of the business and started to generate revenue in March 2019 which our segment result for our commercial property management and consultation services was approximately RMB19.5 million for the year ended December 31, 2019.

Cost of sales

Our cost of sales primarily consists of employee benefit expenses, outsourcing labor costs, greening and cleaning expenses, cost of goods sold, outsourcing costs of tourism services, utilities, maintenance costs, construction costs, professional service fees, security charges, depreciation and amortization charges, travelling and entertainment expenses, office expenses, taxes and other levies and other costs. The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Employee benefit expenses	98,176	160,352	358,952
Outsourcing labor costs	124,051	120,932	48,689
Greening and cleaning expenses	32,682	78,395	140,197
Cost of goods sold	—	—	77,542
Outsourcing costs of tourism services	21,479	56,555	126,870
Utilities	23,916	37,246	67,070
Maintenance costs	17,465	31,030	42,618
Construction costs	2,488	—	97,721
Professional service fees	862	5,127	20,391
Security charges	8,454	11,558	129,883
Depreciation and amortization charges	2,153	3,477	8,623
Travelling and entertainment expenses	845	1,382	3,720
Office expenses	8,523	10,754	15,828
Taxes and other levies	5,929	5,846	7,759
Others	8,245	10,652	32,255
Total	355,268	533,306	1,178,118

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management and value-added services	89,717	21.3	148,789	24.0	405,941	30.3
Lifestyle services	2,539	10.6	5,533	8.9	101,245	32.8
Commercial property management and consultation services	13,008	85.3	6,360	57.3	69,098	66.0
Total	**105,264**	**22.9**	**160,682**	**23.2**	**576,284**	**32.8**

Our gross profit during the Track Record Period was approximately RMB105.3 million, RMB160.7 million and RMB576.3 million, respectively, and our gross profit margin was approximately 22.9%, 23.2% and 32.8% for the same periods. Our overall gross profit margins are affected by our business mix. Our gross profit margin experienced an upward trend during the Track Record Period, primarily reflecting (i) our raise in the fee rates charged for our property management services for 17 properties we managed and the new projects we successfully pitched in 2018 and 2019, and (ii) our expansion of service scope (which had a higher gross profit margin), in particular the growth of our commercial property management and consultation services which had the highest gross profit margin among all the business segments during the Track Record Period. In addition, we recorded revenue growth of 50.7% and 152.8% during the Track Record Period, respectively, while our cost of sales grew at 50.1% and 120.9% for the same period, which were below our revenue growths for each of the periods as we were able to spread our costs over the new businesses we acquired. We also increased our cooperation with the CCRE Group, which brought mutual benefits to the businesses of both the CCRE Group and our Group. Citing to the abovementioned reasons, we recorded an upward trend of our overall gross profit margin during the Track Record Period.

The following table sets forth a breakdown of our gross profit and gross profit margin in respect of our property management and value-added services by sub-business segment for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Property management						
Property management	50,612	15.3	65,071	15.4	91,990	15.5
Value-added services						
Community value-added services	9,483	36.9	12,132	38.5	22,998	39.8
Value-added services to non-property owners	29,194	45.5	39,381	35.2	88,023	43.1
Intelligent community solutions	—	—	—	—	51,754	28.8
Property agency	428	61.5	30,105	63.9	128,852	49.6
Central China Consumer Club	—	—	2,100	30.8	22,324	47.3
Total	89,717	21.3	148,789	24.0	405,941	30.3

Our gross profit from property management services increased from approximately RMB50.6 million for the year ended December 31, 2017 to RMB92.0 million for the year ended December 31, 2019. Our gross profit margin from property management services increased from approximately 15.3% for the year ended December 31, 2017 to approximately 15.5% for the year ended December 31, 2019 primarily due to an increase in our total GFA under management from approximately 20.4 million sq.m. as of December 31, 2017 to 57.0 million sq.m. as of December 31, 2019, coupled with an increase in our average property management fees from RMB1.73 per sq.m./month to RMB1.89 per sq.m./month for the year ended December 31, 2018 then to RMB1.82 per sq.m./month for our residential properties over the same period. Further, our gross profit derived from value-added services increased during the Track Record Period, primarily attributable to (i) an increasing gross profits from value-added services to non-property owners and (ii) an increasing gross profits from property agency. Also, we were able to more effectively spread our costs over the newly added GFA under management and also our value added services.

Our gross profit from value-added services to non-property owners increased from approximately RMB29.2 million for the year ended December 31, 2017 to RMB88.0 million for the year ended December 31, 2019. Our gross profit margin for our value-added services to non-property owners decreased from approximately 45.5% for the year ended December 31, 2017 to approximately 35.2% for the year ended December 31, 2018, it was primarily due to the increase in costs incurred from the increase in number of staff we hired for catering the forthcoming expansion of our business which outweighed the growth in our revenue for the year. Our gross profit margin then increased from approximately 35.2% for the year ended December 31, 2018 to 43.1% for the year ended December 31, 2019 primarily due to (i) our commencement of property inspection services in 2019 which resulted an increase in gross profit margin of our value-added services to non-property owners from approximately 35.2% for the year ended December 31, 2018 to approximately 43.1% for the year ended December 31, 2019; and (ii) our capability of sharing our resources with our newly acquired businesses.

Our gross profit derived from property agency services surged from RMB0.4 million for the year ended December 31, 2017 to RMB30.1 million and RMB128.9 million for the years ended December 31, 2018 and 2019 and we recorded over 49% of gross profit margin throughout the Track Record Period, primarily attributable to our commencement of property agency services for new properties in 2018 and we had a relatively fewer types of expenses in fixed nature as compared to our other business segments.

Selling and marketing expenses

Our selling and marketing expenses consist primarily of employee benefit expenses and others. The general increase in selling and marketing expenses during the Track Record Period was primarily attributable to the expansion of our business scale. Our selling and marketing expenses for the years ended December 31, 2017, 2018 and 2019 were approximately RMB5.2 million, RMB11.7 million, and RMB46.5 million, respectively, accounting for approximately 1.1%, 1.7%, and 2.7% of the total revenue generated from continuing operations for the same periods. The table below sets forth the components of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	3,095	59.8	9,303	79.2	33,062	71.1
Other	2,077	40.2	2,445	20.8	13,432	28.9
Total	5,172	100.0	11,748	100.0	46,494	100.0

Administrative expenses

Our administrative expenses consist primarily of employee benefit expenses, professional service fees, depreciation and amortisation charges, travelling and entertainment expenses, office expenses, listing expenses, others. The general increase in administrative expenses during the Track Record Period was primarily attributable to the growth of our business. Our administrative expenses during the Track Record Period were approximately RMB63.7 million, RMB86.4 million, and RMB230.3 million, respectively, accounting for approximately 13.8%, 12.4% and 13.1% of the total revenue generated from continuing operations. The table below sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	43,632	68.5	55,955	64.8	154,029	66.9
Professional service fees	4,034	6.3	4,438	5.1	10,247	4.4
Depreciation and amortisation charges	2,780	4.4	3,524	4.1	6,614	2.9
Travelling and entertainment expenses	6,154	9.7	7,220	8.4	14,996	6.5
Office expenses	1,391	2.2	2,426	2.8	4,635	2.0
Listing expenses	—	—	4,256	4.9	26,299	11.4
Others	5,690	8.9	8,541	9.9	13,491	5.9
Total	63,681	100.0	86,360	100.0	230,311	100.0

Other income

Our other income consists of interest income from loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang and government grants received by Central China Property Management. For further details of the loans, please refer to "Other receivables" in this section. We also recorded value-added tax deductibles for the year ended December 31, 2019 pursuant to favorable government policies. There were no conditions or other contingencies attached to such government grants or value-added tax deductibles. Government grants are discretionary and uncertain in nature as they are susceptible to change in regulations and policies. The table below sets forth the components of our other income for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest income from loans to entites controlled by Mr. Hua Ziyi and Mr. Hua Zhichang	56,267	99.0	48,880	98.9	13,164	64.3
Interests income from loans to third parties	—	—	—	—	2,769	13.5
Government grants	542	1.0	525	1.1	672	3.3
Value-added tax deductibles	—	—	—	—	3,858	18.9
	56,809	100.0	49,405	100.0	20,463	100.0

Other gains—net

Our net other gains or losses consist of (i) net fair value gains or losses on financial assets and (ii) net gains or losses on disposal of equipment. Our financial assets at fair values through profit or loss mainly include wealth management products and fund products. For more information on our wealth management products, please see "—Selected Items of the Consolidated Balance Sheet—Financial Assets at Fair Value through Profit or Loss" in this section. Our net gains or losses on disposal of equipment mainly include gains from disposals of air-conditioners, photocopiers and computers. The table below sets forth the components of our net other gains or losses for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Net fair value gains on financial assets at fair value through profit or loss	8,042	99.8	4,735	100.1	407	9.9
Net gains/(losses) on disposal of equipment	13	0.2	(5)	(0.1)	(65)	(1.6)
Remeasurement gains on investment in an associate	—	—	—	—	3,563	87.0
Net foreign exchange gains	—	—	—	—	191	4.7
Other gains –net	8,055	100.0	4,730	100.0	4,096	100.0

Operating profit

Our operating profit during the Track Record Period was approximately RMB100.7 million, RMB115.2 million, and RMB323.9 million, respectively.

Finance Cost—Net

Our net finance cost consists of interest expenses derived from borrowings, partially offset by interest income received from bank deposits. Our net finance cost decreased by 12.8% from approximately RMB49.1 million for the year ended December 31, 2017 to approximately RMB42.8 million for the year ended December 31, 2018, primarily due to repayment of borrowings in connection with the ABS during 2018. For more information on the ABS, please see "—Indebtedness—Borrowings" in this section. Our net finance cost decreased by 61.9% from approximately RMB42.8 million for the year ended December 31, 2018 to approximately RMB16.3 million for the year ended December 31, 2019, primarily due to repayment of borrowings in connection with the ABS during 2019. The table below sets forth the components of our net finance income for the periods indicated:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Finance income			
Interests income from bank deposits	202	223	933
Finance costs			
Interest expenses of borrowings	(49,268)	(42,907)	(16,992)
Interest expenses of lease liabilities	(44)	(113)	(227)
	(49,312)	(43,020)	(17,219)
Finance cost—net	(49,110)	(42,797)	(16,286)

Share of net (loss)/profit of an associate

Our share of net losses or profit of an associate primarily related to One Family Network, which became our wholly-owned subsidiary on January 4, 2019.

Income tax expense

Our income tax expense primarily comprises PRC corporate income tax.

	Year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Current income tax						
PRC corporate income tax	15,535	112.8	22,791	114.5	69,086	92.5
Deferred income tax						
PRC corporate income tax	(1,760)	(12.8)	(2,894)	(14.5)	5,616	7.5
Total	13,775	100.0	19,897	100.0	74,702	100.0

During the Track Record Period, our effective income tax rates were approximately 26.0%, 27.7%, and 24.3%, respectively. Our effective income tax rate for the years ended December 31, 2017, 2018 was higher than the PRC statutory corporate income tax rate of 25%, primarily because (i) some of our subsidiaries recorded a net loss for the period indicated and (ii) some of our expenses were not deductible during the same periods. Our effective income tax rate for the year ended December 31, 2018 was higher than for the year ended December 31, 2017 primarily because there was an increase in some of our expenses that were not tax deductible. For the year ended December 31, 2017 and 2018, we were not entitled to a preferential PRC corporate income tax rate. For the year ended December 31, 2019, Aiou Electronic, our 93.3% owned subsidiary, enjoyed a preferential corporate income tax rate of 15% treatment for being certified as a high-technology company and as a result, our effective income tax rate dropped to 24.3%. 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.

Profit and total comprehensive income for the year from continuing operations

Our profit and total comprehensive income from continuing operations during the Track Record Period was approximately RMB39.1 million, RMB52.0 million, and RMB232.8 million, respectively.

Discontinued Operation

On March 15, 2019, we (through Central China New Life) sold all of our interest in Central China OP to Shenzhen Xinboda (Independent Third Party) for a nominal consideration of RMB1.0 on the basis that Central China OP was loss-making throughout the Track Record Period and had an outstanding debt of RMB59.35 million to our Group as at the date of disposal, which was a shareholder's loan provided by our Group for the purpose of financing the business operations of Central China OP during the two years ended December 31, 2017 and 2018. Shenzhen Xinboda is a company established in the PRC on December 14, 2000 and, to our Directors' best knowledge and belief, principally engaged in investment holding and import and export trading, and owned by various Independent Third Parties (including 80% by Mr. Niu Shiming). Mr. Niu Siming is a former shareholder of Central China Property Management from June 2007 to January 2012 and has since been an Independent Third Party. For further details, please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus. Save as disclosed therein and in this paragraph, Shenzhen Xinboda, Mr. Niu Shiming and their respective associates do not have any past or present material relationship (including, without limitation, family, employment, trust, business, financing or otherwise) with our Company, subsidiaries, Controlling Shareholders, Directors, senior management, or any of their respective associates.

Central China OP and its subsidiaries (the "**OP Group**") were principally engaged in the provision of property sub-leasing service. Immediately prior to the disposal, Central China OP had a portfolio of over 7,000 sub-leased residential apartments in Zhengzhou, Henan. The OP Group sourced and leased these residential apartments from individual property owners, all of which were Independent Third Parties. Renovation work was conducted before these apartments were sub-leased to individual tenants procured by us, all of which were Independent Third Parties. The lease agreements entered into between the OP Group and the individual property owners carried a term of one to ten years whereas the sub-lease agreements entered into between the OP Group and the individual tenants carried a term of one month to 24 months. The rental fees under the aforesaid lease agreements and sub-lease agreements were determined based on arm's length discussion with reference to the then market rental rates of comparable properties in the vicinity. The property sub-leasing operated by the OP Group was loss-making throughout the Track Record Period primarily due to (i) the significant renovation cost incurred prior to the entering into of the sub-lease agreements; (ii) the negotiation of rental fees is subject to the then property market conditions and the rental fees under the sub-lease agreements were lower than expected due to property market fluctuation subsequent to the entering into of the lease agreements by the OP Group; and (iii) it took longer time than originally expected for the OP Group to source tenants.

The gross loss of the OP Group was approximately RMB7.8 million, RMB19.5 million and RMB7.1 million for the two years ended December 31, 2017 and 2018 and the period from January 1, 2019 to March 15, 2019, respectively and the loss and total comprehensive loss was approximately RMB42.6 million, RMB69.7 million and RMB5.1 million for the same period.

We believed that this business did not have sufficient synergy with our other property management operations. Upon such disposal, we held no equity interest in OP Group and did not have control in or significant influence on OP Group. We have presented the operations conducted by OP Group as discontinued operation in our consolidated statements of comprehensive income during the Track Record Period. At the time of disposal of OP Group, the carrying amount of the net liabilities of OP Group was RMB34.5 million (RMB26.1 million of which was attributable to non-controlling interests). For the year ended December 31, 2019, gain on the disposal of approximately RMB8.4 million was recognized in the loss and total comprehensive income from discontinued operation. For further details, please refer to notes 13 and 17 of the Accountant's Report as set out in Appendix I to this prospectus.

The financial information of OP Group for the years ended December 31, 2017 and 2018 and period from January 1, 2019 to Disposal Date are set out below.

	Year ended December 31,		From January 1, 2019 to March 15, 2019
	2017	2018	
	RMB'000	RMB'000	RMB'000
Revenue	39,562	65,726	16,222
Cost of sales	(47,378)	(85,252)	(23,310)
Gross loss	(7,816)	(19,526)	(7,088)
Selling and marketing expenses (Note b)	(15,519)	(12,657)	(1,768)
Administrative expenses (Note b)	(11,459)	(10,051)	(683)
Net impairment losses on financial assets	(908)	(15,526)	—
Other income	744	—	—
Other gains/(loss)—net	100	87	(55)
Operating profit	(34,858)	(57,673)	(9,594)
Finance income	8	17	—
Finance cost	(7,752)	(12,081)	(3,903)
Finance cost—net	(7,744)	(12,064)	(3,903)
Loss before income tax	(42,602)	(69,737)	(13,497)
Income tax expenses	—	—	—
Loss after income tax	(42,602)	(69,737)	(13,497)
Disposal gain on divestment of subsidiaries (Note c)	—	—	8,443
Loss and total comprehensive loss from discontinued operation	(42,602)	(69,737)	(5,054)
Loss and total comprehensive loss for discontinued operations attributable to:			
—owners of the Company	(15,715)	(31,822)	1,821
—Non-controlling interest	(26,887)	(37,915)	(6,875)

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2019 compared to December 31, 2018

Revenue

Our revenue increased by approximately 152.8% from approximately RMB694.0 million for the year ended December 31, 2018 to approximately RMB1,754.4 million for the year ended December 31, 2019, primarily due to an increase in revenue generated from property management and value-added services.

Our revenue from property management and value-added services increased by approximately 116.1% from approximately RMB620.7 million for the year ended December 31, 2018 to approximately RMB1,341.1 million for the year ended December 31, 2019. This increase was primarily because of an increase in revenue derived from property management services from approximately RMB423.4 million for the year ended December 31, 2018 to RMB592.4 million for the year ended December 31, 2019, mainly owing to an increase in GFA under management from 25.7 million sq.m. as of December 31, 2018 to 57.0 million sq.m. as of December 31, 2019 following the expansion of our business. In addition, our revenue derived from value-added services surged by 279.3% from RMB197.4 million for the year ended December 31, 2018 to RMB748.7 million for the year ended December 31, 2019, primarily attributable to (i) an increase in revenue derived from value-added services to non-property owners from approximately RMB112.0 million to RMB204.1 million for the period mainly owing to the number of consultancy projects increased from 135 as of December 31, 2018 to 197 as of December 31, 2019; (ii) an increase in revenue derived from intelligent community solutions service from nil to RMB179.9 million for the period as we commenced the business for this period following the acquisition of Aiou Electronic in early 2019; and (iii) an increase in revenue derived from property agency service from RMB47.1 million to RMB259.7 million for the period following the commencement of provision of property agency services for new properties since November 2018.

Our revenue from lifestyle services increased by approximately 396.1% from approximately RMB62.2 million for the year ended December 31, 2018 to approximately RMB308.6 million for the year ended December 31, 2019, primarily attributable to (i) an increase in revenue from Jianye + (建業+) platform from nil to RMB156.3 million for the period as we commenced the business following our acquisition of One Family Network; and (ii) an increase in revenue from travel services from RMB62.2 million to RMB138.8 million for the period as we started promoting our travel services via Jianye + (建業+) platform in 2019 following abovesaid acquisition.

Our revenue from commercial property management and consultation services increased by approximately 843.2% from approximately RMB11.1 million for the year ended December 31, 2018 to approximately RMB104.7 million for the year ended December 31, 2019, primarily attributable to an increase in revenue from commercial property management and cultural tourism complex management from nil and nil to RMB 16.5 million and RMB70.8 million, respectively for the period as we started the operations of these businesses in 2019.

Cost of sales

Our cost of sales increased by 120.9% from approximately RMB533.3 million for the year ended December 31, 2018 to approximately RMB1,178.1 million for the year ended December 31, 2019. This was primarily due to an increase in employee benefit costs from approximately RMB160.4 million for the year ended December 31, 2018 to approximately RMB359.0 million for the year ended December 31, 2019 as a result of our expansion in business scale which required us to hire more employees to manage the additional GFA under management in our property management segment. In addition, to become a one-stop shop to our customers, we added new services to each of our business segments, including intelligent community solutions service and property agency service for new properties under property management and value-added services segment, Jianye + (建業+) platform and Cuisine Henan Foodcourts (建業大食堂) under lifestyle services segment and commercial property management and cultural tourism complex management services under commercial property management and consultation services segment. Each of these add-ons resulted in an increase in employee benefit expenses due to increased number of employees we hired.

Despite the expansion of our business, our outsourcing labor cost decreased from approximately RMB120.9 million for the year ended December 31, 2018 to approximately RMB48.7 million for the year ended December 31, 2019 as we have been portioning out the greening and cleaning services and security services from labor outsourcing service providers to subcontractors that were specialized in providing those services. Citing to such change, both of our greening and cleaning expenses and security charges increased from approximately RMB78.4 million and RMB11.6 million, respectively for the year ended December 31, 2018 to approximately RMB140.2 million and RMB129.9 million, respectively for the year ended December 31, 2019.

Our construction costs mainly represented costs of intelligent devices we procured for providing intelligent community solutions to our customers. The construction costs increased from nil for the year ended December 31, 2018 to approximately RMB97.7 million for the year ended December 31, 2019 as we commenced intelligent community solutions for this period following the acquisition of Aiou Electronic in early 2019.

Gross profit and gross profit margin

Our gross profit increased by approximately 258.6% from approximately RMB160.7 million for the year ended December 31, 2018 to approximately RMB576.3 million for the year ended December 31, 2019, primarily attributable to an increase in revenue for the period.

Our gross profit margin increased from approximately 23.2% for the year ended December 31, 2018 to approximately 32.8% for the year ended December 31, 2019, as our growth in revenue exceeded our growth in cost of sales.

Our gross profit margin from property management and value-added services increased from approximately 24.0% for the year ended December 31, 2018 to approximately 30.3% for the year ended December 31, 2019. This increase was primarily because of (i) our commencement of provision of membership maintenance and management services to members of Central China Consumers Club in end of 2018; and (ii) an increase in proportion of revenue derived from property agency service from 7.6% for the year ended December 31, 2018 to 19.4% for the year ended December 31, 2019, which pulled up the gross profit margin in light of its 49.6% gross profit margin recorded for the period.

Our gross profit margin from lifestyle services significantly increased from approximately 8.9% for the year ended December 31, 2018 to approximately 32.8% for the year ended December 31, 2019. This increase was primarily because of our acquisition of One Family Network in 2019 which brought to our Group approximately 2.2 million registered users as of December 31, 2019. Further, there was also an increase in the amount of consumption of good sales from nil for the year ended December 31, 2018 to approximately RMB31.2 million for the year ended December 31, 2019.

Our gross profit margin from commercial property management and consultation services increased from approximately 57.3% for the year ended December 31, 2018 to approximately 66.0% for the year ended December 31, 2019. This increase was primarily because of our capability of sharing our resources for the commencement of operation of Henan Central China Jingyuecheng Commercial Management Co., Ltd* (河南建業晶悅城商業管理有限公司) which was established on January 24, 2019 and Henan Central New Life Agricultural Development Co., Ltd* (河南建業新生活農業發展有限公司) (formerly known as Henan Songyan Agricultural Development Co., Ltd*) (河南嵩炎農業發展有限公司) which was established on November 6, 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 297.4% from approximately RMB11.7 million for the year ended December 31, 2018 to approximately RMB46.5 million for the year ended December 31, 2019. This increase was primarily attributable to (i) an increase in the number of employees we hired due to the expansion in our business scale, including employees of companies which we acquired during this period, and (ii) an increase in salaries, employee benefits, travel and other expenses paid to our sales, sales support and marketing personnel in line with our revenue growth and business expansion.

Administrative expenses

Our administrative expenses increased by approximately 166.6% from approximately RMB86.4 million for the year ended December 31, 2018 to approximately RMB230.3 million for the year ended December 31, 2019. This increase was primarily a result of (i) an increase in the number of employees we hired in connection to the expansion in our business scale, including employees of companies which we acquired during this period, and (ii) an increase in administrative costs which include salaries, employee benefits and other expenses paid to our support staff, as well as the costs associated with our employee incentive plan and the listing.

Other income

Our other income decreased from approximately RMB49.4 million for the year ended December 31, 2018 to approximately RMB20.5 million for the year ended December 31, 2019. This decrease was primarily attributable to a decrease in interest income from loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang as the related loan was fully settled as of June 30, 2019.

Operating profit

As a result of the foregoing, our operating profit increased by approximately 181.2% from approximately RMB115.2 million for the year ended December 31, 2018 to approximately RMB323.9 million for the year ended December 31, 2019.

Finance cost—net

Our net finance cost significantly decreased by approximately 61.9% from approximately RMB42.8 million for the year ended December 31, 2018 to approximately RMB16.3 million for the year ended December 31, 2019. This decrease was primarily a result of a decrease in interest expense of borrowings in relation to the ABS we issued in April 2016 which we redeemed in full as of March 28, 2019.

Share of (loss)/profit of an associate

Our share of loss or profit of an associate for the years ended December 31, 2018 and 2019 was negligible.

Income tax expense

Our income tax expense increased by approximately 275.4% from approximately RMB19.9 million for the year ended December 31, 2018 to approximately RMB74.7 million for the year ended December 31, 2019. This increase was primarily due to an increase in our profit before income tax as a result of our revenue growth.

Profit and total comprehensive income for the period from continuing operations and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the period from continuing operations increased by approximately 347.7% from approximately RMB52.0 million for the year ended December 31, 2018 to approximately RMB232.8 million for the year ended December 31, 2019, and our net profit margin from continuing operations increased from approximately 7.5% to 13.3% during the same period.

Year ended December 31, 2018 compared to the year ended December 31, 2017

Revenue

Our revenue increased by approximately 50.7% from approximately RMB460.5 million for the year ended December 31, 2017 to approximately RMB694.0 million for the year ended December 31, 2018, primarily due to (i) an increase in our revenue generated from property management and value-added services; and (ii) an increase in our revenue generated from our lifestyle services.

Our revenue from property management and value-added services increased by approximately 47.3% from approximately RMB421.4 million for the year ended December 31, 2017 to approximately RMB620.7 million for the year ended December 31, 2018. This increase was primarily due to an increase in our total GFA under management from approximately 20.4 million sq.m. as of December 31, 2017 to approximately 25.7 million sq.m. as of December 31, 2018 combined with an increase in our average property management fee for residential properties from approximately RMB1.73 per sq.m./month for the year ended December 31, 2017 to approximately RMB1.89 per sq.m./month for the year ended December 31, 2018.

In addition, our revenue derived from value-added services surged by 116.9% from RMB91.0 million for the year ended December 31, 2017 to RMB197.4 million for the year ended December 31, 2018 primarily attributable to (i) an increase in revenue derived from value-added services to non-property owners from approximately RMB64.6 million for the year ended December 31, 2017 to RMB112.0 million for the year ended December 31, 2018 mainly owing to the number of consultancy projects increased from 55 as of December 31, 2017 to 130 as of December 31, 2018; and (ii) an increase in property agency services from approximately RMB0.7 million for the year ended December 31, 2017 to RMB47.1 million for the year ended December 31, 2018 primarily due to our commencement of provision of property agency services for new properties in November 2018 in addition to the second-hand properties.

Our revenue from lifestyle services increased by approximately 160.3% from approximately RMB23.9 million for the year ended December 31, 2017 to approximately RMB62.2 million for the year ended December 31, 2018. This increase was primarily due to an increase in revenue generated from travel services of approximately RMB38.3 million as our travel services continued to ramp up.

Cost of sales

Our cost of sales increased by approximately 50.1% from approximately RMB355.3 million for the year ended December 31, 2017 to approximately RMB533.3 million for the year ended December 31, 2018. This corresponded to our increase in revenues, and was primarily due to the expansion of our business scale which resulted in an increase in (i) employee benefit expenses, (ii) greening and cleaning expenses, (iii) costs of tourism services and (iv) maintenance costs and other costs.

Our outsourcing labor cost decreased from approximately RMB124.1 million for the year ended December 31, 2017 to approximately RMB120.9 million for the year ended December 31, 2018 as since 2017, we have been portioning out the greening and cleaning services and security services from labor outsourcing service providers to subcontractors that were specialized in providing those services, and therefore, we can provide services with better quality to our customers and reduce resources in managing outsourcing labors. Citing to such change, both of our greening and cleaning expenses and security charges increased from approximately RMB32.7 million and RMB8.5 million, respectively for the year ended December 31, 2017 to approximately RMB78.4 million and RMB11.6 million, respectively for the year ended December 31, 2018.

Our construction costs further decreased from approximately RMB2.5 million for the year December 31, 2017 to nil for the year ended December 31, 2018 as our Group ceased entering into any agreements for installation of security systems services with non-property owners since November 2016 and agreements entered before that had been delivering by us during the Track Record Period and was delivered in full in the year ended December 31, 2017.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 52.6% from approximately RMB105.3 million for the year ended December 31, 2017 to approximately RMB160.7 million for the year ended December 31, 2018, mainly owing to an increase in revenue for the year.

Our gross profit margin increased from approximately 22.9% for the year ended December 31, 2017 to approximately 23.2% for the year ended December 31, 2018, as our growth in revenue exceeded our growth in cost of sales.

Our gross profit margin from property management and value-added services increased from approximately 21.3% for the year ended December 31, 2017 to approximately 24.0% for the year ended December 31, 2018. This increase was primarily due to (i) an increase in average property management fee rates for our residential properties from approximately RMB1.73 per sq.m./month for the year ended December 31, 2017 to approximately RMB1.89 per sq.m./month for the year ended December 31, 2018; and (ii) an increase in revenue generated from our property agency services from approximately RMB0.7 million for the year ended December 31, 2017 to approximately RMB47.1 million for the year ended December 31, 2018 with a gross profit margin of 63.9% recorded for the year. The increase in our gross profit margin from property management and value-added services was partially offset by a decrease in gross profit margin in value-added services to non-property owners from approximately 45.5% for the year ended December 31, 2017 to approximately 35.2% for the year ended December 31, 2018 due to the increase in costs incurred from the increase in number of staff we hired for catering the forthcoming expansion of our business which outweighed the growth in our revenue for the year.

Our gross profit margin from lifestyle services slightly decreased from approximately 10.6% for the year ended December 31, 2017 to approximately 8.9% for the year ended December 31, 2018 due to the change in form of our target customers from individuals to groups in which group customers had a relatively lower profit margin than individual customers. We had only approximately 5% increase of individual customers comparing to an increase of approximately 333% of group customers from the year ended December 31, 2017 to the year ended December 31, 2018.

Our gross profit margin from commercial property management and consultation services decreased from approximately 85.3% for the year ended December 31, 2017 to approximately 57.3% for the year ended December 31, 2018. This decrease was primarily due to the preparation of our new business of cultural tourism complex management in which we established Henan Central New Life Agricultural Development Co., Ltd* (河南建業新生活農業發展有限公司) in 2018 which incurred fixed nature expenses such as administrative and selling and marketing before we generated any revenue and therefore, led to a lower profit margin for this segment.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 125.0% from approximately RMB5.2 million for the year ended December 31, 2017 to approximately RMB11.7 million for the year ended December 31, 2018. This increase was primarily due to an increase in employee benefit expenses as a result of an increase in the number of sales and marketing employees.

Administrative expenses

Our administrative expenses increased by approximately 35.6% from approximately RMB63.7 million for the year ended December 31, 2017 to approximately RMB86.4 million for the year ended December 31, 2018. This increase was primarily due to the expansion of our business scale, resulting in an increase in employee benefit expenses attributable to an increase in the number of employees.

Net impairment losses on financial assets

Our net impairment losses on financial assets increased by approximately 150.0% from approximately RMB0.6 million for the year ended December 31, 2017 to approximately RMB1.5 million for the year ended December 31, 2018. This increase was primarily attributable to the impairment we made according to the expected credit losses of receivables from Central China OP, Mr. Qiao Xiaoyong and Mr. Liu Da, non-controlling shareholders of a group company. For more information on these irrecoverable receivables, please see "—Selected Items of the Consolidated Balance Sheets—Trade and Other Receivables and Prepayments—Other receivables" in this section.

Other income

Our other income decreased by approximately 13.0% from approximately RMB56.8 million for the year ended December 31, 2017 to RMB49.4 million for the year ended December 31, 2018, primarily attributable to a decrease in interest income from loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang following a decrease in the balance of such loan.

Other gains –net

Our other net gains decreased by approximately 42.0% from approximately RMB8.1 million for the year ended December 31, 2017 to approximately RMB4.7 million for the year ended December 31, 2018. This decrease was primarily due to a decrease in net fair value gains on financial assets at fair value through profit or loss, resulting from a decrease in number of wealth management products during the period.

Operating profit

As a result of the foregoing, our operating profit increased by approximately 14.4% from approximately RMB100.7 million for the year ended December 31, 2017 to approximately RMB115.2 million for the year ended December 31, 2018.

Finance cost—net

Our net finance cost decreased by approximately 12.9% from approximately RMB49.1 million for the year ended December 31, 2017 to approximately RMB42.8 million for the year ended December 31, 2018. This decrease was primarily due to a decrease in interest expense of borrowings as a result of the repayment of certain borrowings in connection with the ABS during the year.

Share of (loss)/profit of an associate

Our share of profit of an associate decreased from approximately RMB1.3 million for the year ended December 31, 2017 to a share of loss of approximately RMB0.5 million for the year ended December 31, 2018, primarily due to a decrease in the profit generated from One Family Network.

Income tax expense

Our income tax expense increased by approximately 44.2% from approximately RMB13.8 million for the year ended December 31, 2017 to approximately RMB19.9 million for the year ended December 31, 2018. This increase was primarily due to an increase in our profit before income tax as a result of our revenue growth.

Profit and total comprehensive income for the year from continuing operations and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the year from continuing operations increased by approximately 33.0% from approximately RMB39.1 million for the year ended December 31, 2017 to approximately RMB52.0 million for the year ended December 31, 2018, and our net profit margin from continuing operations decreased from approximately 8.5% to 7.5% during the same period.

SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEETS

The following table sets forth a summary of our assets and liabilities as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Assets			
Non-current assets			
Investment in an associate	2,943	2,437	971
Property, plant and equipment	16,914	21,101	18,082
Intangible assets	9,227	8,333	72,950
Investment properties	240,927	214,444	—
Other receivables and prepayments	649	27,237	2,292
Deferred income tax assets	6,848	9,742	6,962
	277,508	283,294	101,257
Current assets			
Inventories	—	—	5,179
Contract assets	—	—	3,084
Trade and other receivables and prepayments	894,887	870,779	767,287
Financial assets at fair value through profit or loss	45,207	35,101	1,530
Restricted cash	404	408	312
Cash and cash equivalents	121,814	134,260	584,795
	1,062,312	1,040,548	1,362,187
Total assets	1,339,820	1,323,842	1,463,444
Equity			
Equity attributable to owners of the Company			
Share capital	—	—	3
Other reserves	95,000	82,840	123,297
Retained earnings	14,360	33,831	246,142
	109,360	116,671	369,442
Non-controlling interests	(9,776)	(19,356)	12,207
Total equity	99,584	97,315	381,649
Liabilities			
Non-current liabilities			
Borrowings	604,500	430,000	—
Lease liabilities	162,597	136,772	1,256
Contract liabilities	20,857	33,814	59,155
Deferred income tax liabilities	—	—	3,717
	787,954	600,586	64,128
Current liabilities			
Borrowings	5,430	6,426	—
Lease liabilities	56,409	66,383	1,886
Trade and other payables	256,618	353,191	654,265
Contract liabilities	110,216	167,481	310,852
Current income tax liabilities	23,609	32,460	50,664
	452,282	625,941	1,017,667
Total liabilities	1,240,236	1,226,527	1,081,795
Total equity and liabilities	1,339,820	1,323,842	1,463,444

Current assets and current liabilities

We recorded net current assets of RMB610.0 million, RMB414.6 million, RMB344.5 million and RMB365.4 million as of December 31, 2017, 2018, 2019, March 31, 2020, respectively. The table below sets out selected information for our current assets and current liabilities as at the dated indicated, respectively:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	—	—	5,179	9,252
Contract assets	—	—	3,084	4,581
Trade and other receivables and prepayments	894,887	870,779	767,287	770,780
Financial assets at fair value through profit or loss	45,207	35,101	1,530	—
Restricted cash	404	408	312	639
Cash and cash equivalents	121,814	134,260	584,795	494,258
	1,062,312	1,040,548	1,362,187	1,279,510
Current liabilities				
Borrowings	5,430	6,426	—	—
Lease liabilities	56,409	66,383	1,886	1,771
Trade and other payables	256,618	353,191	654,265	594,464
Contract liabilities	110,216	167,481	310,852	296,189
Current income tax liabilities	23,609	32,460	50,664	21,690
	452,282	625,941	1,017,667	914,114
NET CURRENT ASSETS	610,030	414,607	344,520	365,396

Net current assets

Our net current assets increased from approximately RMB344.5 million as of December 31, 2019 to RMB365.4 million as of March 31, 2020 mainly due to a decrease in trade and other payables and current income tax liabilities, partially offset by a decrease in cash and cash equivalents mainly owing to settlements of the trade and other payables and current income tax liabilities. Our net current assets then decreased from approximately RMB414.6 million as of December 31, 2018 to approximately RMB344.5 million as of December 31, 2019, mainly due to: (i) a decrease in trade and other receivables and prepayments of approximately RMB103.5 million due to the settlement of loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang of approximately RMB564.0 million as of June 30, 2019 which was partially offset by the increase in our trade receivables of approximately RMB430.4 million due to our business expansion during the same period; (ii) an increase in contract liabilities of approximately RMB143.4 million primarily due to an increase in demand for our value-added services to non-property owners and an increase in our GFA under management from approximately 25.7 million sq.m. as of December 31, 2018 to 57.0 million sq.m. as of December 31, 2019 which resulted in increase in the property management fees we received; and (iii) an increase in trade and other payables of approximately RMB301.1 million primarily due to our business expansion which resulted in an increase in trade payables and number of employees and the respective wages payable. These decreases were partially offset by increase in cash and cash equivalent of RMB450.5 million primarily due to (i) an increase in our net cash generated from operating activities of approximately RMB280.7 million; and (ii) repayment of loans from other entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang of approximately RMB564.0 million which was partially offset by our repayment of borrowings of approximately RMB436.4 million during the same period.

Our net current assets decreased from approximately RMB610.0 million as of December 31, 2017 to approximately RMB414.6 million as of December 31, 2018, mainly due to: (i) an decrease in trade and other receivables and prepayments of approximately RMB24.1 million due to the repayment of loans from entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang which was partially offset by the increase in our trade and other receivables during the same period; (ii) an increase in trade and other payables of approximately RMB96.6 million primarily due to our business expansion which resulted in an increase in trade payables and number of employees and the respective wages payable; (iii) an increase in contract liabilities of approximately RMB57.3 million primarily due to an increase in our GFA under management from approximately 20.4 million sq.m. as of December 31, 2017 to 25.7 million sq.m. as of December 31, 2018 which resulted in increase in the property management fees we received; (iv) an increase in current income tax liabilities of approximately RMB8.9 million due to an increase in our revenue during the same period; (v) an increase in lease liability of approximately RMB10.0 million due to an increase in business of the discontinued operations during the same period; and (vi) a decrease in financial assets at fair value through profit or loss of approximately RMB10.1 million, which is partially affect by an increase in cash and cash equivalents of approximately RMB12.5 million.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of vehicles, electronic equipment, and other fixed assets. Our property, plant and equipment increased from approximately RMB16.9 million as of December 31, 2017 to approximately RMB21.1 million as of December 31, 2018, primarily due to our continued investment in tool automation. Our property, plant and equipment decreased from approximately RMB21.1 million as of December 31, 2018 to approximately RMB18.1 million as of December 31, 2019, primarily due to the discontinued operation of Central China OP. No property, plant and equipment was restricted or pledged as security for borrowings as of December 31, 2017, 2018 and 2019.

Intangible Assets

Our intangible assets mainly consist of goodwill, platform and know-how, order backlog and customer relationship, software and others. Our intangible assets were approximately RMB9.2 million as of December 31, 2017 and RMB8.3 million as of December 31, 2018. Our intangible assets increased significantly from approximately RMB8.3 million as of December 31, 2018 to approximately RMB73.0 million as of December 31, 2019, primarily due to a goodwill arise from the acquisition of Linzhou Liuhe, Aiou Electronic, Zhengzhou Jiaxiang and Xinyang Nanhong.

Trade and other receivables and prepayments

Trade receivables

Our trade receivables mainly represent property management services income under lump sum basis and value-added services to property developers.

The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables			
—Non property developers	101,774	115,315	109,307
—Property developers	54,756	132,405	568,868
	156,530	247,720	678,175
Note receivables	600	500	—
Less: allowance for impairment of trade receivables	(12,649)	(13,806)	(13,328)
	144,481	234,414	664,847

Our trade receivables increased from approximately RMB144.5 million as of December 31, 2017 to approximately RMB664.8 million as of December 31, 2019 primarily due to an increase in gross trade receivables from property developers, which was in turn attributed to the increase in our provision of (a) value-added services to non-property owners (such as on-site sales assistance and consultancy), (b) property agency (which is provided to property developers prior to them receiving proceeds from selling properties) and (c) intelligent community solutions (which is provided immediately before the completion of property construction). Revenue generated from such services in aggregate amounted to approximately RMB64.2 million, RMB155.0 million and RMB638.8 million during the Track Record Period, respectively. Our gross trade receivables from property developers attributable to our provision of (i) value-added services to non-property owners, (ii) property agency services and (iii) intelligent community solutions, in aggregate, represented approximately 71.2%, 86.5% and 77.1% of our total trade receivables from property developers as of December 31, 2017, 2018 and 2019, respectively.

There are two types of trade receivables, property developers and non-property developers. Our Directors assessed that the expected credit loss rate for trade receivables from property developers were insignificant, considering the good finance position and credit history of the property developers.

To the best knowledge of our Directors and based on the Group's experience in Henan, after the property developers in Henan collected proceeds from property buyers, such property developers will generally prioritize the application of such proceeds to the settlement of outstanding fees with construction companies and the repayment of bank loans before settling the trade payables with other creditors (including the payables of our abovementioned services). Therefore, our Directors consider that it would generally take longer for us to recover the receivables from our property developer customers. Our Directors assess the recoverability of the receivables from our property developer customers primarily based on (i) historical payment record and financial position of the relevant property developer, (ii) stage of the relevant development project; and (iii) number of the relevant properties sold (if applicable).

As of the Latest Practicable Date, the remaining balance of the trade receivables of approximately RMB491.7 million that were related to the CCRE Group and its associates or joint ventures as of December 31, 2019 was decreased to approximately RMB350.5 million (represented settlement of approximately 28.7% of such trade receivables). Our Directors were of the view that such outstanding trade receivables were recoverable and no impairment allowance for such balance was necessary on the basis that: (i) CCRE is a company listed on the Stock Exchange along with its solid background, financial conditions, good reputation, credibility and payment records; (ii) we have a long and well-established business relationship with the CCRE Group and the percentage of subsequent settlement of our trade receivables with the CCRE Group and its associates or joint ventures as of the Latest Practicable Date was approximately 99.0% and 99.2% for the trade receivables as of December 31, 2017 and 2018, respectively as such, we would give the CCRE Group sufficient flexibility in settling their trade receivables with the mutual understanding that the outstanding trade receivables as of December 31, 2019 would be settled in a similar manner; and (iii) the CCRE Group has provided us with a repayment commitment letter which the CCRE Group has undertaken that they would settle all of their trade receivables as of December 31, 2019 with our Group within one year.

The expected credit loss rate for the provision matrix is for trade receivables from non-property developers which are mainly related to our property management service business. As there is no significant change in the business operation of property management service, actual loss rates for trade receivables, customer profile and the adjustments for forward looking macroeconomic data during the Track Record Period, our Directors consider that the change in the expected credit loss rates for the provision matrix is insignificant throughout the Track Record Period.

Aging analysis of trade receivables

The following is an aging analysis of trade receivables between related parties and independent third party as of the dates indicated, based on the date of demand note and document of settlement:

	Related parties			Independent third party			Total		
	As of December 31,			As of December 31,			As of December 31,		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-180 days	27,292	71,759	377,767	41,779	55,219	95,795	69,071	126,978	473,562
181-365 days	7,129	1,642	113,305	23,781	49,731	49,262	30,910	51,373	162,567
1 to 2 years	4,588	2,840	269	33,436	31,971	17,418	38,024	34,811	17,687
2 to 3 years	642	4,587	170	9,392	22,331	13,956	10,034	26,918	14,126
3 to 4 years	294	514	151	4,079	4,568	6,394	4,373	5,082	6,545
Over 4 years	133	72	79	3,985	2,486	3,609	4,118	2,558	3,688
Total	40,078	81,414	491,741	116,452	166,306	186,434	156,530	247,720	678,175

Subsequent settlement of trade receivables

The following table sets forth the subsequent settlement of trade receivables by property developers, non-property developers, related parties and independent third party as of the dates indicated:

	Property developer (a) = (b) + (c)			Property developer—Related parties (b)			Property developer—Independent third party (c)			Non-property developer (Owner/ Independent third party) (d)			Total (e) = (a) + (d)		
	As of December 31,			As of December 31,			As of December 31,			As of December 31,			As of December 31,		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Subsequent settlement															
0-180 days	40,773	96,636	120,794	27,131	71,651	98,754	13,642	24,985	22,040	21,784	22,145	5,126	62,557	118,781	125,920
181-365 days	7,835	24,210	43,273	7,129	1,481	42,437	706	22,729	836	16,315	18,474	1,969	24,150	42,684	45,242
1 to 2 years	4,771	5,419	—	4,441	2,679	—	330	2,740	—	27,386	16,118	801	32,157	21,537	801
2 to 3 years	638	4,440	9	638	4,440	9				7,616	16,611	843	8,254	21,051	852
3 to 4 years	284	510	4	284	510	4				2,866	2,792	674	3,150	3,302	678
Over 4 years	71	—	3	71	—	3				2,712	1,437	784	2,783	1,437	787
Total	54,372	131,215	164,083	39,694	80,761	141,207	14,678	50,454	22,876	78,679	77,577	10,197	133,051	208,792	174,280

The following table sets forth the percentage of subsequent settlement between related parties and independent third party as of the dates indicated:

	Related parties			Independent third party			Total		
	As of December 31,			As of December 31,			As of December 31,		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross trade receivables	40,078	81,414	491,741	116,452	166,306	186,434	156,530	247,720	678,175
Less: allowance for impairment of trade receivables	—	—	—	(12,649)	(13,806)	(13,328)	(12,649)	(13,806)	(13,328)
Trade receivables	40,078	81,414	491,741	103,803	152,500	173,106	143,881	233,914	664,847
Subsequent settlement of trade receivables	39,694	80,761	141,207	93,357	128,031	33,073	133,051	208,792	174,280
Percentage of subsequent settlement[(1)]	99.0%	99.2%	28.7%	89.9%	84.0%	19.1%	92.5%	89.3%	26.2%

Note:

(1) The percentage of subsequent settlement was calculated based on the remaining balance of trade receivables as of the Latest Practicable Date.

Average turnover days of trade receivables

The following table sets forth the average turnover days of our trade receivables between related parties and independent third party for the periods indicated:

Turnover days	Year ended December 31,		
	2017	2018	2019
Related parties	145	162	138
Independent third party	99	91	63

Our Directors confirm that our Group had not recorded any bad debts arising from, or otherwise were required to make any provision for bad or doubtful debts in respect of, any failure to recover the trade receivables from our property developer customers during the Track Record Period. Further, our Directors confirm that, (i) to the best of their knowledge, they are not aware of any circumstances as of the Latest Practicable Date that would require the Group to record any material bad debts or make any material provision for bad or doubtful debts for the trade receivables from our property developer customers; and (ii) as of Latest Practicable Date, our trade receivables from property developer customers were not subject to any disputes or legal proceedings.

As of December 31, 2017, 2018 and 2019, we made allowance for impairment of trade receivables of approximately RMB12.6 million, RMB13.8 million and RMB13.3 million, respectively, which were made according to the expected credit losses of each debtors.

The following is an aging analysis of trade receivables as of the dates indicated, based on the date of demand note and document of settlement:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 180 days	69,071	126,978	473,562
181 to 365 days	30,910	51,373	162,567
1 to 2 years	38,024	34,811	17,687
2 to 3 years	10,034	26,918	14,126
3 to 4 years	4,373	5,082	6,545
Over 4 years	4,118	2,558	3,688
	156,530	247,720	678,175

The following table sets forth the average turnover days of our trade receivables for the periods indicated:

	Year ended December 31,		
	2017	2018	2019
		(days)	
Average turnover days of trade receivables(1)	99.1	99.6	93.5

Note:

(1) Average turnover days of trade receivables for a period equals average trade receivables divided by revenue for the period and multiplied by 365 for a 12-month period. Average trade receivables are calculated as trade receivables at the beginning of the period plus trade receivables at the end of the period, divided by two.

Our average turnover days of trade receivables decreased from 99.1 days and 99.6 days for the year ended December 31, 2017 and 2018 to 93.5 days for the year ended December 31, 2019 primarily due to our enhanced collection efforts. For more information on our collection efforts, please see "Business—Property Management and Value-Added Services—Traditional Property Management—Property Management Fees—Payment Terms and Credit Terms" in this prospectus.

Our Directors confirm that as of the Latest Practicable Date, approximately RMB174.3 million, or 25.7%, of our trade receivables as of December 31, 2019 were subsequently settled.

Other receivables

Our other receivables mainly represent loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang, interests receivable and amounts due from minority shareholders of a subsidiary.

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other receivables			
—Loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang	646,949	564,000	—
—Interests receivable from entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang	79,024	38,071	—
—Amounts due from non-controlling shareholders of a former subsidiary	15,124	15,285	—
—Amounts due from entities controlled by Mr. Wu	218	22,346	40,807
—Receivables from a third party	—	—	29,352
—Others	5,851	8,709	15,343
	747,166	648,411	85,502
Less: allowance for impairment of other receivables	(1,768)	(17,678)	(1,145)
	745,398	630,733	84,357

During the Track Record Period, we made loans to Hongdao Investment, Jianye Holdings and Henan Central China Football Club, which were entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang at the material time, which were not compliant with PRC laws and regulations. Please refer to the section headed "Business—Legal Proceedings and Compliance" for further details.

The amounts due from non-controlling shareholders of a former subsidiary as of December 31, 2017 and 2018 were loans made by Henan Yunwu Changxiang Network Technology Co., Ltd.* (河南雲屋暢享網絡科技有限公司) ("**Henan Yunwu**"), our former non wholly-owned subsidiary, to two minority individual shareholders of Henan Yunwu, namely Mr. Qiao Xiaoyong (喬小勇先生) and Mr. Liu Da (劉達先生). Such line item was then decreased to nil as of December 31, 2019 due to the disposal of Central China OP on March 15, 2019.

The amounts due from entities controlled by Mr. Wu primarily represent payment received by the CCRE Group on our behalf for our sale of goods and services on our Jianye + (建業+) platform. The CCRE Group has developed and operated a well-established third-party online payment platform and has obtained the necessary license for such operation. In order to facilitate development of our Jianye + (建業+) platform and to save costs, the CCRE Group acts as the third-party online payment platform for our Jianye + (建業+) platform and the CCRE Group is responsible for all the monetary arrangements occurred in the day-to-day transactions with the customers. For further details, please refer to the section headed "Connected Transactions—(A) Fully Exempt Continuing Connected Transactions—2. Online Payment Platform Services" in this prospectus. We settle the balance of payment received by the CCRE Group through the online payment platform monthly. The CCRE Group did not charge the Group any service fee for providing the third-party online platform since the CCRE Group considers this would provide convenience and encourage users to continue to use the Jianye + (建業+) platform. This would ultimately enhance the Jianye brand awareness and create customer's loyalty to the Jianye brand, which is beneficial to the CCRE Group. Instead, the CCRE Group charges property owners for such prepayment services. In light of regular settlement by the CCRE Group and the long-term cooperation between our Group and CCRE Group, our Company did not have any collateral implemented to secure the receivables from the CCRE Group. Such arrangement is ongoing and occurred in the ordinary course of business, and we will continue with such arrangement with the CCRE Group after the Listing.

As of December 31, 2019, we had an increase in receivables from a third party, which was solely an amount due from a former non wholly-owned subsidiary of approximately RMB29.4 million. Such loan was provided by our Group for the purpose of financing the business operations of our former non wholly-owned subsidiary, Central China OP, during the two years ended December 31, 2017 and 2018. Central China OP was disposed by us on March 15, 2019. Pursuant to the disposal agreement dated March 15, 2019, the purchaser of Central China OP, being an Independent Third Party, agreed to take over the debt obligations of Central China OP and settle this outstanding amount on or before April 30, 2020. Such receivables was fully settled on April 28, 2020. Further details are set out in the section headed "History, Reorganization and Corporate Structure—Post-Reorganization—Disposal of Central China OP" in this prospectus.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly represent wealth management products and fund products we purchased. The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wealth management products	5,174	4,402	1,530
Funds products	40,033	30,699	—
	45,207	35,101	1,530

During the Track Record Period, we purchased wealth management products from PRC domestic banks recognized in financial assets at fair value through profit or loss. During the Track Record Period, we recorded interest income from such wealth management products of approximately RMB1.4 million, RMB0.2 million and RMB0.4 million, respectively.

For certain wealth management products in which we invested, our full recovery of the principal investment amounts is guaranteed and protected by the respective banks. For other wealth management products, full recovery of the principal investment amounts is not guaranteed. The wealth management products in which we invested during the Track Record Period were mainly used by the issuing banks to invest in (i) highly liquid assets, including, but not limited to, PRC government bonds, local government bonds, financial bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium-term notes, subordinated bonds, asset-backed securities or notes, trust funds and other investment-grade debt instruments; and (ii) various types of asset management plans, or a combination of any of the foregoing. According to the underlying contracts for these wealth management products, the investment allocation decisions of these funds are generally made by the licensed commercial banks on a discretionary basis. We made investments in these wealth management products primarily for the purposes of gaining reasonably higher short-term investment returns than the fixed rate returns from cash deposits at banks.

We have adopted investment and treasury policies and internal control measures to review and monitor our investment risks. We consider investing in wealth management products only when we have surplus cash that is not required for our short-term working capital purposes. We consider the profits we expect to generate and the risks expected to be involved before we make any investment decision. In accordance with our internal wealth investment administration rules, we are only allowed to purchase short-term wealth management products, typically those redeemable upon demand, issued by large state-owned licensed banks or listed licensed banks in China, including Bank of China, Bohai Bank and Shanghai Pudong Development Bank. Our Chief Finance Officer is responsible for the approval of our investment in wealth management products. Although during the Track Record Period we recorded losses in certain wealth management products, we believe that our internal control policies regarding investment in financial assets and risk management mechanism are adequate. To achieve reasonably higher return on our excess cash than regular bank deposits, we may continue to take a prudent approach to make selective investment in similar wealth management products with low risk.

Accumulated Loss

Throughout 20 years of experience and operations in the property management industry, our Group went through various business development phases and has successfully transformed from a supporting role to a property developer to a profitable independent service provider of property management and value-added services and also a service provider of lifestyle and commercial property management and consultation services. Since the incorporation of one of our major operating subsidiaries, Central China Property Management, in 1999, our Group has then been providing the majority of our property management services to properties developed by the CCRE Group and its associates or joint ventures. Further, as we were only providing traditional property management services when we first commenced our business, our revenue was primarily derived from the provision of property management services. Due to the fact that (i) we had a relatively low total GFA under management since incorporation until end of 2014 when our total GFA under management exceeded 10 million sq.m., which coupled with the relatively low property management fee we were charging at the time and that we continued to incur expenses of a fixed natured, hence our Group only managed to break even until end of 2014 when our business scale reached a point where we could effectively spread our costs; (ii) as confirmed by CIA, one of our industry consultants, due to the low awareness and demand of property management services in the market as well as the rules and regulations imposed by the PRC government in order to control the management fee rates, hence we were charging the properties under our management at a low property management fee rate when we first commenced our property management business. Our property management fee for the years ended December 31, 2013 and 2014 was approximately RMB1.49 per sq.m./month on average comparing to an average of RMB1.66 per sq.m./month for the year ended December 31, 2015 and 2016. Such adjustment was due to the new regulation abolishing pricing control policies for property management 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) promulgated by the government came into effect in December 2014 and we were able to adjust our property management fee since 2015 and (iii) the start up of our business continued to incur expenses of a fixed nature such as the standard overhead costs and labor costs in respect of attracting and retaining qualified employees for our management team at the time, our Group had recorded accumulated loss of approximately RMB9.1 million as at January 1, 2017. As confirmed by CIA, reasons for property management companies of a smaller scale to incur loss prior to 2014 were due to (i) the rigid pricing policies imposed by the PRC government in which property management fees collected were less than the costs incurred; and (ii) additional value-added services were not in demand hence the only source of revenue generated was mainly from property management services which has lower gross profit margin than value-added services, as a result, property management companies of a smaller scale generally take longer to break even. Since our focus has been on the provision of quality property management services to our customers, hence the property management fees we charged prior to 2014 could not fully cover the costs incurred. As a result, our costs exceeded the revenue generated, thus our Group had incurred accumulated loss and was only able to break even until end of 2014 even though we receive property management fees prior to providing property management services.

Our Group was able to turnaround our business to profitability during the Track Record Period primarily because (i) we had a significant increase in our aggregate GFA under management from approximately 20.4 million sq.m. as of December 31, 2017 to 57.0 million sq.m. as of December 31, 2019 primarily due to the policies implemented by the PRC government in 2016 that are favorable to property developers in order to facilitate the sale of the properties to reduce vacancy rate which led to an increase in delivery of properties from the CCRE Group and other third-party property developers; (ii) we had an increase in the property management fee rate charged for the residential properties we manage which was approximately RMB1.73 per sq.m./month, RMB1.89 per sq.m./month and RMB1.82 per sq.m./month during the Track Record Period, respectively, and we had successfully increased the property management fee rates for 17 properties under management by an average of approximately 41.8%; (iii) the expansion of our business and increase in revenue and in particular, our value-added service offering expanded to cover the following services: (a) personalized services to VIPs of the Central China Consumers Club. As we share similar business philosophy and values with the CCRE Group, we were engaged to manage and take care of the VIPs of the CCCC in which we would organize customized activities for each of the VIPs. Further, we would also organize massive activities for all VIPs in order to promote CCRE's brand recognition; (b) property agency services in respect of new properties in addition to second-hand properties. Since the CCRE Group decided to focus on its property development business hence the CCRE Group outsourced its property agency business to our Group primarily because (i) we had the necessary license and qualifications; and (ii) we had a well-established business relationship with the CCRE Group; and (c) intelligent community solutions. As the CCRE Group began to promote environmental awareness among its residents, we were engaged to implement intelligent community solutions which would enable energy-saving within the communities as we had the necessary expertise in such respect. As a result, we had an increase in cooperation with the CCRE Group which brought mutual benefits to the business of both the CCRE Group and our Group, for further details, please see section headed "Connected Transactions" in this prospectus; (iv) our property agency and CCCC services had a higher gross profit margin among our services which our gross profit margin for property agency services was approximately 61.5%, 63.9% and 49.6% during the Track Record Period, respectively. Our gross profit margin for CCCC was approximately 30.8% and 47.3% for the year ended December 31, 2018 and 2019, respectively; (v) our revenue derived from our property management and value-added services accounted for approximately 91.5%, 89.4% and 76.4% during the Track Record Period, hence the continued increase in our revenue for our property management and value-added led to a continued significant increase in our total revenue; (vi) we had been able to spread our expenses of a fixed nature among all our property projects while increasing the provision of services; and (vii) our two business segments, namely our lifestyle and commercial property management and consultation services, started for the year ended December 31, 2019, had recorded segment results of approximately RMB55.2 million and RMB19.5 million respectively. As a result, our profit derived from the continuing operations increased from approximately RMB39.1 million for the year ended December 31, 2017 to approximately RMB232.8 million for the year ended December 31, 2019.

Deferred Income Tax Liabilities

Our deferred income tax liabilities mainly represent deferred tax assets and liabilities resulting from doubtful debts, tax losses, net of right-of-use assets and lease liabilities, as well as appreciation on assets due to business combination. The following table sets forth a breakdown of our deferred income tax as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
—Deferred tax assets to be recovered after more than 12 months	3,188	3,573	2,957
—Deferred tax assets to be recovered within 12 months	3,660	6,169	4,005
	6,848	9,742	6,962
Deferred tax liabilities:			
—Deferred tax liabilities to be recovered after more than 12 months	—	—	(2,944)
—Deferred tax liabilities to be recovered within 12 months	—	—	(773)
	—	—	(3,717)
	6,848	9,742	3,245

Trade and other Payables

Our trade and other payables primarily consist of maintenance funds and deposits paid by property owners, and utility fees repaid by property owners and residents. Our trade and other payables increased from approximately RMB256.6 million as of December 31, 2017 to approximately RMB353.2 million as of December 31, 2018 due to an increase in the deposits we request from property owners for the purpose of renovation. Our trade and other payables further increased to approximately RMB654.3 million as of December 31, 2019 due to (i) an increase in accrued payroll and (ii) an increase in deposits we received, as a result of the expansion of our business.

Trade payables

Our trade payables primarily consist of trade payables from services and goods from our suppliers. The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables			
- Related parties	—	227	11,953
- Third parties	32,560	53,231	165,466
	32,560	53,458	177,419

The overall increase in our trade payables throughout the Track Record Period was due to the expansion of our business.

The following is an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 180 days	26,082	45,968	170,413
181-365 days	392	4,607	5,011
1 to 2 years	1,755	723	462
2 to 3 years	1,917	1,139	537
Over 3 years	2,414	1,021	996
Trade payables	32,560	53,458	177,419

During the Track Record Period, our trade payables were unsecured and non-interest-bearing. The credit terms of trade payables vary according to the terms agreed with different suppliers, normally ranging from 0 to 180 days.

The following table sets forth the average turnover days of our trade payables for the periods indicated:

	Year ended December 31,		
	2017	2018	2019
		(days)	
Average turnover days of trade payables[(1)]	33.7	29.4	35.8

Note:

(1) Average turnover days of trade payables for a period equals average trade payables divided by cost of sales for the period and multiplied by 365 for a 12-month period. Average trade payables are calculated as trade payables at the beginning of the period plus trade payables at the end of the period, divided by two.

The Group's average turnover days of trade payables was 33.7 days, 29.4 days and 35.8 days during the Track Record Period, respectively, which fall within the credit periods generally granted by the Group's suppliers.

Our Directors confirm that, as at the Latest Practicable Date, approximately RMB107.9 million, or 60.8%, of our trade payables as of December 31, 2019 were subsequently settled.

Other payables

Our other payables mainly include deposits paid by residents of properties we manage, deposits paid by certain suppliers, maintenance funds collected from residents of properties we manage, amounts due to entities controlled by Mr. Wu and accrued payroll. The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Amounts due to entities controlled by Mr. Wu	4,750	10,387	22,938
Others	144,696	182,490	274,502
Accrued payroll	40,469	72,318	151,793
Other taxes payables	12,281	19,366	27,613
Interests payable	21,862	15,172	—
Total	224,058	299,733	476,846

Our amounts due to entities controlled by Mr. Wu include water, electricity, heating and other utility expenses, which are as a matter of logistics initially paid by the CCRE Group (as the landlord) to the respective utility suppliers on behalf of us as the management company collecting utilities payment from the tenants of CCRE Group's commercial properties under our management, and we subsequently reimburse the CCRE Group for such payment. Such utility expenses are ongoing and incurred in the ordinary course of our business, and we will continue with such arrangement after the Listing for the duration of the relevant underlying leases. Our amounts due to entities controlled by Mr. Wu increased from RMB4.8 million as of December 31, 2017 to approximately RMB10.4 million as of December 31, 2018, primarily due to an increase in the services provided to properties developed by the CCRE group and its associates or joint ventures. Our amounts due to entities controlled by Mr. Wu increased further to approximately RMB22.9 million as of December 31, 2019 due to timing of cut-off date of payment made to entities controlled by Mr. Wu. Our amounts due to entities controlled by Mr. Wu are unsecured, interest-free and repayable on demand. Our Directors have confirmed that, save for the abovementioned payable of water, electricity, heating and other utility expenses of approximately RMB14.3 million as of December 31, 2019 (which is not financing or any form of financial support provided by the CCRE Group), all amounts due to entities controlled by Mr. Wu will be settled before Listing.

Others primarily includes deposits, maintenance fund and collection of water, electricity and gas fees.

Our accrued payroll increased from approximately RMB40.5 million as of December 31, 2017 to approximately RMB72.3 million as of December 31, 2018 primarily due to an increase in the number of employees hired. Our accrued payroll as of December 31, 2019 then increased to approximately RMB151.8 million.

Our other taxes payables increased from approximately RMB12.3 million as of December 31, 2017 to approximately RMB19.4 million and RMB27.6 million as of December 31, 2018 and 2019, respectively, primarily due to increase in our taxable income.

Our interest payable decreased from approximately RMB21.9 million as of December 31, 2017 to approximately RMB15.2 million as of December 31, 2018 due to a decrease in the amount of the ABS. Our interests payable as of December 31, 2019 is nil due to the fact that we no longer have any outstanding debt.

Contract Liabilities

Our contract liabilities mainly arise from the prepayment of property management fees by our customers. Our contract liabilities increased from approximately RMB131.1 million as of December 31, 2017 to approximately RMB201.3 million as of December 31, 2018. Our contract liabilities further increased to approximately RMB370.0 million as of December 31, 2019. The general increase in contract liabilities was mainly due to an increase in the total GFA of properties we managed in connection with the expansion of our business. The following table sets forth a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Property management services and related value-added services	128,439	195,473	358,426
Lifestyle services	2,634	5,114	10,998
Commercial property management and consultation services	—	708	583
Total	131,073	201,295	370,007

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been for working capital. We finance our operations mainly from cash flow from operations and asset backed securities. In the foreseeable future, we expect working capital to continue to be our principal requirements of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital expenditure.

The following table sets forth a summary of our cash flows as of the dates indicated.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Operating activities			
Continuing operations	66,019	93,874	265,255
Discontinued operation	17,830	39,588	15,444
Net cash generated from operating activities	83,849	133,462	280,699
Investing activities			
Continuing operations	261,333	159,831	620,876
Discontinued operation	(35,174)	(22,324)	23,056
Net cash generated from investing activities	226,159	137,507	643,932
Financing activities			
Continuing operations	(265,532)	(219,633)	(450,474)
Discontinued operation	(22,207)	(38,890)	(23,813)
Net cash used in financing activities	(287,739)	(258,523)	(474,287)
Net increase in cash and cash equivalents	22,269	12,446	450,344
Cash and cash equivalents at beginning of year	99,545	121,814	134,260
Exchange gain on cash and cash equivalents	—	—	191
Cash and cash equivalents at end of year	121,814	134,260	584,795

Net cash generated from operating activities

For the year ended December 31, 2019, net cash generated from operating activities was RMB280.7 million, consisting of cash generated from continuing operations of RMB265.3 million and discontinued operation of RMB15.4 million. The net operating cash generated from continuing operations was primarily a combined result of operating cash inflow before movements in working capital of RMB328.4 million, income tax paid of RMB50.9 million and decrease in working capital of RMB12.2 million. The decrease in working capital was primarily reflected by an increase in trade and other receivables and prepayments of RMB450.0 million and partially offset by an increase in contract liabilities of RMB161.3 million and trade and other payables of RMB283.6 million.

For the year ended December 31, 2018, net cash generated from operating activities was RMB133.5 million, consisting of cash generated from continuing operations of RMB93.9 million and discontinued operation of RMB39.6 million. The net operating cash generated from continuing operations was primarily a combined result of operating cash inflow before movements in working capital of RMB70.3 million, income tax paid of RMB13.9 million and increase in working capital of RMB37.5 million. The increase in working capital were primarily reflected by an increase in contract liabilities of RMB70.2 million and trade and other payables of RMB101.1 million, partially offset by an increase in trade and other receivables and prepayments of RMB133.8 million

For the year ended December 31, 2017, net cash generated from operating activities was RMB83.8 million, consisting of cash generated from continuing operations of RMB66.0 million and discontinued operation of RMB17.8 million. The net operating cash generated from continuing operations was primarily a combined result of operating cash inflow before movements in working capital of RMB42.1 million, income tax paid of RMB0.2 million and increase in working capital of RMB24.2 million. The increase in working capital were primarily reflected by an increase contract liabilities of RMB12.1 million and trade and other payables of RMB48.8 million, partially offset by an increase in trade and other receivables and prepayments of RMB36.5 million.

Net cash generated from investing activities

For the year ended December 31, 2019, net cash generated from investing activities was RMB643.9 million, consisting of cash generated from continuing operations of RMB620.9 million and discontinued operation of RMB23.1 million. The cash generated from continuing operations primarily reflecting (i) repayment from other parties in the amount of RMB564.0 million, (ii) proceeds from disposal of financial assets at fair value through profit or loss of RMB309.0 million and (iii) interest received in the amount of RMB54.9 million, partially offset by acquisition of financial assets at fair value through profit or loss in the amount of RMB278.4 million.

For the year ended December 31, 2018, net cash generated from investing activities was RMB137.5 million, consisting of cash generated from continuing operations of RMB159.8 million and cash used in discontinued operation of RMB22.3 million. The cash generated from continuing operations primarily reflecting (i) repayments from other parties in the amount of RMB82.9 million, (ii) proceeds from disposal of financial assets at fair value through profit or loss in the amount of RMB95.1 million and (iii) interest received in the amount of RMB90.1 million, partially offset by (i) acquisition of financial assets at fair value through profit or loss in the amount of RMB78.6 million and (ii) prepayments for acquisition of subsidiaries of RMB24.8 million.

For the year ended December 31, 2017, net cash generated from in investing activities was RMB226.2 million, consisting of cash generated from continuing operations of RMB261.3 million and cash used in discontinued operation of RMB 35.2 million. The cash generated from continuing operations was primarily reflecting (i) proceeds from disposal of financial assets at fair value through profit or loss in the amount of RMB614.6 million, (ii) repayments from other parties in the amount of RMB224.6 million and (iii) interest received in the amount of RMB14.4 million, partially offset by acquisition of financial assets at fair value through profit or loss in the amount of RMB586.8 million.

Net cash used in financing activities

For the year ended December 31, 2019, net cash used in financing activities was RMB474.3 million, consisting of cash used in continuing operations of RMB450.5 million and cash used in discontinued operation of RMB23.8 million. The cash used in continuing operations was reflecting primarily repayment of borrowings in the amount of RMB436.4 million and interest paid in the amount of RMB32.4 million, partially offset by a capital injection from the shareholders of the Company in the amount of RMB9.4 million, and cash advances from entities controlled by Mr. Wu in the amount of RMB21.4 million.

For the year ended December 31, 2018, net cash used in financing activities was RMB258.5 million, consisting of cash used in continuing operations of RMB219.6 million and cash used in discontinued operation of RMB38.9 million. The cash used in continuing operations was reflecting primarily (i) repayments of borrowings in the amount of RMB173.5 million, (ii) distributions to the then owners of a group company in the amount of RMB100.0 million and (iii) interest paid in the amount of RMB49.7 million, partially offset by a capital injection from the shareholders of the Company in the amount of RMB100.0 million.

For the year ended December 31, 2017, net cash used in financing activities was RMB287.7 million, consisting of cash used in continuing operations of RMB265.5 million and cash used in discontinued operation of RMB22.2 million. The cash used in continuing operations was reflecting primarily (i) repayments of borrowings in the amount of RMB198.4 million, (ii) interest paid in the amount of RMB43.2 million and (iii) repayments to entities controlled by Mr. Wu in the amount of RMB32.6 million.

Working Capital

Our Directors are of the opinion that, after taking into account the financial resources available to us including the estimated net proceeds of the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range) 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

Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Borrowings[(1)]:				
- Non-current portion	604,500	430,000	—	—
- Current portion	5,430	6,426	—	—
	609,930	436,426	—	—

Note:

(1) The borrowings are the asset-backed securities issued by Henan Central China Property Management Co., Ltd, a PRC subsidiary of our Group in April 2016.

The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Lease liabilities:				
- Non-current portion	162,597	136,772	1,256	1,181
- Current portion	56,409	66,383	1,886	1,771
	219,006	203,155	3,142	2,952

As of December 31, 2017 and 2018, all of our outstanding borrowings were the ABS. On March 11, 2016, Central China Property Management, our PRC subsidiary, entered into an asset-backed securities arrangement with a third party asset management company by pledging the future five years' right to receive management fee for certain properties under its management. On April 13, 2016, the ABS was formally established with an aggregate nominal value of RMB900 million with a five-year maturity, among which RMB40 million represented subordinated securities purchased by Henan Central China Investment Holdings Limited* (河南建業投資控股有限公司) ("**Central China Investment Holdings**"), the then shareholder of Central China Property Management. The ABS carries a nominal interest rate ranging from 5.0% to 5.9% per annum. The repayment of the ABS was secured by Central China Investment Holdings.

When Central China Property Management entered into the asset-backed securities arrangement, Central China Property Management was under the ownership and control of Independent Third Parties. Please refer to the section headed "History, Reorganization and Corporate Structure" for further details. To our Directors' best knowledge and belief, the circumstances leading to this arrangement and purpose of the funding were as follows:

(i) asset-backed securities arrangement was at the time a relatively new means of fund raising offered by various financial institutions in the PRC with a view to addressing the funding needs of property management companies. Central China Property Management considered funding under the ABS to be more attractive compared to traditional bank loans because ABS is a flexible means of fund raising tailored to the characteristics of property management companies. Traditional bank loans usually require the borrower to provide certain fixed assets (with a value comparable to the loan principal amount) as security for the loan. Property management companies by nature may not readily have sufficient fixed assets to serve as collateral. Instead, ABS offered a tailored approach, for example, allowing property management companies to pledge their receivable property management fees (for a specified duration). Taking into account the high collection rates of its property management fees and the future cash inflow forecast covering the period from January 1, 2016 to December 31, 2020 issued by an external audit firm engaged by Central China Property Management for purpose of the ABS, Central China Property Management considered that ABS would enable Central China Property Management to obtain substantial funding on relatively commercially desirable terms with collateral tailored to Central China Property Management's business and assets, and with adequate assurance on repayment ability;

(ii) based on arm's length discussion including the future cash inflow projection of Central China Property Management based on the portfolio of properties under management, the asset management company coordinating the asset-backed securities scheme targeted to raise an amount of RMB900 million under this scheme; and

(iii) given the scale of the Group's property management services continued to grow in terms of GFA under management, revenue and gross profit during 2014 and 2015, the then beneficial owners and management of Central China Property Management considered that there was genuine need for funding to expand and further enhance our property management services and intended to apply the funds raised to expand and further enhance its property management services in the following areas: (i) purchase of equipment such as high pressure cleaning tools and electric sweeper for hygiene maintenance; (ii) upgrade and refurbishment of the residential communities under our management to retain their attractiveness; and (iii) other general working capital such as staff cost and utilities expenses associated with the provision of property management services.

Given that Central China Property Management was the provider of property management services of all of CCRE Group's development projects, CCRE Group agreed to provide liquidity support as part of the ABS scheme in favor of our Group as (i) the ABS would provide capital to Central China Property Management for enhancing its property management services to all of CCRE Group's development projects and increasing their customers' satisfaction, which in turn is beneficial to the sustainable development of CCRE Group; and (ii) the provision of the liquidity support would allow CCRE to earn a service fee of 1% of the actual cash payment being the fund of the liquidity support provided by CCRE China. To our Directors' best knowledge, information and belief, the subscribers of the remaining ABS in the total amount of RMB860 million were Independent Third Party.

In addition, CCRE Group has assessed and concluded that the risk of default by Central China Property Management under the ABS is inherently low. The ABS is a flexible means of fundraising tailored to the characteristics of property management companies, pursuant to which trade receivables of property management fees could be securitized into borrowings. The amount of ABS borrowings of RMB900 million was arrived based on the future cash inflow projection of Central China Property Management taking into account the portfolio of properties under management of Central China Property Management Therefore, default would only occur in extreme circumstances such as a significant amount of projected property management contracts did not coming to fruition or a significant amount of property management fees could not be recovered from the property owners. Given Central China Property Management was the provider of property management services of all of CCRE Group's development projects when CCRE Group provided the liquidity support, CCRE Group was confident with Central China Property Management's repayment ability taking into account (i) the number of property projects that it intended to engage our Group for the provision of property management services; and (ii) the collection rates of property management fees based on the credit quality of its customers, i.e. the property owners. As of the Latest Practicable Date, Central China Property Management never defaulted in repaying the ABS borrowings and the 1% service fee to CCRE. The ABS borrowings were fully settled in March 2019 and no Shortfall Payment Incident (as defined in the CCRE's announcement dated April 13, 2016 in relation to CCRE's provision of liquidity support to Central China Property Management) under the ABS borrowings was triggered.

Given that the intended purposes of working capital and capital expenditure did not utilize all the funds raised through ABS, the then management of CCPM decided to make effective use of any idle cash by granting loans by granting loans to certain third-party entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang with capital needs at an annual interest of 9.0%. To our Directors' best knowledge and belief, Mr. Hua Ziyi and Mr. Hua Zhichang decided to borrow loans from the Group instead of from banks primarily because the loans were provided on unsecured basis, which they would unlikely be able to obtain from the banks without collateral of comparable value to the loans. It was considered to be in the commercial interest of Central China Property Management as this would generate additional interest income for Central China Property Management after deducting the interest payable under the ABS, which carries a nominal interest rate ranging from 5.0% to 5.9% per annum.

During the years ended December 31, 2017 and 2018, Central China Property Management repaid a portion of the principal amount of the ABS, amounting to approximately RMB128.5 million and RMB167.0 million, respectively. On March 28, 2019 (the "**Redemption Date**"), we redeemed the remaining ABS in full at a redemption price equalling to 100% of the principal amount of the ABS and the accrued and unpaid interests as at the Redemption Date. There is no redemption premium recognized in the consolidated comprehensive income. As of the Latest Practicable Date, our Company did not have any banking facilities.

As of December 31, 2017, 2018 and 2019, substantially all of our lease liabilities were incurred by Henan Yunwu, our former non wholly-owned subsidiary. All the lease liabilities incurred by Henan Yunwu were transferred upon the disposal of Central China OP on March 15, 2019.

The following is an aging analysis of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	5,430	6,426	—	—
Between 1 and 2 years	174,500	185,000	—	—
Between 2 and 5 year	430,000	245,000	—	—
Total borrowings	609,930	436,426	—	—

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. We did not have any material external financing plans as of the Latest Practicable Date.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

During the Track Record Period, our capital commitments mainly related to the development of the intelligent platform and financial sharing system. The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Intangible assets*	Nil	Nil	5,616

* *Capital expenditures contracted but not yet incurred in respect of the development of the intelligent solutions and financial sharing system to centralize our customers' data.*

Capital expenditures

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

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Additions to:			
Property, plant and equipment	15,298	16,585	17,616
Intangible assets	861	515	568
Investment properties	157,783	36,518	4,383

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, our Directors confirmed that there was no further plans for material capital expenditure as of the Latest Practicable Date.

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any contingent liabilities.

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 December 31, 2019, being the latest 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 December 31, 2019 and up to the Latest Practicable Date.

As of the Latest Practicable Date, we did not have any definitive plan to raise external financing except for the Global Offering.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2019, being the date of our most recent financial statement, and as of the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

	For the year ended December 31,		
	2017	2018	2019
Return on equity(1)	-3.5%	-18.3%	59.7%
Return on assets(2)	-0.3%	-1.3%	15.6%

	As of or for the year ended December 31,		
	2017	2018	2019
Current ratio(3)	2.3x	1.7x	1.3x
Gearing ratio(4)	612.5%	448.5%	—
Gross margin	22.9%	23.2%	32.8%
Net profit margin from continuing operation	8.5%	7.5%	13.3%

Notes:

(1) Return on equity during the Track Record Period was calculated based on the net profit for the respective years divided by the total equity as at the respective year (closing balance of the total equity of the respective years) and multiplied by 100%.

(2) Return on total assets during the Track Record Period was calculated based on the net profit for the respective years/periods divided by the total assets of the respective years (closing balance of the total assets of the respective years) and multiplied by 100%.

(3) Current ratio as of December 31, 2017, 2018 and 2019 was calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

(4) Gearing ratio as of December 31, 2017, 2018 and 2019 was calculated based on borrowings as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.

Return on equity

Our return on equity was approximately -3.5%, -18.3% and 59.7% during the Track Record Period, respectively. The negative returns on equity for the years ended December 31, 2017 and 2018 were due to the losses derived from the discontinued operations. The return of equity increased from -3.5% and -18.3% for the years ended December 31, 2017 and 2018, respectively to 59.7% for the year ended December 31, 2019, mainly due to the disposal of the discontinued operations in 2019.

Return on assets

Our return on total assets was approximately -0.3%, -1.3% and 15.6% as of December 31, 2017, 2018 and 2019, respectively. The continuous decrease of return on total assets was mainly attributable to the loss incurred by the discontinued operations. The increase of return on total assets from -1.3% for the year ended December 31, 2018 to 15.6% for the year ended December 31, 2019 was mainly attributable to (i) an increase in revenue; and (ii) the disposal of discontinued operations in 2019.

Current ratio

Our current ratio was 2.3 times, 1.7 times and 1.3 times as of December 31, 2017, 2018 and 2019, respectively.

Our current ratio decreased from 2.3 times as of December 31, 2017 to 1.7 times as of December 31, 2018, primarily attributable to an increase in other payables as a result of i) an increase in accrued payroll following an increase in number of employees we hired during the year and ii) an increase in other tax payables. Our current ratio decreased from 1.7 times as of December 31, 2018 to 1.3 times as of December 31, 2019, mainly owing to (i) a decrease in other receivables following the full settlement of the loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang during the period and (ii) an increase in contract liabilities mainly owing to an increase in GFA under our management.

Gearing ratio

Our gearing ratio was approximately 612.5%, 448.5% and nil as of December 31, 2017, 2018 and 2019, respectively. The continuous decrease in our gearing ratio was mainly attributable to the continuous decrease of our borrowings in connection with the ABS as of the respective dates and it was fully settled as of June 30, 2019.

Gross margin

Our gross margin was 22.9%, 23.2% and 32.8% during the Track Record Period, respectively. Such increase throughout the Track Record Period was primarily due to (i) raise in the fee rates charged for our existing property management projects and the new projects we successfully pitched for the years 2018 and 2019, and (ii) the growth of our commercial property management and consultation services which had the highest gross profit margin among all the business segments during the Track Record Period.

Net profit margin from continuing operations

Our net profit margin from continuing operations was 8.5%, 7.5% and 13.3% during the Track Record Period, respectively. Our net profit margin decreased from 8.5% for the year ended December 31, 2017 to 7.5% for the year ended December 31, 2018, mainly owing to an increase in both selling and administrative expenses, resulting from an increase in number of employees we hired for catering our business expansion. Our net profit margin increased to 13.3% for the year ended December 31, 2019, mainly owing to an increase in gross profit margin for the same period.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

Our major financial instruments include trade and other receivables (excluding prepayments), cash and cash equivalents, financial assets at fair value through profit or loss, restricted cash, borrowings and trade and other payables (excluding accrued payroll and other taxes payables). The risks associated with these financial instruments are primarily interest rate risk, credit risk and liquidity risk. Our directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

We are exposed to credit risk in relation to its trade and other receivables, cash deposits at banks and financial assets at fair value through profit or loss. The carrying amounts of trade and other receivables, cash and cash equivalents and financial assets at fair value through profit or loss represent our maximum exposure to credit risk in relation to financial assets. We expect that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables, we have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made according to its expected credit loss. We expect that there is no significant credit risk associated with financial assets at fair value through profit or loss since we furnish investment mandates to commercial banks and trust companies. And these mandates require them to invest in wealth management products with high market credit rating, liquidity and stable return. We do not expect that there will be any significant losses from non-performance by these counterparties.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We consider available reasonable and supportive forwarding-looking information.

Liquidity Risk

The ultimate responsibility for liquidity risk management rests with our Directors. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities and lease liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2017					
Financial liabilities					
Borrowings	46,447	206,475	457,320	—	710,242
Trade and other payables (excluding accrued payroll and other tax payable)	203,868	—	—	—	203,868
Lease liabilities	58,324	53,320	112,219	21,443	245,306
	308,639	259,795	569,539	21,443	1,159,416

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2018					
Financial liabilities					
Borrowings	38,401	206,957	250,363	—	495,721
Trade and other payables (excluding accrued payroll and other tax payable)	261,507	—	—	—	261,507
Lease liabilities	73,521	57,635	87,116	8,553	226,825
	373,429	264,592	337,479	8,553	984,053

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2019					
Financial liabilities					
Borrowings	—	—	—	—	—
Trade and other payables (excluding accrued payroll and other tax payable)	474,859	—	—	—	474,859
Lease liabilities	1,943	563	845	—	3,351
	476,802	563	845	—	478,210

Liquidity management policy

Our Directors confirmed that during the Track Record Period, we had not experienced any material problem in settling our payables in the normal course of business and repaying our debts when they fell due. Our Directors are of the view that we maintained sufficient working capital and did not have any liquidity problems. Our Group has put in place the following measures to strengthen our liquidity management:

- We will regularly and closely monitor and strengthen our liquidity position, both in short run and long run by monitoring level of cash, bank deposits and projected cash flow to finance our operations and mitigate the effects of fluctuations in cash flows.
- We will take steps to manage the collection of trade receivables to reduce the possible liquidity risk that could arise from delay and failure in collection of trade receivables, which comprise primarily property management fees. For details, please refer to the section headed "Risk Factors—We are exposed to credit risks as difficulties in collecting our property management fees may lead to impairment of our trade receivables". In order to mitigate such risk, we assess and monitor the recoverability of trade receivables from time to time. We also implement measures such as posting overdue fee demand to property owners for collection of overdue management fees. For more information on our collection efforts, please see the section headed "Business—Property Management and Value-Added Services—Traditional Property Management—Property Management Fees—Payment Terms and Credit Terms" in this prospectus.
- Going forward, our Company's audit committee and the Board are being advised on our Group's liquidity and sufficiency of working capital during meetings held regularly. We possess a seasoned management team with solid experience in the accounting and finance industry and will play an active role in reviewing our liquidity position. Any material decision including funding proposal will be escalated to the Board level for discussion and approval. Available financial resources of our Group will be used wisely to maximize returns to our shareholders and we are cautious in avoiding unnecessary finance cost burden arising from external financing activities.

In the foreseeable future, we expect working capital will continue to be our principal requirements of liquidity and we will use the proceeds from the Global Offering to finance our expansion plan. As of the Latest Practicable Date, our Directors confirmed that save for the Global Offering, we did not have any material external financing plans.

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. For a detailed discussion of related party transactions, please see note 33 to the Accountant's Report in Appendix I.

Name and Relationship with Related Parties

Name	Relationship with the Group
Mr. Wu*	Controlling shareholder of the Company (From December 19, 2017 to date)
Mr. Hua Ziyi and Mr. Hua Zhichang*	Former controlling shareholder of Henan Central China New Life Service Co., Ltd. (From January 1, 2017 to December 19, 2017)
Henan Hongdao investment Co., Ltd. 河南省弘道投資有限公司	A company controlled by Mr. Hua Ziyi and Mr. Hua Zhichang
Jianye Holdings Co., Ltd. 建業控股有限公司	A company controlled by Mr. Hua Ziyi and Mr. Hua Zhichang
Henan Central China Football Club	A company controlled by Mr. Hua Ziyi and Mr. Hua Zhichang
CCRE Group	A group controlled by Mr. Wu
Zhengzhou Jianze Real Estate Co., Ltd. 鄭州建澤置業有限公司	A joint venture of CCRE Group
Henan Jianye Live-action Performance Culture Development Co., Ltd. 河南建業實景演出文化發展有限公司	A joint venture of CCRE Group
Gongyi Newtown Real Estate Co., Ltd. 鞏義新城置業有限公司	A joint venture of CCRE Group (Became a subsidiary of CCRE Group since October 25, 2019)
Xinmi Di'an Real Estate Co., Ltd. 新密市帝安置業有限公司	A joint venture of CCRE Group
Luoyang Uni-construction Yutai Real Estate Development Co., Ltd. 洛陽住總宇泰房地產開發有限公司	A joint venture of CCRE Group
Zhengyang Jiandong Real Estate Co., Ltd. 正陽縣建東置業有限公司	An associate of CCRE Group
One Family Network Technology Co., Ltd. 河南一家網絡科技有限公司	An associate of the Group (Became a subsidiary of the Group since January 4, 2019 (note 32(a)(i))

* On December 19, 2017, Mr. Wu acquired the 100% equity interests of Henan Central China New Life Service Co., Ltd. from its then shareholder, which was controlled by independent third parties, Mr. Hua Ziyi and Mr. Hua Zhichang.

Transactions with Related Parties

During the Track Record Period, the Group had the following significant transactions with related parties. The transactions amounts disclosed represent the transactions with relevant parties during the periods when those parties were related parties of the Group.

Provision of services to companies controlled by Mr. Wu, joint ventures of companies controlled by Mr. Wu, and associates of companies controlled by Mr. Wu (Note i):

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Property management service	Not applicable	17,404	77,429
Consulting service	Not applicable	49,610	158,893
Commission income	Not applicable	35,853	184,582
Travel service income	Not applicable	14,691	38,738
Commercial property management and consultation income and others	Not applicable	11,077	97,945
Construction services	Not applicable	—	116,009
Sales of goods	Not applicable	—	25,692
Membership management services	Not applicable	6,617	47,170
	Not applicable	135,252	746,458

Provision of services to an associate:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Property management service	3,100	4,104	—

Receipt of services from companies controlled by Mr. Wu:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Tourism cost	Not applicable	1,038	9,143

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest income on loans to related parties			
—Controlled by Mr. Hua Ziyi and Mr. Hua Zhichang (Note (i))	56,267	Not applicable	Not applicable

Note:

(i) Entities controlled by Mr. Wu became the Group's related parties when Mr. Wu acquired 100% interests of Henan Central China New Life Service Co., Ltd. from Mr. Hua Ziyi and Mr. Hua Zhichang as of December 19, 2017 and obtained the control of the Henan Central China New Life Group. Entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang were no longer related parties of the Group since then.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

Key Management Compensation

Compensations for key management other than those for directors as disclosed in note 35 to the Accountant's Report in Appendix I is set out below:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Salaries and other short-term employee benefits	5,387	8,211	20,659

Balances with Related Parties

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade			
Trade receivables			
—CCRE Group and its related joint ventures and associates	40,078	81,414	491,741
—An associate of the Group	6,170	10,521	Not applicable(Note)
Trade payable			
—CCRE Group and its related joint ventures and associates	—	227	11,953
Contract liability			
—CCRE Group and its related joint ventures and associates	1,097	8,028	19,203
Non-Trade			
Other receivables			
—CCRE Group and its related joint ventures and associates	218	22,346	40,807
Other payables			
—CCRE Group and its related joint ventures and associates	4,750	10,387	22,938

Note: Our Group acquired a 70% equity interest in an associate, namely One Family Network Technology Co., Ltd. (the "One Family Network") on January 4, 2019. As a result of the acquisition, our Group's interest in One Family Network increased to 100% and One Family Network had become a wholly-owned subsidiary of our Group since then. Therefore ,the intercompany trade receivables from One Family Network were no longer classified under trade receivables from an associate as at December 31, 2019 going forward.

Trade receivables and other payables due from or due to related parties are unsecured and interest-free.

The loans to entities controlled by Mr. Hua Ziyi and Mr. Hua Zhichang carry interest rate of 9% per annum, and are unsecured and repayable on demand.

The table below sets forth our balance with related parties by nature for the periods as indicated:

	Trade receivables		
	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade	40,078	81,414	491,741
Non-Trade	—	—	—
	40,078	**81,414**	**491,741**

	Other receivables		
	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade	—	—	—
Non-Trade	218	22,346	40,807
	218	**22,346**	**40,807**

	Trade payables		
	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade	—	227	11,953
Non-Trade	—	—	—
	—	**227**	**11,953**

	Other payables		
	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade	—	—	—
Non-Trade	4,750	10,387	22,938
	4,750	**10,387**	**22,938**

	Contract liabilities		
	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade	1,097	8,028	19,203
Non-Trade	—	—	—
	1,097	**8,028**	**19,203**

Our Directors have confirmed that these transactions were conducted on normal commercial terms and were fair and reasonable as a whole and did not distort our financial results during the Track Record Period or cease our financial results during the Track Record Period to be unreflective of our future performance.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

During the Track Record Period, we did not declare or pay any dividend. We expect to pay dividend in the amount of at least 30% of our distributable net profit for each year after the Listing, with the first dividend to be declared when our Company announces our interim results for the six months ending June 30, 2020. The payment and amounts of dividends, if any, depend on various factors, including our profit for the year, the availability of dividends received from our subsidiaries, our capital and investment requirements and other factors our Board deems relevant.

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide dividends may be declared and paid out of our profits, realized or unrealized, 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 authorized for this purpose in accordance with the Companies Law. Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders and/or Directors, where appropriate.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

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 listing expenses (including underwriting commissions) for the listing of the Shares are estimated to be approximately RMB123.2 million (assuming a mid-point Offer Price of HK$6.40 per Share), among which, approximately RMB74.1 million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the Listing, and approximately RMB49.1 million will be charged to our consolidated statement of comprehensive income. During the Track Record Period, we incurred listing expenses of approximately RMB41.4 million, of which approximately RMB10.8 million was included in prepayments and will be subsequently charged to equity upon completion of the Listing and approximately RMB30.6 million was charged to consolidated statement of comprehensive income.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of December 31, 2019 or at any future dates. It is prepared based on the consolidated net assets of the Group as of December 31, 2019 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets attributable to equity holders of our Company as at December 31, 2019(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(4)
Based on an Offer Price of HK$5.04 per Share, after making a Downward Offer Price Adjustment of 10%	302,169	1,297,959	1,600,128	1.33	1.46
Based on an Offer Price of HK$5.60 per Share	302,169	1,446,627	1,748,796	1.46	1.60
Based on an Offer Price of HK$7.20 per Share	302,169	1,817,394	2,173,563	1.81	1.99

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of the Company, excluding intangible assets of RMB67,273,000 attributable to the owners of the Company as at December 31, 2019 has been extracted from the Accountant's Report of the Company as set out in Appendix I to this Prospectus which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at December 31, 2019 of RMB369,442,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK$5.60 per Share and HK$7.20 per Share, respectively, and also based on an Offer Price of HK$5.04 per Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB30,555,000 which have been accounted for in the consolidated financial information of the Group prior to December 31, 2019) payable by the Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares were in issue assuming that the Global Offering and Capitalization Issue had been completed on December 31, 2019 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the amount stated in RMB are converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.9123. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2019.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our recent development is set out in the section headed "Summary—Recent Development and No Material Adverse Change" in this prospectus. After due and careful consideration, save as the above mentioned details, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since December 31, 2019 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.