DESUN 德商产投服务

创造美好福流生活

德商產投服務集團有限公司

DESUN REAL ESTATE INVESTMENT SERVICES GROUP CO., LTD.

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2270

GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

申萬宏源香港 SHENWAN HONGYUAN

Joint Bookrunners and Joint Lead Managers

光大证券 EVERBRIGHT SECURITIES | 國信證券(香港) GUOSEN SECURITIES (HK) | 利弗莫尔证券 | 民銀資本 CMBC CAPITAL HOLDINGS LIMITED | 浦銀國際 SPDB INTERNATIONAL | 中募金融

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

Desun Real Estate Investment Services Group Co., Ltd.
德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	150,000,000 Shares (subject to the Over-allotment Option)
Number of International Offer Shares	:	135,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	15,000,000 Shares (subject to reallocation)
Maximum Offer Price	:	Not more than HK$1.46 per Offer Share and expected to be not less than HK$1.10 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	:	US$0.0001 per Share
Stock code	:	2270

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Joint Bookrunners and Joint Lead Managers

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about Tuesday, 7 December 2021 and, in any event, not later than Thursday, 16 December 2021. The Offer Price will be not more than HK$1.46 per Offer Share and is currently expected to be not less than HK$1.10 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.46 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$1.46 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Thursday, 16 December 2021 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be announced on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.desunhui.com** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraphs headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.desunhui.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

30 November 2021

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

The prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.desunhui.com**. If you require a printed copy of the Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

   (ii) (if you are a CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that the prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in the Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	2,949.43	50,000	73,735.62	450,000	663,620.59	4,000,000	5,898,849.68
4,000	5,898.85	60,000	88,482.75	500,000	737,356.21	4,500,000	6,636,205.89
6,000	8,848.28	70,000	103,229.87	600,000	884,827.45	5,000,000	7,373,562.10
8,000	11,797.70	80,000	117,976.99	700,000	1,032,298.69	5,500,000	8,110,918.31
10,000	14,747.12	90,000	132,724.12	800,000	1,179,769.94	6,000,000	8,848,274.52
12,000	17,696.55	100,000	147,471.24	900,000	1,327,241.18	6,500,000	9,585,630.73
14,000	20,645.97	150,000	221,206.86	1,000,000	1,474,712.42	7,000,000	10,322,986.94
16,000	23,595.40	200,000	294,942.48	1,500,000	2,212,068.63	7,500,000(1)	11,060,343.15
18,000	26,544.82	250,000	368,678.11	2,000,000	2,949,424.84		
20,000	29,494.25	300,000	442,413.73	2,500,000	3,686,781.05		
30,000	44,241.37	350,000	516,149.35	3,000,000	4,424,137.26		
40,000	58,988.50	400,000	589,884.97	3,500,000	5,161,493.47		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at ***www.desunhui.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences . . . . .9:00 a.m. on Tuesday, 30 November 2021

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Tuesday, 7 December 2021

Application lists of the Hong Kong Public Offering open[3] . . . . . . .11:45 a.m. on Tuesday, 7 December 2021

Latest time to give **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Tuesday, 7 December 2021

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .12:00 noon on Tuesday, 7 December 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . . .12:00 noon on Tuesday, 7 December 2021

Expected Price Determination Date[5] . . . . .Tuesday, 7 December 2021

Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.desunhui.com**[6] on or before . . . . Thursday, 16 December 2021

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") including:

(1) A full announcement of the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.desunhui.com**[6] from . . . . Thursday, 16 December 2021

(2) Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment)**, with a "search by ID" function from . . . . 8:00 a.m. on Thursday, 16 December 2021 to 12:00 midnight on Wednesday, 22 December 2021

(3) from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Thursday, 16 December 2021, Friday, 17 December 2021, Monday, 20 December 2021 and Tuesday, 21 December 2021

Dispatch/collection share certificates or deposit of Share certificate into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][8] . . . . Thursday, 16 December 2021

Dispatch/collection of refund cheques or White Form e-Refund payment instructions in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9] . . . . .Thursday, 16 December 2021

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . .Friday, 17 December 2021

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 November 2021 through Tuesday, 7 December 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 December 2021. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Notes:

(1) All times and dates refer to Hong Kong local time and dates, unless otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 December 2021, the application lists will not open and close on that day. Further information is set forth in the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Tuesday, 7 December 2021, the dates mentioned above may be affected. We will make an announcement in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Tuesday, 7 December 2021 and, in any event, not later than Thursday, 16 December 2021. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Thursday, 16 December 2021, the Global Offering will not proceed and will lapse.

(6) Neither our Company's website nor any of the information contained in our Company's website forms part of this prospectus.

(7) Our Company will not issue any temporary documents of title in respect of the Shares. Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 16 December 2021, but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Friday, 17 December 2021. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the share certificates do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as possible.

(8) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS".

Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and whose applications are wholly or partially successful, may collect their share certificate(s) and/or refund cheque(s) (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 17 December 2021. For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, share certificates will be sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on or before Thursday, 16 December 2021, by ordinary post and at their own risk.

Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) dispatched to the application payment bank account on Thursday, 16 December 2021. Applicants who used multibank accounts to pay the application monies may have refund cheques (if any) dispatched to them on or before Thursday, 16 December 2021. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant applications promptly thereafter. Further information is set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares, you should read the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the ***GREEN*** *Application Form to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the* ***GREEN*** *Application Form. Any information or representation not made in this prospectus and the* ***GREEN*** *Application Form must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other persons or parties involved in the Global Offering.*

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an integrated property management services and commercial operational services provider, ranking the fifth in terms of revenue generated in Chengdu among all companies which provide both property management services and commercial operational services in Chengdu in 2020 with a market share of 0.5%. We strive to provide property management services and commercial operational services for mid- to high-end residential properties and commercial properties. Our commercial operational services include providing market research services, tenant sourcing services, and shopping streets management services to developers and tenants.

As at 31 May 2021, our GFA under management was approximately 4.2 million sq.m., among which, total GFA of residential properties under management was approximately 1.9 million sq.m., accounting for 44.7% of our GFA under management; total GFA of non-residential properties under management was approximately 2.3 million sq.m., accounting for 55.3% of our GFA under management. Our GFA under management grew from approximately 0.5 million sq.m. as at 31 December 2018 to approximately 3.8 million sq.m. as at 31 December 2020, representing a CAGR of approximately 175.7%. Our contracted GFA grew from approximately 1.3 million sq.m. as at 31 December 2018 to 6.8 million sq.m. as at 31 December 2020, representing a CAGR of approximately 128.7%. Since the selling price of residential properties developed by Desun Group was higher than the average selling price of residential properties in Chengdu due to its mid- to high- end nature, the average property management fee of our properties under management was RMB3.9 in FY2020, 50.0% higher than the average property management fee of RMB2.6 for properties in Chengdu and 105.3% higher than the average property management fee of RMB1.9 for properties in China according to Frost & Sullivan.

Our vision is to "create desirable and blessed living" (創造美好福流生活) and our mission is to "create value for customers, pursue happiness for those who strive, and proactively take the responsibility of improving the industry standard" (「為客戶創造價值、為奮鬥者謀幸福, 為行業進步勇於擔當」). We are dedicated to providing property management services along the real estate development chain and providing value service. We are headquartered in Cheng-Yu city cluster – the economic development driver of PRC southwest region, we serve our customers through management and operation of three types of their properties – (i) residential properties, (ii) shopping street and other commercial properties, and (iii) industrial parks and office buildings. Our properties under management are located at Cheng-Yu city cluster with a regional coverage. We are committed to delivering quality services and have accumulated extensive experience in mid- to high-end residential property management services and shopping streets management services locally and regionally. We began to provide property management services for mid- to high-end residential properties in Chengdu since 2016 when the first mid- to high-end residential property was completed by Desun Group. As at 31 December 2020, three of the properties under our management were mid- to high-end residential properties in Chengdu and seven of our contracted projects were mid- to high-end residential properties in Chengdu. Since 2018, we have gradually entered into the property management market in Guangdong Province, Jiangsu Province and Yunnan Province by providing value-added services to the local sales offices, respectively.

The first property development project of Desun Group was delivered in 2013. Since 2010, we have established a long-standing, synergetic and on-going relationship with Desun Group, which consists of a group of companies and is a well-known property developer in China and Mr. Zou Kang (being one of our Controlling Shareholders) has control or joint control and has significant influence in it. We have been providing property management services and value-added services to Desun Group. Our revenue generated from property management services and value-added services provided to Desun Group accounted for approximately 53.4%, 51.0%, 47.3% and 38.8% of our total revenue for FY2018, FY2019, FY2020 and 5M2021, respectively. As confirmed by Frost & Sullivan, such business relationship between our Group and Desun Group is common among PRC property management companies and their related property development companies and has been mutually beneficial and complementary between these companies. Our relationship with Desun Group is expected to continue going forward. For details, please refer to the paragraph headed "Connected Transactions – Annual caps and basis of determination" in this prospectus. We acquired Zhongneng Group in August 2020 in order to expand our business portfolio. Please refer to the paragraph headed "Acquisition of Zhongneng Group" in this section and the paragraph headed "Business – Acquisition of Zhongneng Group" in this prospectus for details of the acquisition. Our business growth during the Track Record Period was mainly attributable to (i) more properties developed by Desun Group according to its property development schedule; and (ii) the acquisition of Zhongneng Group in August 2020.

Our goal is to build and enhance our own brand and to become a leading integrated property management service provider of mid- to high-end residential properties and commercial property operation in western China. Our objective is to strengthen our positions in Chongqing Municipality and Sichuan Province, while focusing on western China and aiming for nation-wide expansion (聚焦川渝,深耕西部,並佈局全國市場).

We offer a wide array of services to cater for different needs of customers of various types of properties, including residential properties, shopping street and other commercial properties, industrial parks and office buildings. Focusing on the needs of customers in the real estate industry chain, we provide comprehensive property management and value-added services from covering market research, tenant sourcing, management of sales offices, quality assurance and maintenance, and commercial operational services to realise properties' asset value. We distinguish the different needs of commercial customers and residential customers based on the different scenarios of mid- to high-end residential properties, shopping street and other commercial properties. We provide customers of residential properties with real estate agent services, public space advertising and other value-added services. We provide brand planning, tenant sourcing, store display, marketing and other services for commercial customers, and provide leasing services, plants and decorations rental, hosting conferences and reception services for industrial parks and office buildings customers. In particular, we have extensive experience in serving customers in the mid- to high-end residential properties.

In recent years, we achieved notable rankings among the Top 100 in China Property Service Companies, Top 50 of Property Services Companies in western China and Top 10 Property Services Companies in Chengdu. In particular, we ranked 7th and 32nd in 2019 and 6th and 19th in 2020 among the "Top 10 Property Services Companies in Chengdu" and "Top 50 Property Services Companies in western China", respectively. We were also awarded with "Outstanding Property Enterprise for Sales Office Services in western China" (中國西部案場服務優秀物業企業), "Outstanding Enterprise for Commercial Property Services in western China" (中國西部商業物業服務優秀企業) and "Professional Enterprise for High-end Residential Property Services in western China" (中國西部高端住宅服務典範企業) by China Index Academy. We ranked 54th among the "Top 100 Property Services Companies in China" (中國物業服務百強企業) in 2021 and we were named as one of the "China's Leading Enterprises for High-end Property Services" (中國高端物業服務領先企業) by China Index Academy at the same time. China Index Academy identified 12 companies as "China's Leading Enterprises for High-end Property Services" in 2021. In 2020, we participated in the "Research on the Top 50 Real Estate Companies in western China in 2020" and the "Research on the Top 50 Real Estate Services Companies in western China in 2020" organized by the China Index Academy. According to the requirements for participation, we reported the management scale, personnel structure, and our scale of operation. Our performance was evaluated by the China Index Academy in accordance with its evaluation system.

Chengdu Desun was quoted on NEEQ on 2 August 2016 and subsequently withdrew the quotation from NEEQ voluntarily on 7 May 2020. The NEEQ Withdrawal was a decision made as part of our corporate development strategy. For details, see the paragraph headed "History, Reorganisation and Corporate Structure – Our corporate development – Prior NEEQ quotation and subsequent withdrawal from quotation" in this prospectus.

For FY2018, FY2019, FY2020 and 5M2021, we recorded revenue of RMB64.0 million, RMB69.1 million, RMB127.9 million and RMB89.2 million, respectively, representing a CAGR of approximately 41.4% between 2018 and 2020. During the same period, our net profit was RMB31.4 million, RMB31.0 million, RMB42.9 million and RMB10.0 million, respectively, representing a CAGR of approximately 16.9% between 2018 and 2020.

Excluding the contribution of Zhongneng Group, our Group's revenue increased from RMB64.0 million in FY2018 to RMB106.2 million in FY2020, representing a CAGR of 28.2%, our Group's net profit increased from RMB31.4 million in FY2018 to RMB40.5 million in FY2020, representing a CAGR of 13.6%.

OUR BUSINESS MODEL

The following table sets forth a breakdown of our total revenue by business line and as a percentage of total revenue for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**34,184**	**49.5**	**61,435**	**48.0**	**17,078**	**46.1**	**45,989**	**51.6**
Residential property management services	11,303	17.6	15,530	22.5	27,794	21.7	8,989	24.3	17,766	19.9
Non-residential property management services	18,850	29.5	18,654	27.0	33,641	26.3	8,089	21.8	28,223	31.7
Value-added services	**33,811**	**52.9**	**34,932**	**50.5**	**66,487**	**52.0**	**19,975**	**53.9**	**43,170**	**48.4**
– for non-property owners*	28,959	45.3	29,724	43.0	55,766	43.6	17,750	47.9	35,464	39.8
– for property owners	4,852	7.6	5,208	7.5	10,721	8.4	2,225	6.0	7,706	8.6
Total	**63,964**	**100.0**	**69,116**	**100.0**	**127,922**	**100.0**	**37,053**	**100.0**	**89,159**	**100.0**

* A majority of our Group's value-added services revenue for non-property owners during the Track Record Period was generated from Desun Group.

During the Track Record Period, we generated a majority of our revenue from services provided to properties located in Chengdu. The table below sets forth the breakdown of our revenue, gross profit and gross profit margin by geographical location:

	FY2018			FY2019			FY2020			5M2020			5M2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Chengdu, Sichuan Province															
Property management services	30,153	14,133	46.9	34,184	15,921	46.6	53,133	23,490	44.2	17,078	9,374	54.9	34,763	13,222	38.0
Value-added services	32,713	23,904	73.1	29,844	18,363	61.5	53,380	33,823	63.4	16,931	10,476	61.9	32,992	17,975	54.5
Others(1)															
Property management services	–	–	–	–	–	–	8,302	705	8.5(2)	–	–	–	11,226	1,364	12.2
Value-added services	1,098	122	11.1	5,088	1,576	31.0	13,107	4,652	35.5	3,044	1,318	43.3	10,178	2,338	23.0
Total	63,964	38,159	59.7	69,116	35,860	51.9	127,922	62,670	49.0	37,053	21,168	57.1	89,159	34,899	39.1

Notes:

(1) Includes other cities in Sichuan Province and other provinces including Guangdong Province, Jiangsu Province and Yunnan Province.

(2) With respect to the properties under our management which we incurred gross losses in FY2020 and 5M2021, most were located in other cities in Sichuan Province. As a result, our gross profit margin for property management services provided to properties located in other cities was lower compared to that for property management services provided to properties located in Chengdu in FY2020 and 5M2021. Please refer to the paragraph headed "Business – Property management services – Lump sum basis" in this prospectus for further details.

Property Management Services

As at 31 May 2021, we managed 30 properties with an aggregate GFA under management of approximately 4.2 million sq.m. The following table sets forth the number of properties and GFA under our management, as well as the number of properties we were contracted to manage and the corresponding contracted GFA as at the dates indicated.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
Number of properties we were contracted to manage[(1)]	7	11	50	54
Contracted GFA *(sq.m. in thousands)*	1,271.6	1,970.0	6,778.9	7,365.3
Number of properties under management[(2)]	4	4	27	30
GFA under management *(sq.m. in thousands)*	533.5	792.0	3,834.6	4,154.2

Notes:

(1) Refers to all properties which we have entered into the relevant operating property management service agreements, which may, in addition to properties under management, also include properties that have not been delivered to us for property management purposes.

(2) Refers to properties that have been delivered to us for property management purposes.

The following table illustrates the revenue from property management services and GFA under management by type of properties for the periods indicated:

	FY2018			FY2019			FY2020			5M2020			5M2021		
	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management
	RMB	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*
							(in thousands, except for percentage)								
Residential properties	**11,303**	**37.5**	**422.7**	**15,530**	**45.4**	**681.2**	**27,794**	**45.2**	**1,638.6**	**8,989**	**52.6**	**681.2**	**17,766**	**38.6**	**1,858.5**
Non-residential properties	**18,850**	**62.5**	**110.8**	**18,654**	**54.6**	**110.8**	**33,641**	**54.8**	**2,196.0**	**8,089**	**47.4**	**168.0**	**28,223**	**61.4**	**2,295.7**
Office buildings	18,850	62.5	110.8	18,654	54.6	110.8	23,854	38.8	283.8	7,469	43.8	110.8	14,828	32.3	283.8
Shopping malls and streets	–	–	–	–	–	–	6,602	10.7	1344.5	–	–	–	8,270	18.0	1372.2
Industrial parks	–	–	–	–	–	–	3,185	5.3	567.7	620	3.6	57.3	5,125	11.1	639.7
Total	**30,153**	**100.0**	**533.5**	**34,184**	**100.0**	**792.0**	**61,435**	**100.0**	**3,834.6**	**17,078**	**100.0**	**849.2**	**45,989**	**100.0**	**4,154.2**

Average property management fee

Average property management fee refers to weighted average property management fee calculated on the basis of GFA of each property for the period in which we were engaged to provide property management services. The following table sets out a breakdown of our average property management fee per sq.m. per month by the types of property and geographical locations for the periods indicated:

	FY2018	FY2019	FY2020	5M2021
	RMB	*RMB*	*RMB*	*RMB*
By types of properties:				
Residential properties	**2.9**	**2.9**	**2.7**	**2.9**
– Developed by Desun Group	2.9(1)	2.9(1)	3.7(1)	3.8(1)
– Developed by other independent property developers	N/A	N/A	1.7(2)	1.7(2)
Non-residential properties	**16.4**	**16.4**	**4.9**	**4.1**
– Developed by Desun Group	16.4(3)	16.4(3)	16.4(3)	16.4(3)
– Developed by other independent property developers	N/A	N/A	4.2(4)	3.5(4)
By geographical locations:				
Chengdu, Sichuan Province	4.7	4.7	3.9	3.7
Other cities in Sichuan Province	–	–	3.8	3.3
Total	**4.7**	**4.7**	**3.9**	**3.6**

The average management fees per sq.m. per month for residential properties developed by Desun Group were higher than that of properties developed by other property developers, primarily because (i) the residential properties developed by Desun Group were mainly mid- to high-end residential properties with a higher management fee rate, and (ii) the residential projects we acquired through the acquisition of Zhongneng Group were developed by other independent property developers which were generally located in less prime area and were of lower quality, hence lower average property management fee.

Notes:

(1) Our average property management fee for the residential properties developed by Desun Group remained stable at 2018 and 2019 while increased in 2020, which was primarily because we managed some newly delivered residential properties developed by Desun Group in 2020. These newly delivered residential properties had an aggregate GFA under management of approximately 349,000 sq.m. and an average property management fee was RMB6.1 per sq.m. per month for 5M2021. The property owners of these newly delivered properties required property management services with better quality and therefore, we could charge a higher property management fee. Further, advised by Frost and Sullivan, different from Hong Kong or other markets, the property management agreements executed in the PRC generally do not have a regular price increase clause. As a result, property management fees charged for the same property may stay stable in the subsequent years after execution of the initial management agreement. According to Frost and Sullivan, the property management fee of residential properties in Chengdu ranged from RMB2.5 to RMB6.0 per sq.m. per month. The average property management fee we charged for the residential properties developed by Desun Group in Chengdu was within this range.

(2) The average property management fee we charged for the residential properties developed by third party developers were lower because these properties were mainly located in other cities in Sichuan Province.

Below table sets forth breakdown of average property management fee for residential properties per sq.m. per month by geographical location and types of developers:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB	*RMB*	*RMB*	*RMB*
Residential properties				
Developed by Desun Group	**2.9**	**2.9**	**3.7**	**3.8**
– Chengdu, Sichuan Province	2.9	2.9	3.7	3.8
– Other cities in Sichuan Province	N/A	N/A	N/A	N/A
Developed by Independent Third Party developers	**N/A**	**N/A**	**1.7**	**1.7**
– Chengdu, Sichuan Province	N/A	N/A	1.7	1.7
– Other cities in Sichuan Province	N/A	N/A	1.5	1.5
Average	**2.9**	**2.9**	**2.7**	**2.9**

As at 31 May 2021, we managed 1.1 million sq.m. of residential properties developed by Desun Group which was located in Cheungdu with an average property management fee of RMB3.8 per sq.m. per month for 5M2021, while we managed 645,000 sq.m. of residential properties developed by independent property developers which was located in Chengdu with an average property management fee of RMB1.7 per sq.m. per month for 5M2021. The average property management fee of residential property in Chengdu developed by Desun Group was higher than that developed by Independent Third Party developers because the selling price of residential properties developed by Desun Group was higher than average. Generally, the selling price of a residential property has a positive correlation with its location and quality. According to Frost and Sullivan, the average selling price of residential properties in Chengdu developed by Desun Group was approximately RMB16,656 per sq.m. in 2020 while the average selling price of residential properties in Chengdu was RMB12,142 per sq. m. during the same period. Residential properties in Chengdu developed by Desun Group were mainly mid-to high-end residential properties, thus having a higher average selling price.

As at 31 May 2021, we did not manage any residential properties developed by Desun Group which was located in other cities in Sichuan Province, while we managed approximately 148,000 sq.m. of residential properties developed by Independent Third Party developers which was located in other cities in Sichuan Province with an average property management fee of RMB1.5 per sq.m. per month for 5M2021.

(3) During the Track Record Period, the non-residential properties developed by Desun Group which we provided services for represented one office building located in High-tech District (高新區) in Chengdu. There was no change in the average monthly management fee for this property during the Track Record Period. According to Frost and Sullivan, the property management fee of office buildings in High-tech District in Chengdu ranged from approximately RMB8.0 to RMB18.0 per sq.m. per month. The average property management fee we charged for this non-residential property developed by Desun Group was within this range.

(4) The non-residential properties developed by other property developers consisted of a pool of offices, shopping streets in Chengdu and other cities in Sichuan Province and industrial parks in Chengdu. According to Frost and Sullivan, the property management fee of offices in Sichuan Province ranged from approximately RMB3.0 to RMB20.0, the property management fee of industrial parks in Chengdu ranged from approximately RMB1.0 to RMB3.0 per sq.m. per month and the property management fee of shopping streets in Sichuan Province ranged from approximately RMB3.0 to RMB8.0 per sq.m. per month. The average property management fee we charged for the non-residential properties developed by other property developers was within this range.

The following table illustrates breakdown of average property management fee per sq.m. per month by types of non-residential properties developed by other Independent Third Party developers:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB	*RMB*	*RMB*	*RMB*
Office	N/A	N/A	10.3	10.3
Industrial parks	N/A	N/A	2.2	1.7*
Shopping streets in Chengdu	N/A	N/A	4.5	4.5
Shopping streets in other cities in Sichuan Province	N/A	N/A	2.5	2.5
Average	**N/A**	**N/A**	**4.2**	**3.5**

* The average property management fee per sq.m. per month of industrial parks decreased in 5M2021 after the acquisition of Zhongneng Group because the industrial parks projects we acquired through the acquisition of Zhongneng Group were located in less prime area and were of lower quality, hence lower average property management fee.

(5) The decrease of property management fee of industrial parks was mainly attributable to a newly engaged industrial park located at Chengdu, with relatively low property management fee.

Taking into account the types, location, delivery date and quality of properties under our management, Frost and Sullivan is of the view that our property management fees were within the range of the prevailing market rates at similar locations.

Please refer to the paragraph headed "Financial Information – Average property management fee" in this prospectus for details.

Value-added services

We generate revenue from two categories of value-added services: (i) those provided to non-property owners and (ii) those mainly provided to property owners and a small portion were provided to tenants.

Value-added services provided to non-property owners are primarily provided to property developers. These services mainly include pre-delivery and sales assistance services, assets management services and commercial operational services.

Value-added services provided to property owners and tenants primarily consist of (i) owner's asset-related services, including real estate agent services and assets management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

	FY2018	**FY2019**	**FY2020**	**5M2020**	**5M2021**
	RMB'000 except for percentage				
Value-added services for non-property owners					
Revenue	28,959	29,724	55,766	17,750	35,464
– Pre-delivery and sales assistance services	20,319	27,666	48,909	15,500	29,915
– Commercial operational and assets management services	8,640	2,058	6,456	2,250	4,154
– Other services	–	–	401	–	1,395
Costs	5,885	11,679	23,342	7,385	17,440
Gross profit	23,074	18,045	32,424	10,365	18,024
Gross profit margin	79.7%	60.7%	58.1%	58.4%	50.8%
Value-added services for property owners *(Note)*					
Revenue	4,852	5,208	10,721	2,225	7,706
Costs	3,900	3,314	4,670	796	5,417
Gross profit	952	1,894	6,051	1,429	2,289
Gross profit margin	19.6%	36.4%	56.4%	64.2%	29.7%
Total revenue of value-added services	33,811	34,932	66,487	19,975	43,170
Total costs of value-added services	9,785	14,993	28,012	8,181	22,857
Gross profit of value-added services	24,026	19,939	38,475	11,794	20,313
Gross profit margin of value-added services	71.1%	57.1%	57.9%	59.0%	47.1%

Note: Value-added services to property owners primarily consist of (i) owner's asset-related services, including real estate agent services and asset management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

Revenue from value-added services for non-property owners increased over the Track Record Period primarily due to new projects launched by Desun Group during the period, and the resulting increase in revenue from pre-delivery and sales assistance services. The number of residential projects developed or under development by Desun Group increased from five in 2018 to ten in 2019 and 15 in 2020. We provided pre-delivery and sales assistance services to all of these residential properties. We believe Desun Group engaged and will continue to engage us to provide value-added service because (i) we have proven track record to provide satisfactory service and achieved the required standard for mid- to high-end residential properties; (ii) benefitting from the long-term cooperation with Desun Group, we understand the brand, culture, standards and needs of Desun Group better than other service providers.

We expanded our business scope to include commercial operational services in FY2020. The following table sets forth a breakdown of the revenue, gross profit and gross profit margin of our commercial operational services:

	FY2020			5M2020			5M2021		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit/ Gross loss**	**Gross profit margin/ Gross loss margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Services during the operation stage[(1)]	4,511	3,200	70.9	2,250	1,530	68.0	2,561	1,922	75.0
Other services[(2)]	771	62	8.0	–	–	–	594	(130)	(21.9)
Total	**5,282**	**3,262**	**61.8**	**2,250**	**1,530**	**68.0**	**3,155**	**1,792**	**56.8**

Notes:

(1) Primarily involved tenant management and rent collection services.

(2) Included market research and opening preparation services and tenant sourcing services for property developers and property owners. We incurred gross losses for other services in 5M2021 because the commercial properties we provided tenant sourcing services to were in marketing and business development stage. We expect the profitability for such projects improve in FY2022 when more tenants enter those commercial properties.

Our revenue from commercial operational services in FY2020 mainly included revenue from providing services during operation stage. It also included revenue from pre-delivery commercial operational services after the acquisition of Zhongneng Group, such as market research and opening preparation services, as well as tenant sourcing services for property developers and property owners. Services during the operation stage were provided to one office building located in the financial and commercial center of Chengdu, which had a high occupancy rate. On the other hand, we provided property management services for this office building which resulted in management efficiency. Hence, it yielded a relatively high profit margin.

The following table sets forth our revenue, gross profit and gross profit margin generated from property management services and value-added services by customer type for the periods indicated.

	FY2018				FY2019				FY2020				5M2020				5M2021			
	Revenue	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**14,133**	**46.9**	**34,184**	**49.5**	**15,921**	**46.6**	**61,435**	**48.0**	**24,195**	**39.4**	**17,078**	**46.1**	**9,374**	**54.9**	**45,989**	**51.6**	**14,586**	**31.7**
Desun Group	4,596	7.2	2,246	48.9	4,593	6.7	2,289	49.8	5,553	4.3	2,901	52.2[(3)]	1,628	4.4	984	60.4	1,766	2.0	729	41.3[(3)]
Independent Third Parties	25,557	39.9	11,887	46.5	29,591	42.8	13,632	46.1	55,882	43.7	21,294	38.1[(3)]	15,450	41.7	8,390	54.3	44,223	49.6	13,857	31.3[(3)]
Value-added services	**33,811**	**52.9**	**24,026**	**71.1**	**34,932**	**50.5**	**19,939**	**57.1**	**66,487**	**52.0**	**38,475**	**57.9**	**19,975**	**53.9**	**11,794**	**59.0**	**43,170**	**48.4**	**20,313**	**47.1**
Desun Group	29,543	46.2	23,021	77.9[(1)]	30,643	44.3	18,472	60.3[(1)]	54,958	43.0	32,743	59.6[(1)]	17,885	48.3	10,453	58.4	32,855	36.8	17,669	53.8[(1)]
Independent Third Parties	4,268	6.7	1,005	23.5[(1)]	4,289	6.2	1,467	34.2[(1)]	11,529	9.0	5,732	49.7[(1)]	2,090	5.6	1,341	64.2	10,315	11.6	2,644	25.6[(1)]
Total	**63,964**	**100.0**	**38,159**	**59.7[(2)]**	**69,116**	**100.0**	**35,860**	**51.9[(2)]**	**127,922**	**100.0**	**62,670**	**49.0[(2)]**	**37,053**	**100.0**	**21,168**	**57.1[(2)]**	**89,159**	**100.0**	**34,899**	**39.1[(2)]**

Notes:

1. Our provision of services to Desun Group was conducted on normal commercial terms and arose from genuine business needs. For details, please refer to the section headed "Relationship with Controlling Shareholders". Notwithstanding the same pricing policy, our Group's gross profit margins for value-added services provided to Desun Group were higher than those provided to other independent third parties primarily due to different types of services provided to Desun Group and independent third parties. Substantially all of the value-added services provided to Desun Group were mainly pre-delivery and sales assistance services, and commercial operational and assets management services. The value-added services provided to Independent Third Parties were mainly housekeeping services, community management services, traveling services and sale of household products.

   The value-added services provided to Desun Group largely consisted of sales assistance services and pre-delivery services which had higher gross profit margin as these services usually have higher contract sum and were less labour intensive than the value-added services provided to Independent Third Parties, such as owner's asset-related services, property resources management services, home refurbishment services and community related services. For example, the average contract amount of our pre-delivery and sales assistance services is approximately RMB200,000 per month, the contract sum of pre-delivery and sales assistance services ranged from RMB97,000 to RMB478,000 per month in FY2020, and a small pool of workforce can operate a number of sales offices concurrently.

The value-added services provided to Independent Third Parties generally had lower contract sum. For example, the contract sum of value-added services provided to Independent Third Parties ranged from RMB100 to RMB5,000 per month in FY2020.

We recorded a high gross profit margin of 71.1% from value-added services in FY2018 primarily because we provided brokerage services to unsold units and carparks of a completed residential project. As the original sales office of this residential property was closed after completion, our management office was used to facilitate the property buyers' purchase of the unsold units and carparks. As such, the provision of such brokerage services only involved existing manpower of property management services and did not incur extra costs to manage a sales office. Such brokerage services to unsold units and carparks contributed revenue of RMB8.6 million, RMB2.1 million, RMB1.2 million, nil and RMB1.0 million in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively, represented 29.8%, 6.9%, 2.1%, nil and 2.8% of our total revenue of value-added services for non-property owners during the same period.

2. We recorded relatively high gross margin from both property management services and value-added services primarily because:

(i) we provided property management and value-added services to mid- to high-end residential properties which contributed a relatively higher gross margin;

(ii) our value-added services for non-property owners largely consisted of pre-delivery and sales assistance services which usually have higher contract sum and are less labour intensive. Revenue from pre-delivery and sales assistance services was RMB20.3 million, RMB27.7 million, RMB48.9 million, RMB15.5 million, RMB29.9 million for FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively, representing 70.2%, 93.1%, 87.7%, 87.3% and 84.4% of our total revenue of value-added services for non-property owners over the same period; and

(iii) the average property management fee of residential properties in Chengdu developed by Desun Group was generally higher because the selling price of residential properties developed by Desun Group was higher than the average selling price of residential properties in Chengdu according to Frost and Sullivan. Generally, the selling price of a residential property has a positive correlation with its location and quality. Residential properties in Chengdu developed by Desun Group were mainly mid- to high-end residential properties, thus having higher average selling price. According to Frost and Sullivan, the average selling price of residential properties in Chengdu developed by Desun Group was approximately RMB16,656 per sq.m. in 2020 while the average selling price of residential properties in Chengdu was RMB12,142 per sq. m. during the same period. According to Frost and Sullivan, our average property management fee for mid- to high-end residential properties in Chengdu was in line with the market property management fee for mid- to high-end properties in Chengdu.

Notwithstanding the above, our gross profit margins during the Track Record Period were generally in a decreasing trend mainly due to (i) the gross profit margins for Zhongneng Group's residential and non-residential projects acquired in August 2020 were lower than that of ours because Zhongneng Group's residential and non-residential projects are generally located in less prime area and were of lower quality; and (ii) deduction on social security provided by the local government due to COVID-19 reduced our staff costs in 5M2020, but there was no such allowance in 5M2021.

3. Our gross profit margin of property management services to Independent Third Parties had much lower than those provided to Desun Group primarily because the gross profit margins for Zhongneng Group's residential and non-residential projects acquired in August 2020 were lower than that of the residential and non-residential projects we managed prior to the acquisition.

Services provided to properties developed by Desun Group and other property developers

During the Track Record Period, we derived majority of our revenue from property management services for properties developed by Desun Group, which accounted for 100.0%, 100.0%, 68.8% and 43.4%, respectively, of our total revenue from property management services in FY2018, FY2019, FY2020 and 5M2021. The decrease in the percentage of revenue contribution from property management services for properties developed by Desun Group to the total revenue from property management services during the Track Record Period was mainly due to our continuous effort to strategically expand our property management portfolio by increasing properties under our management developed by property developers other than Desun Group and through the acquisition of Zhongneng Group.

The following table sets forth the breakdown of GFA under property management as at the dates and revenue generated from property management services by property developers for the periods indicated.

	FY2018/As at 31 December 2018				FY2019/As at 31 December 2019				FY2020/As at 31 December 2020				5M2020/As at 31 May 2020				5M2021/As at 31 May 2021			
	GFA under management sq.m.'000	*% of GFA under management %*	*Revenue RMB'000*	*% of revenue %*	*GFA under management sq.m.'000*	*% of GFA under management %*	*Revenue RMB'000*	*% of revenue %*	*GFA under management sq.m.'000*	*% of GFA under management %*	*Revenue RMB'000*	*% of revenue %*	*GFA under management sq.m.'000*	*% of GFA under management %*	*Revenue RMB'000*	*% of revenue %*	*GFA under management sq.m.'000*	*% of GFA under management %*	*Revenue RMB'000*	*% of revenue %*
Properties developed by Desun Group	533.5	100.0	30,153	100.0	792.0	100.0	34,184	100.0	1,014.2	26.5	42,260	68.8	792.0	93.3	16,458	96.4	1,234.1	29.7	19,939	43.4
Properties developed by other property developers	–	–	–	–	–	–	–	–	2,820.4	73.5	19,175	31.2	57.2	6.7	620	3.6	2,920.1	70.3	26,050	56.6
Total	**533.5**	**100.0**	**30,153**	**100.0**	**792.0**	**100.0**	**34,184**	**100.0**	**3,834.6**	**100.0**	**61,435**	**100.0**	**849.2**	**100.0**	**17,078**	**100.0**	**4,154.2**	**100.0**	**45,989**	**100.0**

The table below illustrates breakdown of our revenue of value-added services by property developers for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Properties developed by Desun Group	29,384	86.9	31,889	91.3	60,479	91.0	19,759	98.9	30,651	71.0
Properties developed by Independent Third Parties	4,427	13.1	3,043	8.7	6,008	9.0	216	1.1	12,519	29.0
Total	**33,811**	**100.0**	**34,932**	**100.0**	**66,487**	**100.0**	**19,975**	**100.0**	**43,170**	**100.0**

Acquisition of Zhongneng Group

Introduction of Zhongneng Group

Mr. Zhou Youbo (周尤波), a member of our senior management, has acquainted with Mr. Liu Jun (柳軍先生) and Mr. Shao Jiazhen (邵家楨先生) as they were all employed by Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司). Mr. Liu Jun and Mr. Shao Jiazhen were the owners and key management of Zhongneng Group before our acquisition of Zhongneng and continued to work in our Group after our acquisition of Zhongneng. In early 2020, we were exploring opportunities to diversify our customer base through acquisition of third party property management companies. We decided to acquire Zhongneng Group after conducting due diligence review on Zhongneng Group.

Zhongneng Group was awarded the "Top 50 Integrated Strength Property Management Services Companies of Sichuan Province" in 2018 by Property Management Professional Committee of Sichuan Real Estate Association (四川省房地產業協會物業管理專業委員會) and EH Consulting (億翰智庫); and the "China Service Model Enterprise" in 2018 by China Golden Key (中國金鑰匙).

Since February 2013, Mr. Liu Jun had served as the legal person and executive director of Zhongneng Group and was mainly responsible for Zhongneng Group's strategic planning and execution, and its overall management. He graduated from Southwest Jiaotong University with a master's degree in business administration in November 2014. Mr. Shao Jiazhen had been the director and general manager of Zhongneng Group since January 2015. He graduated from Sichuan Normal University (四川師範大學) in July 1998. He was mainly responsible for the business management of commercial property planning, investment, as well as the overall operation and management of residential and non-residential projects. Before joining Zhongneng Property, both Mr. Liu and Mr. Shao worked in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司) and have over 15 years of property management experience.

Reasons for the Acquisition

In early 2020, we were exploring opportunities to diversify our customer base through acquisition of third party property management companies. We took into account of the following factors when considering all potential acquisition targets:

1. we planned to grow by acquiring independent third-party property management companies with geographical influence and similar market positioning to maximize potential synergies with our existing business operations;

2. the acquisition would enrich our service offerings and help us achieve a sustainable growth in the future. Our key criteria for assessment of potential targets before acquisition, among other things, include (i) have a total annual operating revenue of over RMB30 million; (ii) are located in Sichuan Province in the PRC; (iii) have a property portfolio and management expertise that complement ours; (iv) GFA under management of at least one million sq.m.; and (v) diversified property portfolios including residential and non-residential properties.

Based on the above criteria and completion of our due diligence on Zhongneng Group, and notwithstanding that Zhongneng Group was loss making prior to acquisition, we considered the acquisition of Zhongneng Group as appropriate as it was part of our strategy to look for opportunities to diversify our property portfolio through acquisition of Independent Third Party property management companies. To the best knowledge of our Directors, Zhongneng Group made loss prior to the acquisition was mainly due to its (i) low chargeable GFA due to low delivery rate in certain projects because those projects were still in the early stage of tenant solicitation; and (ii) inefficient cost control measures and relatively high manpower costs in the property management services industry. Despite that, the size, the property portfolio and track record of Zhongneng Group satisfied our acquisition criteria as part of our business diversification plan. After acquisition, Mr. Liu Jun retained his position in Zhongneng Group. We considered his experience and knowledge in the market are valuable to the development of our business both for residential and non-residential property management services. In addition to the retention of Mr. Liu, we also retained a team of existing personnel from Zhongneng Group. With their experience in commercial property management, it has substantially enhanced our business development in this area.

As at 31 August 2020, Zhongneng Group had a GFA under management of approximately 2.5 million sq.m. consisting of approximately 792,000 sq.m. from residential properties and 1.7 million sq.m. from non-residential properties. Prior to the acquisition of Zhongneng Group, all, except for two office buildings, of our property under management were residential properties. After the acquisition of Zhongneng Group, we increased the number of commercial properties and industrial parks under our management. All properties under the management of Zhongneng Group in FY2018, FY2019 and 8M2020 were located in Sichuan Province. The financial performance of Zhongneng Group turned from loss making of approximately RMB1.1 million in 8M2019 to profit making of approximately RMB4.2 million in 8M2020.

Positive Impact after the Acquisition

Zhongneng Group contributed GFA under management and contracted GFA of approximately 2.5 million sq.m. and 3.3 million sq.m., respectively, to our property management portfolio as at 31 December 2020.

The following table sets forth a breakdown of the revenue, gross profit, gross profit margin, net profit and net profit margin of Zhongneng Group for the periods indicated.

	FY2018	**FY2019**	**8M2019**	**8M2020**
Revenue *(RMB'000)*	48,072	52,900	34,315	36,977
Gross profit *(RMB'000)*	6,408	6,967	4,083	9,710
Gross profit margins	13.3%	13.2%	11.9%	26.3%
Net loss/profit *(RMB'000)*	(1,766)	(1,124)	(1,147)	4,245
Net loss/profit margins	3.7% net loss margin	2.1% net loss margin	3.3% net loss margin	11.5% net profit margin

Since the acquisition of Zhongneng Group in August 2020, Zhongneng Group contributed RMB21.7 million or 17.0% of our revenue, RMB4.8 million or 7.7% of our gross profit and RMB2.4 million or 5.6% of our net profits for us for the four months ended 31 December 2020. Zhongneng Group contributed RMB27.5 million or 30.8% of our revenue, RMB5.0 million or 14.3% of our gross profit and RMB1.4 million or 14.0% of our net profit for 5M2021. Despite the pre-acquisition loss of Zhongneng Group, we believe Zhongneng Group will make a positive contribution to our net profit going forward in light of synergy brought by Zhongneng Group. Our net profit margin in FY2018, FY2019 and FY2020 was 49.1%, 44.9% and 33.5%, respectively. The decrease in our overall gross profit margin and net profit margin from the FY2019 to the same period in FY2020 was primarily due to the dilution of the overall gross profit margin after the acquisition of Zhongneng Group, the increase in administrative expenses was mainly due to increase in the number of management employees and listing expenses of RMB5.2 million incurred in FY2020. We believe the dilution effect was temporary mainly due to (i) the profitability of Zhongneng improved as seen from its 11.5% net profit margin for 8M2020; and (ii) we believe the acquisition of Zhongneng Group brought in synergies with economies of scale, given the number of projects and GFA under management contributed by Zhongneng Group.

Zhongneng Group recorded net loss in FY2018 and FY2019 mainly because (i) low chargeable GFA due to low delivery rate in certain projects because those projects were still in the early stage of tenant sourcing; and (ii) inefficient cost control measures and relatively high manpower costs in the property management services industry.

Zhongneng improved its financial performance in 8M2020 mainly due to (i) there was a considerable delivery of GFA from mid of 2019 to early 2020 which increased the chargeable GFA. For example, a commercial property project was delivered by stages starting from July 2019 which increased the chargeable GFA by approximately 99,000 sq.m., and a residential property project was delivered in January 2020 which increased the chargeable GFA by approximately 148,000 sq.m.; and (ii) one-off and non-recurring deduction on social security payment from the local government, and (iii) improvement on cost control.

The following table sets forth the number of properties and GFA under management by Zhongneng Group as well as the number of properties Zhongneng Group were contracted to manage and corresponding contracted GFA as at the dates indicated.

	As at 31 December		
	2018	**2019**	**2020**
Number of properties under management[1]	14	16	21
Number of properties Zhongneng Group were contracted to manage[2]	15	19	25
GFA under management *(sq.m. in thousands)*	2,043.0	2,350.0	2,461.8
Contracted GFA *(sq.m. in thousands)*	2,459.8	3,258.6	3,316.3

Notes:

(1) Refers to properties that have been delivered to Zhongneng Group for property management purposes.

(2) Refers to all properties which Zhongneng Group have entered into the relevant operating property management service agreements, which include properties that have not been delivered to Zhongneng Group for property management purposes in addition to properties under management.

The table below sets forth breakdown of the revenue, gross profit and gross profit margin of Zhongneng Group by geographical location:

	FY 2018			**FY2019**			**8M2019**			**8M2020**		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Chengdu, Sichuan Province												
Property management services	16,284	2,134	13.1%	20,647	2,284	11.1%	13,276	660	5.0%	16,101	4,989	31.0%
Value-added services	5,189	2,209	42.6%	5,033	2,079	41.3%	3,080	1,173	38.1%	2,256	740	32.8%
Others												
Property management services	19,830	709	3.6%	21,061	1,704	8.1%	13,735	1,466	10.7%	14,859	2,907	19.6%
Value-added services	6,769	1,356	20.0%	6,159	900	14.6%	4,224	784	18.6%	3,761	1,074	28.6%
Total	48,072	6,408	13.3%	52,900	6,967	13.2%	34,315	4,083	11.9%	36,977	9,710	26.3%

The table below sets forth breakdown of the revenue, gross profit and gross profit margin of Zhongneng Group by types of services:

	FY2018			FY2019			8M2019			8M2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit (loss)	Gross profit (loss) margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Property management services	36,114	2,843	7.9%	41,708	3,988	9.6%	27,011	2,126	7.9%	30,960	7,896	25.5%
Residential property management services	8,580	1,185	13.8%	9,954	266	2.7%	6,509	(92)	-1.4%*	8,436	1,926	22.8%
Non-residential property management services	27,534	1,658	6.0%	31,754	3,722	11.7%	20,502	2,218	10.8%	22,524	5,970	26.5%
Value-added services	11,958	3,565	29.8%	11,192	2,979	26.6%	7,304	1,957	26.8%	6,017	1,814	30.1%
– for non-property owners	4,689	1,291	27.5%	4,655	513	11.0%	3,188	456	14.3%	2,367	76	3.2%
– for property owners	7,269	2,274	31.3%	6,537	2,466	37.7%	4,116	1,501	36.5%	3,650	1,738	47.6%
Total	48,072	6,408	13.3%	52,900	6,967	13.2%	34,315	4,083	11.9%	36,977	9,710	26.3%

* For 8M2019, there were certain property management services projects which involved with (i) renewal of service agreement which we incurred approximately RMB400,000 on modification work; and (ii) new delivery of GFA which we would usually incur certain expenses prior to delivery.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our market position in the property management industry in Sichuan Province and differentiated us from our competitors:

- Rooted in Sichuan Province, we have a proven track record and are well-positioned to capture significant growth opportunities in the region;
- We have built our own brand, which in turn strengthens our continuous and steady growth;
- With the breadth of our service offerings, we have the flexibility and capacity to customise service offerings based on the specific needs of our customers and establish a unique integrated platform in the real estate service industry;
- Collaboration with Desun Group over the past years has brought us steady growth in customer base for mid- to high-end residential properties and will continue to enhance our competitiveness; and
- We have an experienced and creative executive leadership, completed by our competitive and talented team, as well as a comprehensive human capital management system, to support our sustainable growth.

OUR BUSINESS STRATEGIES

Our goal is to be a leading property service provider of (i) mid- to high-end residential properties and (ii) shopping street and other commercial properties in the western China. To achieve our goal, we intend to implement the following strategies:

- Continue to scale our business to increase our market share and strengthen our leading position in the region and industry;
- Leverage our breadth of services, efficient resources allocation, creative service solutions, and various value-added services to achieve superior customer satisfaction;
- We will deploy information technologies to improve customer experience and increase operational efficiency; and
- Invest in our human capital by recruiting and retaining top talent.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised), by virtue of the Concert Parties Confirmatory Deed, Mr. Zou Kang, Ms. Zou Jian, Sky Donna (a wholly-owned company of Mr. Zou Kang) and Pengna Holding (a wholly-owned company of Ms. Zou Jian) will be together interested in approximately 64.94% of the issued share capital of our Company. As they will together continue to control more than 30% of the issued share capital of our Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules. For more information, see the section headed "Relationship with Controlling Shareholders" in this prospectus.

OUR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Our Directors believe that we have a large, growing and loyal customer base. Our customers are mainly property owners, property developers and tenants. In FY2018, FY2019, FY2020 and 5M2021, revenue from our top five customers amounted to RMB36.3 million, RMB37.3 million, RMB69.9 million and RMB48 million, respectively, which accounted for approximately 56.9%, 54.0%, 54.6% and 53.8%, respectively, of our total revenue.

During the Track Record Period, our suppliers were mainly sub-contractors for our property management services and utilities companies. We did not experience any material delay, supply shortages or disruptions in our operations relating our suppliers, or any material product claims attributable to our suppliers during the Track Record Period. In FY2018, FY2019, FY2020 and 5M2021, cost of services paid to our top five suppliers amounted to RMB5.1 million, RMB5.6 million, RMB11.3 million and RMB12.6 million, respectively, which accounted for approximately 19.7%, 16.9%, 17.3% and 23.2%, respectively, of our total cost of sales.

We outsource certain labour-intensive services and specialised services, primarily including security, cleaning, greening and gardening, and repair and maintenance services, to subcontractors. These subcontracting arrangements enable us to reduce our operating and labour costs, improve service quality and dedicate more resources to management and other value-added services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors. In FY2018, FY2019, FY2020 and 5M2021, subcontracting costs amounted to RMB3.0 million, RMB4.5 million, RMB10.1 million and RMB13.0 million, respectively, which accounted for approximately 11.4%, 13.4%, 15.5% and 23.9%, respectively, of our total cost of sales. Our subcontracting cost as a percentage of our total cost of sales increased in 5M2021 primarily because of improvement of service quality and dedicate more resources to management and other value-added services.

For more information, see the paragraphs headed "Business – Customers", "Business – Suppliers" and "Business – Subcontracting" in this prospectus.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.28 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$151.2 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

(i) approximately 60%, or HK$90.8 million, will be used for making strategic investments and acquisitions to expand our property management and commercial operational businesses. Based on our acquisition criteria that the target to have GFA under management of at least one million sq.m or generate revenue of at least RMB30 million or have a net profit margin of at least 8% for the most recent fiscal year, our Directors consider to acquire three to five targets based on price-to-earnings ratio of 10 to 12. Should the net proceed for the acquisition is insufficient, we plan to apply our internal resources or obtain financing to meet the shortfall;

(ii) approximately 20%, or HK$30.2 million, will be used for investing in information technology systems and human resources to support technology systems;

(iii) approximately 10%, or HK$15.1 million, will be used for recruiting and cultivating talents, including management and professionals for our principal business; and

(iv) approximately 10%, or HK$15.1 million, will be used as working capital and for general corporate uses.

For details, see the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Key Information from the Consolidated Statements of Profit or Loss

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

	FY2018	**FY2019**	**FY2020**	**5M2020**	**5M2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**63,964**	**69,116**	**127,922**	**37,053**	**89,159**
Cost of sales	(25,805)	(33,256)	(65,252)	(15,885)	(54,260)
Gross profit	**38,159**	**35,860**	**62,670**	**21,168**	**34,899**
Other income and gains	3,846	6,578	7,095	1,991	2,435
Administrative expenses	(4,108)	(5,336)	(18,657)	(3,495)	(23,122)
Other expenses	(247)	(314)	(255)	(101)	(1,782)
Finance costs	(17)	(13)	(24)	(11)	(97)
Profit before tax	**37,633**	**36,775**	**50,829**	**19,552**	**12,333**
Income tax expense	(6,239)	(5,732)	(7,916)	(2,888)	(2,330)
Profit for the year/period	**31,394**	**31,043**	**42,913**	**16,664**	**10,003**
Attributable to:					
Owners of the parent	31,394	31,043	42,928	16,664	10,098
Non-controlling interests	–	–	(15)	–	(95)
	31,394	**31,043**	**42,913**	**16,664**	**10,003**

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating the potential financial impacts derived from items that our management do not consider to be relating to our ordinary course of business and indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table reconciles our adjusted profit and total comprehensive income for the periods indicated presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	FY2018 *RMB'000*	**FY2019** *RMB'000*	**FY2020** *RMB'000*	**5M2020** *RMB'000*	**5M2021** *RMB'000*
Profit and total comprehensive income for the year/period	31,394	31,043	42,913	16,664	10,003
Add: Listing expenses(1)	–	–	5,233	–	7,317
Equity-settled share option expense(2)	–	–	–	–	1,557
Adjusted profit and total comprehensive income for the year/period	31,394	31,043	48,146	16,664	18,877

Notes:

(1) Represents expenses in relation to the Global Offering, This item was not directly related to the performance of our operation and one-off in nature.

(2) Represents the employee benefit expense incurred in connection with our Pre-IPO Share Option Scheme. This item was not directly related to the performance of our operation.

Our cost of sales mainly consisted of (i) staff costs, (ii) subcontracting costs, (iii) utility costs, (iv) depreciation and amortisation, (v) canteen costs, (vi) construction waste disposal fee, (vii) modification work costs, or (viii) rental and (ix) others, which primarily includes insurance premium expenses and consultancy fees. Our gross profit margin in FY2018, FY2019, FY2020 and 5M2021 was 59.7%, 51.9%, 49.0% and 39.1%, respectively. In general, the gross profit margins of our value-added services were higher than those of our property management services during the Track Record Period. It was because the property management services business line was more labour-intensive than value-added services. Our net profit margin in FY2018, FY2019, FY2020 and 5M2021 was 49.1%, 44.9%, 33.5% and 11.2%, respectively. The decrease in our overall gross profit margin and net profit margin from the FY2019 to the same period in FY2020 was primarily due to the dilution of the overall gross profit margin after the acquisition of Zhongneng Group, the increase in administrative expenses was mainly due to increase in the number of management employees and listing expenses of RMB5.2 million incurred in FY2020. Please refer to the paragraph headed "Financial Information – Financial information of Zhongneng Group" in this prospectus for detailed discussion of Zhongneng Group's gross profit. The decrease in net profit margin in 5M2021 was primarily due to listing expenses incurred in 5M2021.

Key Information from the Consolidated Statements of Financial Position

	As at 31 December			As at 31 May	As at 30 September
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
CURRENT ASSETS					
Trade receivables	12,839	7,489	35,699	42,003	70,401
Prepayments, deposits and other receivables	1,182	1,167	8,167	15,189	30,219
Financial assets at fair value through profit or loss	54,176	200	130	20	–
Cash and cash equivalents	686	57,563	109,502	106,751	101,815
Total current assets	**68,883**	**66,419**	**153,498**	**163,963**	**202,435**
CURRENT LIABILITIES					
Contract liabilities	4,985	6,605	11,841	18,861	15,325
Trade payables	1,560	1,788	10,564	10,132	12,168
Other payables and accruals	10,572	17,492	58,294	55,197	73,646
Deferred income	2,097	–	–	–	–
Lease liabilities	136	225	236	1,439	181
Tax payable	4,227	4,428	9,093	3,966	6,416
Total current liabilities	**23,577**	**30,538**	**90,028**	**89,595**	**107,736**
NET CURRENT ASSETS	**45,306**	**35,881**	**63,470**	**74,368**	**94,699**

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets				
Property, plant and equipment	580	316	204	183
Investment properties	1,404	1,516	1,427	1,387
Right-of-use assets	209	620	387	5,215
Other intangible assets	–	–	8,075	8,190
Goodwill	–	–	9,179	9,179
Deferred tax assets	210	3	251	482
	2,403	2,455	19,523	24,636
Total non-current liabilities				
Contract liabilities	336	322	1,200	1,254
Deferred tax liabilities	–	–	1,102	1,055
Lease liabilities	–	358	122	4,217
	336	680	2,424	6,526
Net Assets *(Note)*	47,373	37,656	80,569	92,478
Non-controlling interests	–	–	(15)	239
Total equity	47,373	37,656	80,569	92,478

Our fluctuation of net asset during the Track Record Period was primarily attributable to net profit for the year/period and dividends declared. We declared and paid dividends in aggregate of RMB27.2 million and RMB40.8 million to its then shareholders in FY2018 and FY2019 respectively.

Key Information from our Consolidated Statement of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	FY2018	**FY2019**	**FY2020**	**5M2020**	**5M2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	36,761	33,918	46,394	18,560	14,432
Movements in working capital	(6,954)	14,096	(4,860)	(8,111)	(3,105)
Interest received	25	1,654	2,439	697	865
Income tax paid	(3,842)	(5,324)	(4,880)	(3,710)	(7,735)
Net cash flows from operating activities	25,990	44,344	39,093	7,436	4,457
Net cash flows from investing activities	1,177	53,556	21,055	370	(7,411)
Net cash flows from/(used in) financing activities	(27,536)	(41,023)	(8,209)	(124)	203
Net (decrease)/increase in cash and cash equivalents	(369)	56,877	51,939	7,682	(2,751)
Cash and cash equivalents at beginning of year/period	1,055	686	57,563	57,563	109,502
Cash and cash equivalents at end of year/period	**686**	**57,563**	**109,502**	**65,245**	**106,751**

Key Financial Ratios

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

	FY2018 or as at 31 December 2018	FY2019 or as at 31 December 2019	FY2020 or as at 31 December 2020	5M2021 or as at 31 May 2021
Current ratio(1)	2.9 times	2.2 times	1.7 times	1.8 times
Gearing ratio(2)	0.3%	1.5%	0.4%	6.1%(5)
Return on assets(3)	48.3%	44.3%	35.5%	N/A
Return on equity(4)	67.7%	73.0%	72.6%	N/A

Notes:

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

(2) Gearing ratio was calculated based on the sum of lease liabilities as at the respective dates divided by total equity as at the same dates and multiplied by 100%.

(3) Return on total assets ratio was calculated based on our profit for the period divided by the average balance of our total assets at the beginning and the end of the period and multiplied by 100%.

(4) Return on equity ratio was calculated based on our profit for the period divided by the average balance of total equity at the beginning and the end of the period and multiplied by 100%.

(5) Our gearing ratio remained relatively stable at 0.3%, 1.5% and 0.4% respectively as at 31 December 2018, 2019 and 2020, and increased to 6.1% as at 31 May 2021 primarily because of new rental agreements entered into during the period.

PRE-IPO INVESTMENTS

Mr. Zhang Zhicheng, Mr. Yang Bin, Mr. Zhou Hongbo and Wellman Investments are Pre-IPO Investors of our Group. Mr. Zhang Zhicheng, Zhiyu Holding, Mr. Yang Bin, Binyang Holding, Mr. Zhou Hongbo and Zhirui Holding are subject to lock-up obligations after Listing, whereas Wellman Investments and its ultimate beneficial owners are not subject to such lock-up obligations after Listing. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus for their background and details of the Pre-IPO investments.

PRIOR NEEQ QUOTATION AND SUBSEQUENT WITHDRAWAL FROM QUOTATION

In 2016, Chengdu Desun was converted from a limited liability company into a joint stock limited liability company. On 8 July 2016, Chengdu Desun received approval for its shares to be quoted on NEEQ in the PRC. Chengdu Desun was quoted on NEEQ on 2 August 2016 (stock code: 837976). On 30 April 2020, Chengdu Desun received regulatory approval for the NEEQ Withdrawal. The NEEQ Withdrawal was completed on 7 May 2020.

The NEEQ Withdrawal was a decision made as part of our corporate development strategy. Our Directors considered, and the then shareholders subsequently approved, Hong Kong to be a suitable location for listing our business. We consider that the NEEQ Withdrawal was beneficial to our Company as (i) the NEEQ is a market in the PRC open to qualified investors only, and it adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution; (ii) Hong Kong is a gateway between the PRC and the international markets and thus would give us a greater access to international investors and global markets; accordingly, the Listing would provide us a viable source of capital to support our business growth; and (iii) our Shares would be listed on a competitive and established exchange with a long-standing reputation as one of the leading stock exchanges globally, which would in turn strengthen our reputation, credibility and competitiveness. For these reasons, our Directors consider the NEEQ Withdrawal, and listing of Shares of our Company on the Stock Exchange to be in the interests of our Group and our Company as a whole.

Decision Letter received when we were quoted on the NEEQ

In 2018, Chengdu Desun carried out certain non-recurring related party transactions with Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司) and Chengdu Miyou Technology Co., Ltd. (成都米友科技股份有限公司), both of which were controlled by Mr. Zou Kang (the "**NEEQ Incident**"). Chengdu Desun provided (i) an one-off advance of RMB43 million with an interest rate of 1% per annum to Chengdu Huacheng for the repayment of bank loans to meet its short term funding need; and (ii) an one-off advance of RMB5.8 million with an interest rate of 1% per annum to Chengdu Miyou for the purchase of bank wealth management products (the "**Transactions**"). The advance to Chengdu Huacheng was provided on 12 June 2018 and returned on 14 June 2018, whereas the advance to Chengdu Miyou was provided on 30 November 2018 and returned on 25 December 2018. As a result of the NEEQ Incident, the NEEQCL issued a decision letter for self-disciplinary regulatory measure (自律監管措施決定書) on 7 February 2020 to Chengdu Desun, Mr. Zou Kang, Ms. Xiong Jianqiu and Ms. Wan Hong. Please see the paragraph headed "Business – Legal proceedings and compliance – Decision Letter received when we were quoted on the NEEQ" in this prospectus for details.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not comply with certain applicable laws and regulations, namely failure to timely set up housing provident fund accounts for certain of our employees and failure to timely contribute fully to social insurance and housing provident fund contributions for certain of our employees. Please refer to the paragraph headed "Business – Legal Proceedings and Compliance – Historical non-compliance incidents" in this prospectus for details.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$1.10	Based on an Offer Price of HK$1.46
Market capitalisation of the Shares(1)	HK$660 million	HK$876 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.38	HK$0.47

Notes:

(1) The calculation of market capitalisation is based on each indicative Offer Price and 600,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any share options or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in "Statutory and General Information – A. Further Information about Our Group – 4. Resolutions in writing of our Shareholders passed on 22 November 2021" in Appendix IV to this prospectus.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the "Financial Information – Unaudited pro forma adjusted net tangible assets" section and on the basis of 600,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued under the Over-allotment Option or Share Options or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in "Statutory and General Information – A. Further Information about Our Group – 4. Resolutions in writing of our Shareholders passed on 22 November 2021" in Appendix IV to this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We have continued to expand our project portfolio subsequent to the Track Record Period. Our GFA under management increased approximately by 0.4 million sq.m. since 31 May 2021 and reached 4.6 million sq.m. (of which 3.3 million sq.m. were properties developed by Desun Group and 1.3 million sq.m. were properties developed by Independent Third Parties) as at the Latest Practicable Date. Our contracted GFA increased approximately by 1.3 million sq.m. since 31 May 2021 and reached 8.7 million sq.m. (of which 4.7 million sq.m. were properties developed by Desun Group and 4.0 million sq.m. were properties developed by Independent Third Parties) as at the Latest Practicable Date. We were contracted to provide property management services to 66 projects as at the Latest Practicable Date.

Since 31 May 2021 and up to the Latest Practicable Date, we won one bid to provide property management services with respect to non-residential properties developed by third-party property developers with an aggregated contracted GFA of approximately 60.6 thousand sq.m. and two bids to provide property management services with respect to residential properties developed by third-party property developers with contracted GFA of approximately 699.9 thousand sq.m..

The PRC government promulgated a series of regulatory notices to regulate the real estate market as well as property management industry, aiming to promote the stable and healthy development of the real estate market and the property management industry.

These regulatory notices include the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (Jian Fang Gui [2020] No. 10) (the "**Notice 10**") and the Notice on Continued Regulation and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) (Jian Fang [2021] No. 55) (the "**Notice 55**") issued by the Ministry of Housing and Urban-Rural Development and other competent departments.

In August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers, namely, the Three Red Lines. As at the Latest Practicable Date, no such new regulations had been officially proposed.

The PBOC and China Banking and Insurance Regulatory Commission also issued a notice (the "**Mortgage Notice**") on 28 December 2020 imposing a limitation on the proportion of balance of real estate loans and personal housing loans to the total loan balance of the financial institutions, in light of which, some banks and financial institutions are reluctant to provide financing to real estate business and personal housing mortgages.

On 23 October 2021, the 31st Session of the Standing Committee of the 13th National People's Congress adopted the Decision of the Standing Committee of the National People's Congress on Authorizing the State Council to Carry out a Pilot Program of Real Estate Tax Reform in Certain Areas (the "**Decision**"), authorizing the State Council to carry out a pilot program of real estate tax reform in certain areas. The Decision authorizes the State Council to formulate specific measures for the real estate tax pilot program, and determine the list of cities for the pilot program and file the record with the Standing Committee of the National People's Congress. The Decision also authorizes the governments of pilot areas to formulate specific implementing rules.

Our Directors confirm that the aforesaid recent regulatory development would not have any material adverse impact on our operation and financial performance. Please refer to the paragraph headed "Regulatory Overview – Legal Supervision over Property Management Services – Enforcement of the Regulations on Property Management Services and Legal Supervision Over the Recent Real Estate Market" and "Risk Factors – We are susceptible to changes in the regulatory landscape of the PRC property management industry" and "Business – Recent Regulatory Development" in this prospectus for details.

COVID-19 PANDEMIC

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and has been spreading globally. In response to the COVID-19 pandemic, the PRC government has imposed measures across the PRC, which included, but not limited to, travel restrictions and quarantine for travelers or returnees, whether infected or not, and an extended shutdown of certain business operations. According to Frost and Sullivan, the PRC property management industry is under pressure in the short term as property management companies are required to suspend certain services and incur additional costs to comply with additional regulations and government measures. In particular, our following services had experienced certain short-term impacts.

- *Property management services.* To comply with government regulations and measures to combat the COVID-19 pandemic, we assigned additional staff and incurred additional medical material costs, which affected the short-term financial performance of our property management services.

- *Sales office management services.* Certain of the sales offices and display units we managed suspended operations after the outbreak of the COVID-19 pandemic as a result of government requirements, decrease in demand, and changes in property developers' business plans. These sales offices and display units resumed operation and none of the sales offices and display units we manage were suspended as at the Latest Practicable Date. Despite the outbreak of the COVID-19 pandemic, we have not experienced and do not expect to experience any material difficulty in collecting property management fees, or any material delay in our provision of property management services and value-added services to non-property owners arising from delays in the development and delivery of properties developed by Desun Group.

- *Commercial operational services.* Certain shops of the shopping street and other commercial properties we manage and operate were closed after the COVID-19 pandemic for approximately one to two months. We have not experienced and do not expect to experience a significant decrease in the demand for our commercial operational services.

As at the Latest Practicable Date, there were not any confirmed and suspected cases of COVID-19 among our staff members. Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers.

In the long term, however, the COVID-19 pandemic is expected to bring about positive changes to the property management industry. During the fight against the COVID-19 pandemic, property management companies played a significant role, serving as a bridge among the government, community workers and residents. We believe our efforts to control the outbreak has earned us higher degrees of trust and reliance from property owners and residents at properties under our management. The lockdown measures imposed in many regions have also led to residents' increasing reliance on community value-added services to address their daily living needs, which we believe presents us significant opportunities to expand our related service offerings. We also expect that new government regulations on property management industry may be promulgated from time to time, which offers us a higher degree of regulatory certainty in our long-term business operations. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 pandemic.

In view of the foregoing, our Directors are confident that we can continue to provide our services and discharge our obligations under existing agreements. See the section headed "Business – Effect of the COVID-19 pandemic – Effects of the COVID-19 Pandemic on our business operations" in this prospectus for details. In response to the COVID-19 outbreak, we have implemented a contingency plan and adopted enhanced hygiene and precautionary measures across our office premises and managed properties to minimize the disruptions that may cause to our operations. See the paragraph headed "Business – Effects of the COVID-19 pandemic – Our responses to the COVID-19 pandemic" in this prospectus for details. The additional costs associated with the enhanced measures primarily arise from the spending on masks, hand wash, disinfectants and infrared thermometers. After taking into account the medical and cleaning supplies distributed by local government and the relevant regulatory policies such as deduction of social insurance contributions, our Directors are of the view that such additional costs had no significant impact on our financial position for FY2020 and FY2021.

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 31 May 2021, the end of the period reported in the Accountants' Report as set out in Appendix IA and IB to this prospectus, and there has been no event since 31 May 2021 which would materially affect the information shown in the Accountants' Report as set out in Appendix IA and IB to this prospectus.

DIVIDEND POLICY

Chengdu Desun declared and paid dividends in aggregate of RMB27.2 million and RMB40.8 million to its then shareholders in FY2018 and FY2019 respectively. We currently do not have any dividend policy or intention to declare or pay any dividends in the near future. Our Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. 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.

LISTING EXPENSES

The total amount of listing expenses in connection with the Global Offering, including underwriting commission, is estimated to be RMB33.9 million (HK$40.8 million) or 21.3% of the gross proceeds (based on the midpoint of the indicative Offer Price range of HK$1.28 per Share and assuming no Over-allotment Option will be exercised), of which (i) RMB5.2 million (HK$6.3 million) has been charged to profit or loss in FY2020 and RMB7.3 million (HK$8.8 million) has been charged to profit or loss in 5M2021, (ii) approximately RMB10.7 million (HK$12.8 million) is expected to be charged to profit or loss for the periods after 5M2021; and (iii) approximately RMB10.7 million (HK$12.9 million) is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses will adversely affect our Group's financial performance subsequent to the Track Record Period. We expect a decrease in net profit for 2021 due to the listing expenses.

Our Directors would like to emphasise that the estimated amount of listing expenses disclosed above is for reference only. The final amount of listing expenses in relation to the Listing to be recognised in our consolidated statements of profit or loss and other comprehensive income will be subject to adjustment based on audit and the then changes in variables and assumptions.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- A significant portion of our revenue was generated from Desun Group or the properties developed by Desun Group. Desun Group are our connected persons which we do not have control over;
- Any financial difficulties faced by Desun Group may have material adverse impact on our Group's business, financial condition, results of operation and prospects;
- We are susceptible to changes in the regulatory landscape of the PRC property management industry;
- Our historical results may not be indicative of our future prospects and our future growth may not materialise as planned;
- Our acquisitions during the Track Record Period may not achieve the anticipated synergy and improve our results of operations;
- Zhongneng Group incurred net losses in the past. Although Zhongneng Group has turned profit-making in 8M2020, we may nonetheless incur net losses in the future;
- If we are unable to perform our contracts with customers, the results of operations and financial condition may be adversely affected;
- Goodwill and other intangible assets impairment could negatively affect our reported results of operations;

- As an increasing number of our competitors listed on the Stock Exchange are looking for high-quality property management companies in the PRC as their acquisition targets, we face intense competition, and there is no guarantee that we will be able to acquire or invest in the targets that we desire as planned; and
- Our profitability may be negatively affected in the future as we increase the proportion of property management services provided to properties developed by Independent Third Parties to the property management services provided to the projects under our management overall.

You should read the entire "Risk Factors" section in the prospectus carefully.

"5M2021"	five months ended 31 May 2021
"Accountants' Report"	the accountants' report prepared by the Reporting Accountants set out in Appendix IA to this prospectus
"Application Form(s)"	**GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association conditionally adopted by our Company on 22 November 2021 which will take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"Binyang Holding"	Binyang Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Yang Bin
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day(s)" or "business day(s)"	any day (excluding Saturdays, Sundays and public holidays, or any day on which a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate
"Capitalisation Issue"	the issue of 449,950,000 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in the section headed "Appendix IV – Statutory and General Information" to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participants"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Chengdu Desun"	Chengdu Desun Real Estate Investment Property Service Co., Ltd (成都德商產投物業服務有限公司), formerly known as Chengdu Desun Investment Management Co., Ltd. (成都德商投資管理有限公司) at the time of establishment, a company incorporated in the PRC on 12 March 2010 and an indirect wholly owned subsidiary of our Company
"Chengdu Dexin"	Chengdu Dexin Shangyu Property Management Co., Ltd (成都德新尚裕物業管理有限公司), a company incorporated with limited liability in the PRC on 5 December 2019 and an indirect wholly owned subsidiary of our Company
"Chengdu Dezheng"	Chengdu Dezheng Property Service Co., Ltd. (成都德正物業服務有限公司), a company incorporated with limited liability in the PRC on 19 December 2019 and an indirect wholly owned subsidiary of our Company
"Chengdu Fulang"	Chengdu Fulang Property Service Co., Ltd. (成都福朗物業服務有限公司), a company incorporated with limited liability in the PRC on 16 January 2020 and a joint venture of our Group, which is owned as to 51% by Chengdu Dexin and 49% by an Independent Third Party
"Chengdu Fuyue"	Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悅企業管理諮詢有限公司), a company incorporated with limited liability in the PRC on 12 March 2021 and an indirect wholly-owned subsidiary of our Company
"Chengdu Jinjie"	Chengdu Jinjie Asset Management Co., Ltd. (成都金捷資產管理有限公司), a company incorporated with limited liability in the PRC on 27 March 2013 and an indirect wholly owned subsidiary of our Company
"Chengdu Yujingge"	Chengdu Yujingge Hotel Management Co., Ltd. (成都御璟閣酒店管理有限公司), a company incorporated with limited liability in the PRC on 21 January 2019 and an indirect wholly owned subsidiary of our Company
"Cheng-Yu City Cluster"	refers to a group of cities and counties that are centered around the city of Chengdu and the municipality of Chongqing

"Chongqing Funiu"	Chongqing Funiu Property Service Co., Ltd (重慶福牛物業服務有限公司), a company incorporated with limited liability in the PRC on 3 June 2020, an indirect subsidiary of our Company, which is owned as to 51% by our Company and 49% by two Independent Third Parties
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司) (formerly known as Desun Real Estate Investment Services Limited), an exempted company incorporated in the Cayman Islands with limited liability on 10 December 2020
"Concert Parties Confirmatory Deed"	the confirmatory deed dated 11 May 2021, entered into by Mr. Zou Kang and Ms. Zou Jian to acknowledge and confirm, amongst other things, that they were parties acting in concert in respect of each of the members of our Group, details of which are set out in the paragraph headed "History, Reorganisation and Corporate Structure – Acting-in-concert arrangement" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering, being, Mr. Zou Kang, Ms. Zou Jian, Sky Donna and Pengna Holding or, where the context so requires, any one of them
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	coronavirus disease 2019

"Deed of Indemnity"	the deed of indemnity dated 22 November 2021 and given by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), a summary of which is set out in the paragraph headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 22 November 2021 and given by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition undertakings" in this prospectus
"Desun Group"	Companies in which Mr. Zou Kang has control or joint control, and has significant influence
"Desun (Hong Kong)"	Desun Property Service Limited, a company incorporated in Hong Kong on 18 January 2021 with limited liability and an indirect wholly-owned subsidiary of our Company
"Desun Property Group"	Chengdu Desun Property Co., Ltd (成都德商置業有限公司) and its subsidiaries, joint ventures and associated companies
"Desun Services"	Desun Services Holding Limited, a company incorporated in the BVI on 23 December 2020 with limited liability and a wholly-owned subsidiary of our Company
"Director(s)"	the director(s) of our Company
"Extreme Conditions"	extreme conditions occurring after a super typhoon as announced by the government of Hong Kong
"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research company
"F&S Report"	an industry report prepared by F&S and commissioned by our Company, an extract of which is set out in the section headed "Industry Overview" in this prospectus

"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "we", "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
"HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of our Company

"Hong Kong Offer Share(s)"	the 15,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the issue and offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong for cash (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the **GREEN** Application Form as further described in the paragraph headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"Hong Kong Underwriter(s)"	the underwriters of the Hong Kong Public Offering named in the paragraph headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 29 November 2021 relating to the Hong Kong Public Offering entered into by our Company, Mr. Zou Kang, Ms. Zou Jian, Sky Donna, Pengna Holding, Shenwan Hongyuan Capital (H.K.) Limited, Shenwan Hongyuan Securities (H.K.) Limited and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Hunan Desun"	Hunan Desun Houcheng Technology Service Co., Ltd (湖南德商厚誠科技服務有限公司), a company incorporated with limited liability in the PRC on 26 August 2020, an indirect subsidiary of our Company, which is owned as to 60% by our Company and 40% by an Independent Third Party
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates

"International Offering"	the conditional offering by the International Underwriters of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S for cash at the Offer Price (plus brokerage, SFC transaction levy and Stock Exchange trading fee), details of which are described in "Structure of the Global Offering" on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
"International Offer Share(s)"	the 135,000,000 Shares being initially offered by our Company pursuant to the International Offering (including any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option), subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriter(s)"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Offering expected to be entered into by our Company, Mr. Zou Kang, Ms. Zou Jian, Sky Donna, Pengna Holding, Shenwan Hongyuan Capital (H.K.) Limited, Shenwan Hongyuan Securities (H.K.) Limited and the International Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Joint Bookrunners"	Shenwan Hongyuan Securities (H.K.) Limited, China Everbright Securities (HK) Limited, Guosen Securities (HK) Capital Company Limited, Livermore Holdings Limited, CMBC Securities Company Limited, SPDB International Capital Limited and ZMF Asset Management Limited
"Joint Lead Managers"	Shenwan Hongyuan Securities (H.K.) Limited, China Everbright Securities (HK) Limited, Guosen Securities (HK) Capital Company Limited, Livermore Holdings Limited, CMBC Securities Company Limited, SPDB International Capital Limited and ZMF Asset Management Limited

"Kunming Jiebo"	Kunming Jiebo Property Service Co., Ltd. (昆明捷博物業服務有限公司), a company incorporated with limited liability in the PRC on 23 May 2019 and an indirect wholly owned subsidiary of our Company
"Latest Practicable Date"	22 November 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date expected to be on Friday, 17 December 2021, on which dealing of the Shares on the Main Board of the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time
"Lvy Holding"	Lvy Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zhong Xin
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company conditionally adopted on 22 November 2021 which will take effect on the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), an equity trading platform for the sale of existing shares or private placing of new shares by small and medium sized enterprises in the PRC and is managed by NEEQCL
"NEEQCL"	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
"non-residential properties"	properties which are not residential properties, including but not limited to office buildings, governmental buildings, hospitals, shops, schools, industrial parks, etc.
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$1.46 and expected to be not less than HK$1.10, such price to be agreed upon by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to which our Company is required to allot and issue up to an aggregate of 22,500,000 Shares (representing in aggregate 15% of the Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pengna Holding"	Pengna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Ms. Zou Jian
"PRC" or "China"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan region
"PRC Government" or "Government"	the central government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to our Company as to the laws of PRC
"Pre-IPO Investment(s)"	the investment(s) made by the Pre-IPO Investor(s), please refer to the section headed "History, Reorganisation and Corporate Structure" of this prospectus for details
"Pre-IPO Investors"	collectively, Mr. Zhang Zhicheng, Mr. Yang Bin, Mr. Zhou Hongbo and Wellman Investments, of which the respective backgrounds are set out in the paragraph headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus, and each shall refer to as a "Pre-IPO Investor"
"Pre-IPO Share Option"	the options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company on 27 April 2021, the principal terms of which are summarised in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme" in this prospectus
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

"Price Determination Agreement"	the price determination agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date expected to be on or around Tuesday, 7 December 2021, and in any event no later than Thursday, 16 December 2021, on which the Offer Price is fixed for the purposes of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of entities comprising our Group for the purpose of Listing, details of which are set out in the paragraph headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Reporting Accountants"	Ernst & Young, the auditors and reporting accountants of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局))
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Sichuan-Chongqing Region"	refers to Sichuan Province and Chongqing Municipality

"Sky Donna"	Sky Donna Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zou Kang
"Sole Global Coordinator"	Shenwan Hongyuan Securities (H.K.) Limited
"Sole Sponsor"	Shenwan Hongyuan Capital (H.K.) Limited, being the sole sponsor to the Listing and a corporation licenced under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
"Stabilising Manager"	Shenwan Hongyuan Securities (H.K.) Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Sky Donna on or about the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising FY2018, FY2019, FY2020 and 5M2021
"Ube Chuangfu"	Chengdu Ube Space Chuangfu Technology Service Co., Ltd. (成都優貝空間創孵科技服務有限公司), a company incorporated with limited liability in the PRC on 20 October 2015 and an indirect wholly owned subsidiary of our Company
"Ultimate Controlling Shareholders"	collectively Mr. Zou Kang and Ms. Zou Jian
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. dollars", "USD" or "US$"	United States dollar(s), the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"VAT"	value-added tax
"WeiYue Management"	WeiYue Management Limited, a limited liability company incorporated in Hong Kong formally ultimately held by an Independent Third Party which acquired 1% of equity interests from Ms. Zou Jian, and was subsequently acquired into our Group as an indirect wholly-owned subsidiary after completion of the Reorganisation
"Wellink Management"	Wellink Management Limited (威悅管理有限公司), a limited liability company incorporated in Hong Kong which formerly held the entire issued share of WYGL Holding (the holding company of WeiYue Management) before WYGL Holding was acquired by Wellman Investments as part of the latter's Pre-IPO Investment
"Wellman Investments"	Wellman Investments Limited (惠宏投資有限公司), a limited liability company incorporated in Hong Kong and a Pre-IPO Investor
"western China"	western China includes totally twelve provinces and cities such as Chongqing, Sichuan Province, Shaanxi Province, Yunnan Province, Guizhou Province, Tibet, Inner Mongolia, Gansu Province, Qinghai Province, Xinjiang Province, Ningxia Province and Guangxi Province
"**White Form eIPO**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"WYGL Holding"	WYGL Holding Limited, a limited liability company incorporated in BVI which indirectly held the entire issued shares of WeiYue Management through XGWY Holding. It was subsequently acquired into our Group as a wholly-owned subsidiary after completion of the Reorganisation

"Xian Desun"	Xian Desun Aohui Property Service Co., Ltd. (西安德商奧暉物業服務有限公司), a company incorporated with limited liability in the PRC on 25 September 2020 and an indirect wholly-owned subsidiary of our Company
"XGWY Holding"	XGWY Holding Limited, a limited liability company incorporated in BVI, which is the holding company of WeiYue Management. Its entire issued share is held by WYGL Holding
"Zhirui Holding"	Zhirui Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zhou Hongbo
"Zhiyu Holding"	Zhiyu Holding Limited, a company incorporated in the BVI on 4 December 2020 with limited liability, which is wholly owned by Mr. Zhang Zhicheng
"Zhongneng"	Chengdu Zhongneng Property Management Company Limited (成都中能物業管理有限責任公司), a company incorporated with limited liability in the PRC on 16 May 2006 and an indirect wholly owned subsidiary of our Company
"Zhongneng Group"	Zhongneng and its subsidiary
"sq.m."	square metre
"%"	per cent

In this prospectus, the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

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

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"average property management fee"	weighted average property management fee charged calculated on the basis of GFA of each property for the period in which we are engaged to provide property management service
"CAGR"	compounded annual growth rate
"commission basis"	a revenue-generating model whereby we retain a percentage of the total amount of fees received as our service fees
"common area"	common areas in residential properties, typically including parking lots, swimming pools, advertisement bulletin boards, and club houses
"contracted GFA"	GFA managed or to be managed by us for which we have entered into relevant residential property management service contracts or non-residential property management service contracts
"first-tier cities"	according to Frost & Sullivan, with reference to the Rising Lab of Yicai ("**Yicai**") (第一財經新一線城市研究所) in 2020, including Beijing, Shanghai, Guangzhou and Shenzhen
"GFA"	gross floor area
"GFA under management"	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services
"IoT" or "Internet of Things"	a network of physical devices, vehicles, buildings and other item – embedded with electronics, software, sensors and network connectivity that enable these objects to collect and exchange data

"lump sum basis"	a revenue-generating model for our property management service segment whereby we charge a pre-determined property management fee per sq.m. for all units (whether sold or unsold) on a periodic basis which represents the "all-inclusive" fees for all of the property management services provided by our employees and subcontractors. Property developers, property owners and residents will be responsible for paying our property management fees for the sold and unsold units respectively on a periodic basis
"mid- to high-end residential properties"	residential properties with the selling prices exceeding RMB18,000 per sq.m., and the property management services fees higher than RMB2.5 per sq.m. per month in Chengdu
"new first-tier cities"	according to Frost & Sullivan, with reference to Yicai in 2020, including Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Tianjin, Suzhou, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Hefei and Foshan
"renewal rate"	the number of (i) renewed property management service contracts in the period and (ii) property management service contracts under which we continued to provide property management services upon expiry prior to entering into a renewal agreement, divided by the number of property management service contracts which expired in the same period
"retention rate"	the aggregate number of properties under management as of the end of the period divided by the aggregate number of properties under management as of the end of the period and properties we cease to manage during the same period
"shopping street"	property(ies) which is/are designated for use as shopping streets

"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall competitiveness published by China Index Academy based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility
"undelivered GFA"	the portions of contracted GFA of properties that are not yet ready to be delivered for property management purpose under our residential property management service segment
"value-added services for property owners"	include value-added services provided to property owners and tenants

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

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

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;

- certain statements in sections headed "Business" and "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this prospectus that are not historical facts.

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

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

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

Potential investors should carefully consider each of the risks described below and all of the other information contained in this prospectus, including the Accountants' Report included in Appendix IA & IB, before deciding to invest in the Offer Shares. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by in a legal and regulatory environment that in some respects differ significantly from that of other countries. The trading price of the Offer Shares could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A significant portion of our revenue was generated from Desun Group or the properties developed by Desun Group. Desun Group are our connected persons which we do not have control over.

During the Track Record Period, a significant portion of our revenue was generated from Desun Group. Our revenue from Desun Group accounted for 53.4%, 51.0%, 47.3% and 38.8% for FY2018, FY2019, FY2020 and 5M2021, respectively. In addition, 100%, 100%, 68.8% and 43.4% of our revenue from property management services was generated from properties developed by Desun Group for FY2018, FY2019, FY2020 and 5M2021, respectively.

However, we do not have control over Desun Group's management strategy or the macro-economic factors that affect its business operations. We cannot assure you that Desun Group will continue to engage us as its property management service provider or give us priority when selecting its future property management service provider for any properties it develops, particularly because that we are subject to tender and bidding process before we provide preliminary property management service to Desun Group. We may lose business opportunities if Desun Group suffers adverse developments that materially affect its property development business. There is no assurance that we will be able to procure property management service agreements from alternative sources to make up for the shortfall in a timely manner or on favourable terms, nor can we guarantee that we will be successful in any efforts to diversify our customer base. In addition, there is no assurance that all of our property management service agreements with Desun Group will be renewed successfully upon their expiration. If we are not able to supplement any shortfall in business from properties developed by independent property developers, our results of operations, financial position and growth prospects may be materially and adversely affected.

Any financial difficulties faced by Desun Group may have material adverse impact on our Group's business, financial condition, results of operation and prospects.

The performance of our property management services and value-added services for property owners is primarily dependent on the total GFA and number of properties we manage, while the performance of our value-added services for non-property owners is primarily dependent on number of new properties delivered by property developers. As such, our business growth is, and will likely continue to be, affected by the delivery and sales schedule of property developers. During the Track Record Period, 100%, 100%, 68.8% and 43.4% of our revenue from property management services was generated from properties developed by Desun Group for FY2018, FY2019, FY2020 and 5M2021, respectively. Any financial difficulties faced by Desun Group may delay the construction and sales of properties developed by Desun Group for our management as scheduled, which in turn may limit our business growth and result in a material adverse effect on our business, financial position, results of operations and prospect. There is no assurance that we will be able to procure property management service agreements from alternative sources to make up for the shortfall in a timely manner or on favourable terms. In addition, during the Track Record Period, our largest customer was Desun Group to whom we provided property management services and value-added services. If Desun Group faces any major financial difficulties, becomes insolvent or delays its payment of our fees, our cash flow, as well as our business, financial condition and results of operation may be adversely affected.

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

Our operations are affected by the regulatory environment and measures affecting the PRC property management industry. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. See the paragraph headed "Regulatory Overview – Legal Supervision over Property Management Services – Regulations on Property Management Service Charges" in this prospectus for details. In December 2014, the NDRC issued the Circular of NDRC on the Opinions on Relaxing Price Controls in Certain Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), or the Circular, which requires provincial-level price administration authorities to abolish all price control or guidance policies on residential properties other than affordable housing, housing re-form properties and properties in old residential areas and preliminary property management agreements. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. Although we expect the price controls on residential properties to be relaxed over time pursuant to the Circular, our property management fees will continue to be subject to price controls until the relevant authorities pass local regulations to implement the Circular.

The specific pricing principles shall be determined by the competent price administration departments and property administration department of the local governments of each provinces, autonomous region and municipality. According to the confirmation obtained from the relevant competent authority, we have no records of administrative penalties for violating the laws, regulations and normative documents on property management services. As confirmed by our Directors, our Group's fee rates were in line with such pricing controls and the relevant market trends during the Track Record Period. The limits on fees imposed by government authorities may negatively affect our pricing capability and profit margin. We may experience diminished profit margins should our labour and other operating costs increase but we are unable to raise property management fees accordingly. If a property is managed on a lump sum basis, we may experience a decrease in profit margin. If a property is managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. In our experience, however, given the stringent governmental regulations on property management fees, together with the difficulties we may face in obtaining the requisite votes at the property owners' meetings, it may be impracticable to collect additional property management fees. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the residents.

The PRC government promulgated a series of regulatory notices to regulate the real estate market as well as property management industry, aiming to promote the stable and healthy development of the property management industry. These regulatory notices include the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (Jian Fang Gui [2020] No. 10) (the "**Notice 10**") and the Notice on Continued Regulation and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) (Jian Fang [2021] No. 55) (the "**Notice 55**") issued by the Ministry of Housing and Urban-Rural Development and other competent departments. These notices aim to rectify existing problems in the real estate market and to standardise the currently in place regulations in order to improve the market order. The notices cover the fields of real estate development, property sale and purchase, housing leasing and property management services.

The Notice 10 clarifies the price forming mechanism for property management services as well as imposes requirements on the areas of integrating grassroots in the social governance system; improving governance structure of property owners' associations; promoting property management service quality; promoting and developing living services; regulating the use and management of repair fund and reinforcing supervision and management of property management services.

The Notice 55 pointed out that it will strive to improve the real estate market order in three years, including the areas of real estate development, housing sales, housing leasing, and property services. For property management services companies, the key problems that the notice pointed out and require standardization measures include (i) failure to provide services in accordance with contractual terms, (ii) failure to disclose information regarding standards for the property service fee items, the common area's operation and income and maintenance funds related information, (iii) collection of fees beyond service contracts, (iv) unauthorized use of common area to carry out business activities, and (v) refusal to exit the property services project without a proper reason upon rescission or termination of the property services contract pursuant to the law.

In August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers, namely, the Three Red Lines. As at the Latest Practicable Date, no such new regulations had been officially proposed. In the event that Desun Group or other property developers are unable to obtain sufficient financing to support their expansion of business which results in a delay in the delivery of new properties to be managed by us, the growth of our GFA under management or number of projects we provide value-added services to may be adversely affected.

The PBOC and China Banking and Insurance Regulatory Commission also issued a notice (the "**Mortgage Notice**") on 28 December 2020 imposing a limitation on the proportion of balance of real estate loans and personal housing loans to the total loan balance of the financial institutions. In light of this notice, some banks and financial institutions are reluctant to provide financing to real estate business and personal housing mortgages.

On 23 October 2021, the 31st Session of the Standing Committee of the 13th National People's Congress adopted the Decision of the Standing Committee of the National People's Congress on Authorizing the State Council to Carry out a Pilot Program of Real Estate Tax Reform in Certain Areas (the "**Decision**"), authorizing the State Council to carry out a pilot program of real estate tax reform in certain areas. The Decision authorizes the State Council to formulate specific measures for the real estate tax pilot program, and determine the list of cities for the pilot program and file the record with the Standing Committee of the National People's Congress. The Decision also authorizes the people's governments of pilot areas to formulate specific implementing rules. According to the Decision, the period for the real estate tax pilot program shall be five years from the date when the measures for the pilot program are officially issued by the State Council and laws shall be enacted when conditions permit after the end of the pilot program. Please refer to the paragraphs headed "Summary – Recent development and material adverse change" and "Business – Recent regulatory development" in this prospectus for details.

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

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

Although we experienced rapid growth in revenue and profit during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. There is no guarantee that we will continue to be able to increase the number of our property management service contracts or total GFA under management, nor will we be able to succeed in our business development efforts going forward.

We have been seeking to expand our business since our inception through organic growth, acquisitions and strategic investments in other property management companies. For example, in August 2020, we acquired Zhongneng Group which had properties under management in the Sichuan Province in the PRC, contributing GFA under management and contracted GFA of approximately 2.5 million sq.m. and 3.3 million sq.m., respectively, to our property management portfolio as at 31 December 2020. Our expansion plans are based on our assessment of market prospects. We cannot assure you that our acquisitions and investments can generate revenue for our Group or that we can grow our business as planned. Our expansion may be affected by a number of factors, most of which are beyond our control. Such factors include, among others:

- changes in China's economic condition in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations in the PRC;
- changes in the supply and demand of property management and value-added services;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable subcontractors and suppliers;
- our ability to understand the needs of property developers, property owners, and residents in the properties;
- our ability to adapt to market changes where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;

– our ability to leverage our brand names and to compete successfully in the face of market changes, particularly against the incumbent players in such markets who might have more connections, resources and experience than us; and

– our ability to improve our administrative, technical, operational and financial infrastructure.

We cannot assure you that our future growth will materialise or that we will be able to manage our future growth effectively. If we fail to manage our future growth, our business operations, financial position and results of operations could be materially and adversely affected.

Our acquisitions during the Track Record Period may not achieve the anticipated synergy and improve our results of operations.

We acquired Zhongneng Group in August 2020 to expand our business portfolio. See the paragraph headed "Business – Acquisition of Zhongneng Group" in this prospectus for details of the acquisition. Acquisitions that we completed may involve uncertainties and risks, including, without limitation:

– potential ongoing financial obligations and unforeseen or hidden liabilities;

– inability to apply our business model or standardised business processes on the acquisition targets;

– failure to achieve the intended objectives or revenue-enhancing opportunities; and

– diversion of resources and management attention.

In addition, we may be held liable for historical non-compliances of acquisition targets, which could materially and adversely affect our results of operations and financial condition.

Zhongneng Group incurred net losses in the past. Although Zhongneng Group has turned profit-making in 8M2020, we may nonetheless incur net losses in the future.

Our net profit margin in FY2018, FY2019 and FY2020 was 49.1%, 44.9% and 33.5%, respectively. The decrease in our overall gross profit margin and net profit margin from the FY2019 to the same period in FY2020 was primarily due to the dilution of the overall gross profit margin after the acquisition of Zhongneng Group, the increase in administrative expenses mainly due to increase in the number of management employees and listing expenses of RMB5.2 million incurred in FY2020.

Zhongneng Group recorded net loss in FY2018 and FY2019 mainly because (i) low chargeable GFA due to low delivery rate in certain projects because those projects were still in the early stage of tenant sourcing; and (ii) inefficient cost control measures and relatively high manpower costs in the property management services industry. Zhongneng improved its financial performance in 8M2020 mainly due to (i) there was a considerable delivery of GFA from mid of 2019 to early 2020 which increased the chargeable GFA; (ii) one-off and non-recurring deduction on social security payment from the local government, and (iii) improvement on cost control.

While Zhongneng Group turned profit-making in 8M2020 and we generated a net profit during the Track Record Period, we cannot assure you that we will be able to continue generating profits in the future. Our ability to achieve profitability is affected by various factors, many of which are beyond our control. For details, please refer to the paragraph headed "Financial Information – Key Factors Affecting Our Results of Operations" in this prospectus. If we are unable to successfully offset our increased costs and expenses with an appropriate increase in our revenue, our margins, financial condition and results of operations may be materially and adversely affected.

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

We may collect advance payments pursuant to our service agreements made by our customers before we start rendering our services. This gives rise to contract liabilities at the start of each service agreement that we enter into. As at 31 December 2018, 2019 and 2020 and 31 May 2021, our contract liabilities amounted to RMB5.3 million, RMB6.9 million, RMB13.0 million and RMB20.1 million, respectively. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which could adversely affect our cash flow and liquidity condition, our results of operations and financial condition. In addition, failure in fulfilling our obligations under our contracts with customers could adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

Goodwill and other intangible assets impairment could negatively affect our reported results of operations.

We acquired Zhongneng Group and it became our subsidiary in August 2020. In relation to the acquisition of Zhongneng Group, we recognised approximately RMB9.2 million of goodwill and other intangible assets of RMB7.6 million in August 2020. Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Other intangible assets are tested for impairment whenever there is an indicator that the other intangible assets may be impaired. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Impairment of other intangible assets exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and a suitable discount rate to calculate the present value of cash flows. There are inherent uncertainties related to these factors and our judgement in applying these factors to the assessment of goodwill and other intangible assets recoverability. We could be required to evaluate the recoverability of goodwill and other intangible assets prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Zhongneng Group. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

Our future acquisitions may not be successful.

We may acquire or invest in other companies to expand our business. Our ability to generate profits and cash flow from these acquisitions will depend on our ability to integrate their business into our Group, which may be affected by a variety of factors not within our control, such as the complexity and size of their business operations, their limited experience in managing certain types of properties and businesses, the risks of operating in new markets, unfamiliarity in corporate cultures, the inability to retain key personnel, as well as additional hidden costs associated with the acquisitions and business integration. If we fail to successfully integrate and manage the new businesses, we may not be able to expand as originally planned.

We will continue to evaluate acquisition opportunities in other property management companies that are complimentary to our existing business. However, we cannot assure you that we will be able to identify such opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favourable or acceptable to us or in a timely manner. The inability to identify suitable acquisition targets or complete the acquisitions could materially and adversely affect our competitiveness and growth prospects.

We plan to use part of our net proceeds from the Global Offering to pursue strategic acquisition and investment opportunities. No acquisition targets were identified as at the Latest Practicable Date. If we fail to identify suitable acquisition opportunities or our future acquisitions fail to consummate for reasons beyond our control, the net proceeds may not be effectively utilised to sustain our growth.

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

Our average property management fee from property management services charged to residential properties developed by Desun Group were generally higher than that of average property management fee charged to residential properties developed by Independent Third Parties during the Track Record Period. Our gross profit margins from property management services provided to properties developed by Desun Group were generally slightly higher than those of property management services provided to properties developed by Independent Third Parties during the Track Record Period. There is no guarantee that the average property management fee charged by us for property management services provided for properties developed by Independent Third Parties or our gross profit margin from property management services provided to properties developed by Independent Third Parties will increase in the future.

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

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

We experienced fast growth in revenue, profit and profit margins during the Track Record Period. We seek to continue to expand through increasing the total GFA and the number of properties we manage in existing and new markets, including properties developed by Desun Group and those developed by third-party property developers. However, our expansion plans are based upon our assessment of market prospects, and we cannot assure you that we can sustain our historical growth in the future. As we start to manage more properties developed by third-party property developers or acquire more property management companies, we cannot assure you that we will be able to maintain our gross profit margin at historical levels. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors primarily include:

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

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

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

We may fail to procure new property management service agreements as planned, or at all.

During the Track Record Period, we generally obtained preliminary property management service agreements by participating in tenders, a process where property developers evaluate and select from multiple property management companies. The selection of a property management company depends on a number of factors, including but not limited to service quality, pricing level and the operating history of the property management company. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. We cannot assure you that we will be able to procure new property management service agreements in the future on acceptable terms or at all.

We usually enter into preliminary property management service agreements with property developers during the later stage of property development. In addition, such contracts are transitional in nature and facilitate the transfer of legal title of the properties from property developers to the owners. A preliminary property management service agreement typically expires when the property owners elect another property management service provider and a new agreement is entered into. Nevertheless, property owners may terminate preliminary property management service contracts prior to their expiration and select new property management service providers after property developers' filing with the property management office under the MOHURD if we fail to perform our duties, such as providing proper cleaning, greening, repair and maintenance services to common areas and collecting reasonable fees for the services rendered, as stipulated in the preliminary property management service contracts. To continue managing the property, we would have to enter into new property management service agreements with the property owners' associations or property management committees. There is no guarantee that property owners' associations or property management committees will enter into new property management service agreements with us instead of our competitors. We may therefore bear the risk of termination of rendering services of the existing projects as a result of the set-up of property owners' associations or property management committees. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms for both sides. Even where we succeed in entering into property management service agreements with property owners' associations, we cannot guarantee that they will be renewed upon expiration. Typically, the renewal of an existing property management service agreement requires (i) the approval by at least 2/3 of the property owners in recognition of our service quality and level of pricing; and (ii) our continuous realization of profit from the property under our management. It is also possible that they may be terminated for cause, such as when we (i) fail to perform our duties, such as providing proper cleaning, greening, repair and maintenance services to the projects under our management; and (ii) charge unreasonable or additional service fees that are not stipulated in the property management service agreements.

We may fail to renew our property management service agreements, and our ongoing service agreements may be terminated before expirations.

We typically enter into preliminary property management service agreements with property developers. Property owners' associations are generally entitled to change property management companies upon expiration of the existing property management service agreements with property developers. We cannot guarantee that the property developers and property owners' associations will renew their agreements with us and continue to engage us upon expiration of the existing agreements, nor can we guarantee that our ongoing service agreements will not be terminated for cause prior to expirations. There is no guarantee that we would be able to find other business opportunities and enter into alternative property management service agreements on favourable terms, or at all. If we fail to renew our current property management service agreements, or if they are terminated prior to their expirations for cause, we may not be able to acquire new customers to compensate for our loss of business, and our brand image, results of operations and financial condition could be materially and adversely affected.

We incurred losses during the Track Record Period with respect to certain of our property management service agreements on a lump sum basis.

We generated a substantial portion of our revenue from property management services on a lump sum basis, which accounted for 100%, 100%, 98.9% and 99.0% of our revenue from property management services in FY2018, FY2019, FY2020 and 5M2021, where we charged a predetermined price per sq.m. per month, representing an all-inclusive fee for the property management services provided. When total costs and expenses incurred exceed the amount of property management fees we receive, we will suffer losses as we may not charge additional fees from property developers, property owners or residents for the shortfall.

In FY2018, FY2019, FY2020 and 5M2021, we incurred gross losses of approximately RMB26,000, nil, RMB898,000 and RMB686,000, with respect to one, nil, four and four properties under our management, respectively. The aggregate revenue generated from such loss-making properties was RMB1.2 million, nil, RMB1.7 million and RMB1.9 million, for FY2018, FY2019, FY2020 and 5M2021, representing 1.8%, nil, 1.3% and 2.1%, respectively, of our total revenue for the same periods. Our loss-making projects were mainly due to (i) lower-than-expected delivered GFA; (ii) certain property developers faced financial difficulty and failed to provide a subsidy to the project as agreed; and (iii) we made some severance payment to restructure the on-site workforce, in certain of our projects during the Track Record Period. Please refer to the paragraph "Business – Property management services – Lump sum basis" for further details.

If we are unable to raise property management fees to fully cover the property management costs we incur, we would seek to cut costs with a view to reducing the loss. However, our ability to mitigate against such losses through cost-saving initiatives such as operation automation measures to reduce labour costs and energy-saving measures to reduce energy costs may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce the owners' willingness to engage us as the property management services provider.

We may experience increases in labour and subcontracting costs.

The property management industry is a labour intensive industry. Thus, it is critical for us to control and reduce our labour and subcontracting costs to maintain and improve our profit margins. For FY2018, FY2019, FY2020 and 5M2021, we incurred labour cost of RMB13.3 million, RMB18.8 million, RMB37.5 million and RMB27.9 million, representing 51.7%, 56.4%, 57.4% and 51.5% of our total cost of sales, and subcontracting costs of approximately RMB3.0 million, RMB4.5 million, RMB10.1 million and RMB13.0 million, representing 11.4%, 13.4%, 15.5% and 23.9% of our total cost of sales, respectively. We face pressure from rising labour and subcontracting costs due to various factors, including but not limited to:

– *Increase in minimum wage.* The minimum wage in the regions where we operate has increased substantially in recent years, directly affecting our labour costs as well as the fees we pay to our third-party subcontractors.

– *Increase in headcount.* As we expand our operations, the size of our property management, sales and marketing and administrative teams will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which will further increase our total headcount. This increase in headcount also increased other associated costs such as those related to training, social insurance fund and housing provident fund contributions and quality control measures.

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

Our average property management fee may decrease if we reduce collaboration with Desun Group or if we fail to procure new property management service agreements of mid- to high-end residential properties of which we have charged higher property management fee during the Track Record Period.

Historically, we charged higher average property management fees for residential properties developed by Desun Group compared to those developed by independent third-party property developers as the properties developed by Desun Group are mainly mid- to high-end residential properties. In FY2020, our average monthly property management fee was RMB3.7 per sq.m. for residential properties developed by Desun Group, whereas that for other independent property developers was RMB1.7 per sq.m.. In FY2020, our average monthly property management fee was RMB16.4 per sq.m. for the non-residential property developed by Desun Group, whereas that for the non-residential properties developed by other independent property developers was RMB4.2 per sq.m.. We did not provide property management services to properties developed by independent property developers for FY2018 and FY2019. Please refer to the paragraphs headed "Financial Information – Description of certain consolidated statements of profit or loss items – Average property management fee" in this prospectus for details.

While we plan to continue to work with Desun Group, we also plan to obtain new engagements for properties developed by other independent third-party property developers. If these properties developed by independent third-party developers are located in lower tier cities, and/or are not mid- to high-end residential properties and/or if the fees derived are not as profitable, our results of operations in terms of profitability may be materially adversely affected.

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

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and has been spreading globally. In March 2020, the World Health Organization characterised the outbreak of COVID-19 a pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial market, including the repeated triggering of stock market "circuit breakers" in the U.S. and many other countries. The virus had spread to over 200 countries and territories globally in 2020.

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on the PRC property management industry, and adversely affect our business operations. For example, to comply with the requirements of local governments with respect to community management during the outbreak of the COVID-19 pandemic, we assigned additional personnel and incurred additional costs to conduct visitor control for properties under our management.

The outbreaks could cause disruption to our suppliers, subcontractors and customers such as property developers and tenants. The operations of such suppliers, subcontractors and customers could be disrupted by worker absenteeism, quarantines, or other travel or health-related restrictions as a result of COVID-19 outbreak or concern over COVID-19. If any of these suppliers, subcontractors and customers are so affected, they may experience difficulties in maintaining their financial strength and performing their obligations under their agreements with us, such as provision of services or payment obligations, the failure of which may adversely affect our business and results of operations. In response, we have increased our collection efforts of receivables and adopted online payment methods in the first half of 2020. We also enhanced our supplier and subcontractor management, and paid particular attention to their performance of contract obligations during the pandemic when evaluating future engagement. However, there can be no assurance that such response measures will be effective.

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

We may encounter difficulties in collecting property management fees from customers especially in communities where the move-in rate is relatively low. We cannot assure you that our measures to collect overdue property management fees will be effective or enable us to improve our future collection rate. Our collection rate of property management fees, calculated as the aggregate property management fees we actually collected during a period divided by the aggregate amount of property management fees to which we are entitled during the same period, was 96.4%, 94.3%, 90.7% and 74.8%, respectively, in FY2018, FY2019, FY2020 and 5M2021. In the event that the actual recoverability is lower than expected, we may need to increase allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

Some of our residential property management service agreements may have been obtained without going through the required tender and bidding process.

We may obtain our property management service agreements without the required tender and bidding process because of non-subjective reasons, for example, up to the Latest Practicable Date, we entered into one preliminary property management service contract with Desun Group which they did not go through the tender and bidding process as required under PRC laws and regulations. This residential property had not been delivered to us and we were managing the sales office as at the Latest Practicable Date. The contract sum of the preliminary property management agreements without the required tender and bidding process was RMB2.5 million per annum. See the paragraph headed "Business – Property Management Services – Property management service agreements" in this prospectus for details.

According to the Regulations on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130) which was promulgated on 26 June 2003 and came into effect on 1 September 2003, the developer of residential buildings and non-residential buildings in the same property management area shall engage qualified property management enterprises by inviting bid or publish announcement on public media. As advised by our PRC Legal Advisers, entering into preliminary management service agreements without going through tender and bidding process will not affect the validity of the preliminary management service agreements and as at the Latest Practicable Date there were no administrative penalties on the part of the property management service providers for entering into preliminary management service agreements without going through tender and bidding process. Nonetheless, if the local government requires the relevant property developer to rectify the problem within a prescribed period, it may need to organise a tender and bidding process to select a property management service provider for its developed projects. In the event that we do not win the tender and bidding, we may lose the contract and, as a result, our revenue and business may be negatively impacted.

Some lessors have not provided us the title certificates with respect to some of our leased properties in the PRC and some of our lease agreements were not registered with the relevant government authorities.

During the Track Record Period, some of our lessors failed to provide valid title certificates with respect to some of our leased properties in the PRC. For details, see the paragraph headed "Business – Properties – Leased Properties" in this prospectus. If our lessors are not the owners or not authorised by the actual owners to lease the properties to us, we might need to seek alternative properties and incur additional costs to relocate. Any dispute or claim in relation to the rights to use the leased properties, including any litigation involving allegations of illegal or unauthorised use, may direct our resources and management attention. If any of our leases were terminated as a result of any challenge by third parties, any failures of our lessors to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation.

During the Track Record Period, some of our lease agreements were not registered with the relevant government authorities. For details, see the paragraph headed "Business – Properties – Leased Properties" in this prospectus. We may be subject to fines for the failure to register these lease agreements, which could adversely affect our financial condition and results of operations.

Our business is subject to third-party payment processing related risks.

We accept payments using a variety of methods, including payment through third-party online payment platforms such as WeChat Pay and Alipay, online payments with credit cards and debit cards issued by banks in China. For certain payment methods, including credit and debit cards, we need to pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities not within our control in connection with the various payment methods we offer, such as online payment. Moreover, we are subject to various rules and requirements, governing electronic funds transfers, which are subject to change or different interpretation that could make it difficult for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines, higher transaction fees and/or unable to accept credit and debit card payments, process electronic funds transfers or online payments, which could materially and adversely affect our business, financial position and results of operations.

We subcontract certain specialised parts of property management services to third-party subcontractors.

We subcontract certain specialised parts of property management services, including security, greening and gardening of property premises, and repair and maintenance services, to third-party subcontractors. In FY2018, FY2019, FY2020 and 5M2021, the fees paid to third-party subcontractors were approximately RMB3.0 million, RMB4.5 million, RMB10.1 million and RMB13.0 million, respectively, which accounted for approximately 11.4%, 13.4%, 15.5% and 23.9% of our total cost of sales, respectively.

We may not be able to monitor their services as directly and effectively as with our own services. Subcontractors may take actions contrary to our or our customers' instructions, or are unable or unwilling to fulfill their obligations. We may also be subject to disputes with our subcontractors in relation to their services or may be held responsible for their actions, either of which could lead to damages to our reputation, incur additional expenses, cause business disruptions and potentially expose us to litigation and claims.

We cannot assure you that we will be able to renew the agreements with our third-party subcontractors upon their expiration or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our third-party subcontractors fail to maintain a stable team of qualified labour or fail to provide their services properly or in a timely manner our overall service quality will suffer, which may in turn constitute a breach of contract on our part with our customers. Any of such events could materially and adversely affect our service quality, reputation, as well as our business, financial position and results of operations.

We may fail to compete effectively.

According to Frost and Sullivan, China's property management industry is highly competitive and fragmented. Our major competitors are property management companies in Chengdu. Competition may intensify as our competitors expand their service offerings or as new competitors enter into our existing markets. We believe that we compete with our competitors on a number of factors, including our business scale, brand recognition, financial resources, price and service quality. Our competitors may have better track record, longer operating history, better financial resources, more effective sales and marketing strategies, as well as better brand recognition and larger customer base. In addition to the competition from established companies, emerging companies may enter into our existing markets. We cannot assure you that we will be able to compete effectively or maintain our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We seek to have large and reputable property developers as our clients, who may branch out to provide property management services themselves. In such event, we may lose future business from such property developers, and our business, results of operations and financial position could be materially and adversely affected.

We may fail to recover all payments made on behalf of property owners and residents of the properties we manage on a commission basis.

We have adopted a commission based revenue model for property management services since FY2020. We act as an agent of the property owners and all transactions related to these management offices are settled through our finance department. As at the end of each period, if the working capital accumulated is insufficient to cover the expenses incurred for the property management services provided, the shortfall is recognised as receivables subject to impairment. For the balances that we believe may not be recovered within a reasonable time, they are written off as impairment of trade receivables.

In the event that the recoverability of the trade receivables is lower than expected, or that our past allowance on bad debt is insufficient, we may need to make more allowance on bad debt, which in turn may materially and adversely affect our business, financial position and results of operations.

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

We use various platforms and systems in our business operations. We have established a set of policies on data recovery and access management to minimise the risk of failures and disruptions to our information technology systems. If we are unable to detect any system error, we may experience system interruptions or delays, which could adversely affect our operations. In addition, we may experience occasional system interruptions and delays or other technical problems that may hinder access to our online applications, and prevent us from promptly responding or providing services to our customers, which may affect our reputation. Moreover, failures in or disruptions to our information technology systems, could cause transaction errors, processing inefficiencies and loss of customers, and subject us to increased costs and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

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

We collect, store and process personal and other sensitive data of our customers, such as addresses and phone numbers. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities. Outside parties may also attempt to fraudulently induce employees to disclose sensitive information in order to gain access to our data or our customers' data. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or wilful security breaches or other unauthorised access to our platforms could cause confidential customer information to be stolen and used for unlawful purposes. Security breaches or unauthorised access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. Under the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (promulgated by the SCNPC on 7 November 2016, came into effect on 1 June 2017) (the "**Cyber Security Law**"), network operators are generally obligated to protect their networks against disruption, damage or unauthorised access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, on 16 July 2013, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which became effective on 1 September 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and Internet information services. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation could be severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

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

The communal areas of the communities we manage may be damaged or impacted in a variety of ways that are out of our control, including but not limited to natural disasters, accidents or intentional damage. For example, in the event of natural disasters, such as earthquake, typhoon and flood, the communal areas may be materially damaged. Although a special fund for residence maintenance is available to cover the cost of repairing or restoring the damaged areas in such circumstances, we cannot assure you that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or communal area, the exterior of the building, corridors and stairways may be damaged. If a person commits or is suspected of having committed criminal activities within our residential communities, we may need to allocate additional resources to assist the police and/or other governmental authorities in their investigations. In the event of any damage that affects the communal areas, our current residents may be affected and we may have to repair the damage with our own resources then attempt to collect fees from the property developers or property owners to cover our expenses. There is no assurance we will be able to successfully collect such fees.

The additional costs we incur due to damage to the communal areas of our properties may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to typhoons. We continue to be exposed to such risks that a material number of the properties may suffer damage due to reasons such as natural disasters, epidemics and residents' intended or unintended actions which could adversely affect our business, financial position and results of operations.

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

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

Although we have established procedures to monitor the quality of our services and maintained communication channels through which customers may provide feedbacks and submit complaints, there is no assurance that all property owners' and residents' expectations and demands can be addressed in a timely and effective manner. There is no guarantee that certain property owners and residents will not have specific demands or expectations which are beyond what we can provide. Furthermore, there is no guarantee that, in order to compel us to meet these demands, such property owners and residents will not attempt to exert pressure on us by way of lodging or making frivolous or vexatious complaints directly to us or through various media sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse effect on our business and our reputation. While we did not receive any material complaint during the Track Record Period, we cannot assure you that we will not receive customer complaints in the future which may affect our reputation even if the complaints are frivolous or vexatious.

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

Negative publicity about us, our Shareholders and affiliates, our brand, management, vendors and product offerings may arise from time to time. Negative comments, whether or not justified, on the properties managed by us, services we offer, our business operations and management may appear in Internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity will not arise in the future. For example, if our services fail to meet the needs and expectations of our customers, our customers may disseminate negative comments about our services. Any such negative publicity, regardless of veracity, may have a material adverse effect on our business, our reputation and the trading price of our Shares.

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

We are exposed to risk associated with fraud or other misconduct committed by our employees, subcontractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, we may need to compensate for theft conducted by third parties if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be a risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

Accidents or injuries suffered by our residents, our employees or other personnel at properties under our management may adversely affect our reputation and subject us to liabilities.

We could be held liable for accidents or injuries or other harm to residents, employees or other people at properties under our management. We could also face claims alleging that we were negligent, provided inadequate maintenance to property facilities or supervision of our employees and held liable for accidents or injuries suffered by these parties. We have implemented a series of risk management policies in terms of personal safety in order to effectively reduce risk of injuries or fatalities. These policies cover areas such as general security, fire safety, safety equipment management and natural disaster management. We regularly inspect electricity and other utility facilities to detect and repair any wear and tear. We routinely hold training and information sessions on various aspects of safety management which improve our staff's safety awareness and provide clear guidance on personal safety. Although we maintain certain liability insurance these policies and insurance coverage may not be adequate to fully protect us from claims and liabilities. Any liability claim against us or any of our employees could adversely affect our reputation, incur costs in defending ourselves and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We may fail to effectively protect our intellectual property rights.

We consider our intellectual properties as crucial business assets, which are key to our brand recognition and essential to our future growth. The success of our business depends substantially on our continued ability to use our brands, trade names and trademarks to increase brand recognition. Any unauthorised use or infringement of our trade names or trademarks could impair our brand value, market reputation and competitive advantages. See the paragraph headed "Business – Intellectual Property" in this prospectus for details. Our measures to protect our intellectual property rights may not always be effective. Policing unauthorised use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in China are uncertain and still evolving, and could present substantial risks to us. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, it could have an adverse effect on our business, results of operations and financial position.

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

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

Our insurance may not sufficiently cover losses and liabilities we may encounter.

We cannot assure you that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in China on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations.

Our business expansion may expose us to increased risks of non-compliances with rules and regulations issued by governments at provincial and local levels.

As we expand our business operations into new geographic regions and broaden the range of services we provide, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations increased during the Track Record Period, the difficulty in ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliances has increased. If we do not comply with applicable local regulations, we may be subject to penalties and/or enforcement actions by the competent authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

We may be subject to adverse impact for our failure to contribute to social insurance fund and housing provident fund for some of our employees.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for our employees. In FY2018, FY2019, FY2020 and 5M2021, we made provisions for the social insurance and housing provident fund contribution shortfall in the amounts of RMB1.3 million, RMB1.4 million, RMB2.6 million and RMB4.8 million, respectively. Under the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), if we do not pay housing provident fund contributions within the stipulated deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the outstanding social insurance fund contributions, the relevant PRC authorities may demand that we pay within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; failing which we may be liable to a fine of one to three times the contribution amount. We cannot assure you that the relevant PRC authorities would not require us in the future to pay the outstanding contributions, or any of our employees would not make complaints or demand for payment for any outstanding contribution. In the case we do not pay the outstanding contributions in accordance with PRC laws and regulations, we may be subject to a penalty fine and/or an order from the relevant people's court to enforce such payment. See the paragraph headed "Business – Legal proceedings and compliance – Historical non-compliance incidents" in this prospectus for details.

We may be involved in legal and other proceedings from time to time in the ordinary course of our operations.

We may be involved in disputes with and subject to claims by property developers, property owners and residents, as well as property management companies from time to time. Disputes may also arise if they are dissatisfied with our services whether reasonably or not. In addition, our customers may take legal action against us if they allege that our services are substandard. Furthermore, we may be involved in disputes with, and subject to, claims by other parties involved in our business, including our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages at properties under our management whether or not arising from our fault. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We may not be able to obtain or renew the required permits, licences, certificates or other relevant governmental approvals necessary for our business operations.

Although the requirement on qualification of property management companies has been deleted by the relevant laws and regulations, we are required to obtain governmental approvals in the form of permits, licences, certificates or fillings in order to provide our services, including but not limited to the Food Operation Licenses, the filing of operating parking lots, and the filing of real estate brokerage which are generally issued or renewed only after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles in fulfilling such conditions, which could delay or result in our failure to obtain or renew the required governmental approvals. Moreover, we anticipate that the PRC Government and relevant authorities will promulgate new policies from time to time. We cannot guarantee that such new policies will not present unexpected obstacles towards their renewal or that we will be able to overcome these obstacles in a timely manner, or at all. Failure to obtain or renew our permits, licences and certificates may stall or even result in closure of our business operations, and could materially and adversely affect our business operations, results of operations and financial condition.

Any inability to comply with our environmental responsibilities may subject us to liability.

We are subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed in the future. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs, however, if we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial position, results of operations and growth prospects.

We are affected by the PRC Government regulations on the PRC real estate industry, which may limit our business growth.

We generated a majority of our revenue from our property management services during the Track Record Period. The performance of our property management services business is primarily dependent on the total GFA and number of residential properties we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC Government regulations of the real estate industry. The PRC Government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The PRC Government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations.

Our business is significantly influenced by various factors affecting our industry and general economic conditions.

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to, structure, degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC Government's control over capital investment, price controls or any changes in tax regulations or foreign exchange controls that are applicable to us.

In the past, the PRC Government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. The PRC Government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by:

– political instability or changes in social conditions in the PRC;

– changes in laws, regulations or policies or the interpretation of laws, regulations or policies;

– measures which may be introduced to control inflation or deflation;

– changes in the rate or method of taxation; and

– imposition of additional restrictions on currency conversion and remittances abroad.

You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares under PRC laws.

Under the Enterprise Income Tax Law of the PRC ("**EIT Law**") and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realised on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although we conduct all of our business operations in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

We may not be able to receive PRC tax preferential treatment in the future, which could have an impact on our financial results.

We enjoy certain PRC tax preferential treatment in the PRC. For instance, according to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the western China Development Strategy (No. 58 [2011] of the Ministry of Finance) (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), from 1 January 2011 to 31 December 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%; and according to the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of western China (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission) (《財政部、稅務總局、國家發展改革委關於延續西部大開發企業所得稅政策的公告》) which was promulgated on 23 April 2020 and became effective from 1 January 2021, our subsidiaries which are located in the western regions of the PRC and engaged in the property service industry are entitled to enjoy a reduced rate of enterprise income tax of 15%.

There is no assurance that we will be able to continue to enjoy such PRC tax preferential treatment on the same terms, or at all, in the future. Any expiration or unfavorable changes to the PRC tax preferential treatment may reduce our profitability, and our business, financial condition and results of operation could be materially and adversely affected.

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

Pursuant to the EIT Law, which came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organisational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise. In April 2009 and July 2011, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by the PRC enterprises, however, no official implementation rules have been issued regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by the PRC enterprises. We are a holding company incorporated in the Cayman Islands and our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

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

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

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

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

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

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

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

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

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

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

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts.

Our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or even impossible. On 14 July 2006, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, in case any designated People's Court in China or Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant people's court of China or Hong Kong court for recognition and enforcement of the judgement. This arrangement became effective on 1 August 2008 and the outcome and effectiveness of any action brought under this arrangement remains uncertain.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On 3 February 2015, the SAT promulgated the Announcement on Several Issues Concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers Income of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise, or the Chinese Taxable Assets. For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such indirect transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any indirect transfer of equity interest in the PRC resident enterprises, including those transfers which are part of the reorganisation, or any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises (other than through a public securities market), any indirect transfers of equity interest in the PRC resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu (also known as Influenza A (H1N1)) H5N1 avian flu, SARS, or, most recently, the novel coronavirus named COVID-19 by the World Health Organization, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

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

A number of PRC laws and regulations, including The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), the Anti-Monopoly Law (《反壟斷法》), and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

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

SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through special purpose vehicles. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations. We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

RISKS RELATING TO THE GLOBAL OFFERING

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the Global Offering. If we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Shares.

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors.

– variations in our financial position and/or results of operations;

– changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;

– changes in investors' perception of us and the investment environment generally;

– loss of visibility in the markets due to lack of regular coverage of our business;

– strategic alliances or acquisitions;

– industrial or environmental accidents, litigation or loss of key personnel;

– changes in laws and regulations that impose limitations on our industry;

– fluctuations in the market prices of our properties;

– announcements made by us or our competitors;

– changes in pricing adopted by us or our competitors;

– release or expiry of lock-up or other transfer restrictions on our Shares;

– the liquidity of the market for our Shares; and

– general economic and other factors.

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

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

– actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);

– news regarding recruitment or loss of key personnel by us or our competitors;

– announcements of competitive developments, acquisitions or strategic alliances in our industry;

– changes in earnings estimates or recommendations by financial analysts;

– potential litigation or regulatory investigations;

– changes in general economic conditions or other developments affecting us or our industry;

– price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and

– release of any lock-up or other transfer restrictions on the outstanding Shares or sales of perceived sales of additional Shares by our Company or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. Such wide market fluctuations could present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our Shares.

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

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 November 2021 through Tuesday, 7 December 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 December 2021. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Investors may experience difficulties in enforcing their Shareholder rights under Cayman Islands law as the protection afforded to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by its Memorandum, Articles, the Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to initiate actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of minority shareholders' interests may be different from those of Hong Kong or of other jurisdictions where the investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or other jurisdictions. A summary of the Companies Act on protection of minority shareholders is set forth in "Appendix III – Summary of the Constitution of our Company and Cayman Companies Act – 3 Cayman Companies Act" in this Prospectus.

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

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favourable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, see "Underwriting – Underwriting Arrangements and Expenses". However, we cannot assure you that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

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

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

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

The payment and amount of dividends (if any) will depend upon our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. We cannot guarantee that dividends of any amount will be declared or distributed in any year. See "Financial Information – Dividend Policy and Distributable Reserves". We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Forward-looking information is subject to risks and uncertainties.

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

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

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinary resident in Hong Kong.

Our Company's headquarters and our principal business operations are based outside of Hong Kong. All of our executive Directors spend the majority of their time supervising our Company's principal business operations out of Hong Kong and do not ordinary reside in Hong Kong. We consider that it would be more efficient and effective for our executive Directors and our management being based outside Hong Kong to supervise and management our daily business operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

(a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorised representatives, namely Ms. Wan Hong, our executive Director and Ms. Ng Ka Man, one of our joint company secretaries, who will readily be contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and business addresses) have been provided to the Stock Exchange.

(b) We have retained the services of a compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited, in compliance with Rule 3A.19 of the Listing Rules. Shenwan Hongyuan Capital (H.K.) Limited, in addition to our Company's authorised representatives, act as an additional channel of communication of our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange.

(c) Each of our Directors, including the independent non-executive Directors, has provided their respective contact details (including office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the authorised representatives and the Stock Exchange. Our authorised representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Each of our Directors either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of a listed issuer must be a person who has the requisite academic or professional qualifications or relevant experience to discharge the functions of a company secretary.

We have appointed Ms. Wan Hong as one of our joint company secretaries. Ms. Wan Hong does not possess the qualification as stipulated under Rule 3.28 of the Listing Rules, and therefore she does not meet all requirements under Rules 3.28 and 8.17 of the Listing Rules. We have appointed Ms. Ng Ka Man, who possess the qualifications required under Rule 3.28, to act as another company secretary to provide assistance to Ms. Wan Hong for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Ng Ka Man will work closely with Ms. Wan Hong to jointly discharge duties and responsibilities as joint company secretaries and assist Ms. Wan Hong to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, we will ensure Ms. Wan Hong has access to relevant training and support to familiarise herself with the Listing Rules and the duties required for a company secretary of a company listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, but shall be revoked with immediate effect if there are any material breaches of the Listing Rules by our Company during the period. Before the expiry of the initial three-year period of Ms. Ng Ka Man's term of appointment as the Company secretary of our Company, we must liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Stock Exchange that Ms. Wan Hong, having had the benefit of Ms. Ng Ka Man's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information about us to the public with regard to our Group. Our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to its date.

Details of the structure of the Global Offering are set out in the section headed "Structure of the Global Offering" in this prospectus and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant **GREEN** Application Form.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. The Global Offering is managed by the Sole Global Coordinator, and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Tuesday, 7 December 2021 and in any event no later than Thursday, 16 December 2021. If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the Global Offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, including the Shares to which may be issued under the Capitalisation Issue and upon the exercise of the Over-allotment Option).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in "Structure of the Global Offering" of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 2270.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day (as defined in the Listing Rules) after any trading day. You should seek advice from your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights, interests and liabilities.

All necessary arrangements have been made for the Shares to be admitted to CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers of representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Walkers Corporate Limited, in the Cayman Islands, and our register of members in Hong Kong will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in our Shares registered on our share register kept in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional advice.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, certificates, titles, laws and regulations mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC nationals, entities, departments, certificates, titles, laws and regulations are included for identification purposes only.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of RMB into Hong Kong dollars, and vice versa, in this prospectus was made at the rate: RMB0.83148 to HK$1.00.

No representation is made that any amounts in Hong Kong dollars or RMB can be or could have been at the relevant dates converted at the above rate or any other rate or at all.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Address	Nationality
Non-executive Director		
Mr. Zou Kang (鄒康)	No. 53-80, Shenxianshu South Road High-tech Zone Chengdu	Chinese
Executive Directors		
Mr. Zhang Zhicheng (張志成)	Room 701, Building 1 10 Fuqin Southeast Road Jinniu District Chengdu	Chinese
Mr. Zhang Qiang (張強)	No. 78, Unit 6, Building 61 6 Fuqing Road East 6th Street Chenghua District Chengdu	Chinese
Ms. Xiong Jianqiu (熊建秋)	Room 1, 7/F Unit 2, Building 9 10 Daxue Road Wuhou District Chengdu	Chinese
Ms. Wan Hong (萬虹)	No. 2, 3rd Floor, Unit 3, Building 12, No. 111, Baijin Road Wuhou District Chengdu	Chinese
Mr. Wu Da (吳達)	No. 9, Unit 4, Building 1 No. 8, Lane 1, Xiaojiahe West High-tech Zone Chengdu	Chinese
Independent non-executive Directors		
Mr. Fang Liqiang (方利強)	Room 203, Unit 6 42 Huancheng West Road Xiacheng District Hangzhou	Chinese
Mr. Chen Di (陳滌)	Flat B, 28/F, Tower 1 Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Yan Hong (嚴洪)	Room 10, 6/F Unit 2, Building 1 71 Zongfu Road Jinjiang District Chengdu	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Shenwan Hongyuan Capital (H.K.) Limited** Level 19, 28 Hennessy Road Wan Chai, Hong Kong
Sole Global Coordinator	**Shenwan Hongyuan Securities (H.K.) Limited** Level 19, 28 Hennessy Road Wan Chai, Hong Kong
Joint Bookrunners	**Shenwan Hongyuan Securities (H.K.) Limited** Level 19, 28 Hennessy Road Wan Chai, Hong Kong **China Everbright Securities (HK) Limited** 12/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong **Guosen Securities (HK) Capital Company Limited** Suites 3207-3212 on Level 32 One Pacific Place 88 Queensway Hong Kong **Livermore Holdings Limited** Unit 1214A 12/F Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong **CMBC Securities Company Limited** 45/F One Exchange Square 8 Connaught Place Central Hong Kong **SPDB International Capital Limited** 33/F SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

	ZMF Asset Management Limited 2502 World Wide House 19 Des Voeux Road Central Hong Kong
Joint Lead Managers	**Shenwan Hongyuan Securities (H.K.) Limited** Level 19, 28 Hennessy Road Wan Chai, Hong Kong
	China Everbright Securities (HK) Limited 12/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong
	Guosen Securities (HK) Capital Company Limited Suites 3207-3212 on Level 32 One Pacific Place 88 Queensway Hong Kong
	Livermore Holdings Limited Unit 1214A 12/F Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
	CMBC Securities Company Limited 45/F. One Exchange Square 8 Connaught Place Central Hong Kong
	SPDB International Capital Limited 33/F SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
	ZMF Asset Management Limited 2502 World Wide House 19 Des Voeux Road Central Hong Kong

Legal Advisers to our Company	*As to Hong Kong law* **Jingtian & Gongcheng LLP** Suites 3203-3207, 32/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing 100025 PRC *As to Cayman Islands law* **Walkers (Hong Kong)** 15th Floor, Alexandra House 18 Chater Road, Central Hong Kong
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Jun He Law Offices** Suite 3701-10 37/F, Jardine House 1 Connaught Place Central, Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing 100004 PRC

Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC
Compliance Adviser	**Shenwan Hongyuan Capital (H.K.) Limited** Level 19, 28 Hennessy Road Wan Chai, Hong Kong
Receiving Bank	**Standard Chartered Bank (Hong Kong) Limited** 18/F, Standard Chartered Tower 388 Kwun Tong Road Kowloon, Hong Kong

Registered Office	190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Head Office and Principal Place of Business in the PRC	Room 1803, Block A Desun International No. 1480 North Section of Tianfu Avenue High-tech Industrial Development Zone Chengdu China
Principal Place of Business in Hong Kong	31/F., Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website	**www.desunhui.com** *(The information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	**Ms. Wan Hong** No. 2, 3rd Floor Unit 3, Building 12 No. 111, Baijin Road Wuhou District Chengdu **Ms. Ng Ka Man (*ACIS, ACS*)** 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	**Ms. Wan Hong** No. 2, 3rd Floor Unit 3, Building 12 No. 111, Baijin Road, Wuhou District, Chengdu **Ms. Ng Ka Man** 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit committee	Mr. Yan Hong *(Chairman)* Mr. Chen Di Mr. Fang Liqiang
Remuneration committee	Mr. Fang Liqiang *(Chairman)* Mr. Yan Hong Ms. Wan Hong
Nomination committee	Mr. Zhang Zhicheng *(Chairman)* Mr. Fang Liqiang Mr. Chen Di
Hong Kong Branch Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	**Walkers Corporate Limited** 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Principal Bank	**China Citic Bank, Chengdu Branch, Jinxiu Sub-Branch** No. 47, Section 4, Renmin South Road Wuhou District, Chengdu City Sichuan Province **China Merchants Bank, Yizhou Avenue Sub-Branch** 1st Floor, Block A, Desun International No. 1480 North Section of Tianfu Avenue High-tech Industrial Development Zone Chengdu, Sichuan Province

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the property management service market and commercial operational service in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes chemicals, materials and food, commercial aviation, consumer products, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. We have agreed to pay Frost & Sullivan a total fee of RMB620,000 for the preparation of the Frost & Sullivan Report.

Frost & Sullivan Report

Our Company has included certain information from the Frost & Sullivan Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research which involves discussing the status of property management service and commercial operational market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as accelerating urbanisation, continuous growth of per capita disposable income, government support for consumption and service industries, continuous growth in investment in commercial properties will drive property management and commercial operational service market.

THE PROPERTY MANAGEMENT SERVICE MARKET IN SICHUAN-CHONGQING REGION AND CHENGDU

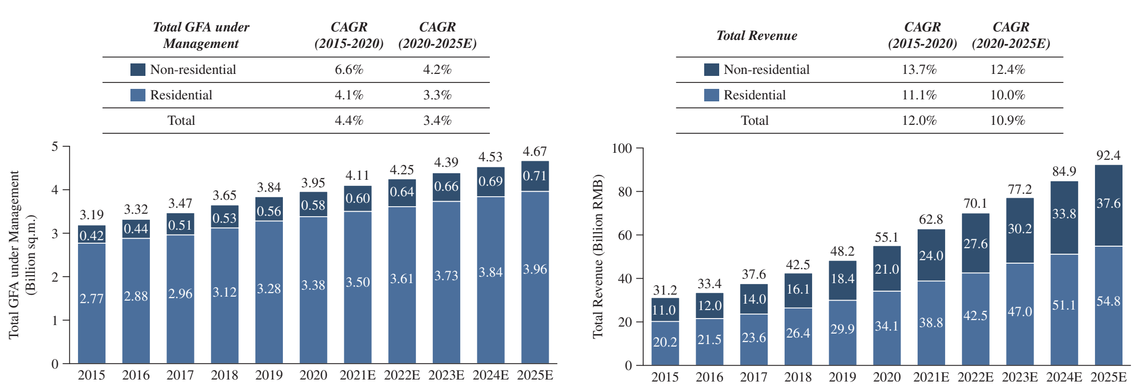
Definition and introduction

Property management is the operation, control and oversight of real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its useful life and condition. Property management is also the management of personal property, equipment, tooling, and physical capital assets that are acquired and used to build, repair, and maintain end item deliverables, buildings, government buildings, industrial facilities, arenas and stadiums, schools, hospitals and others. Property management services companies generally offer these services: (i) traditional property management services; and (ii) other services include value-added services to property developers and community value-added services.

The Sichuan-Chongqing Region

Market Size of Property Management Service Market in Sichuan-Chongqing Region and Chengdu

Total GFA under Management by Property Management Services and Total Revenue of Property Management Service Companies, 2015-2025E (Sichuan-Chongqing Region)

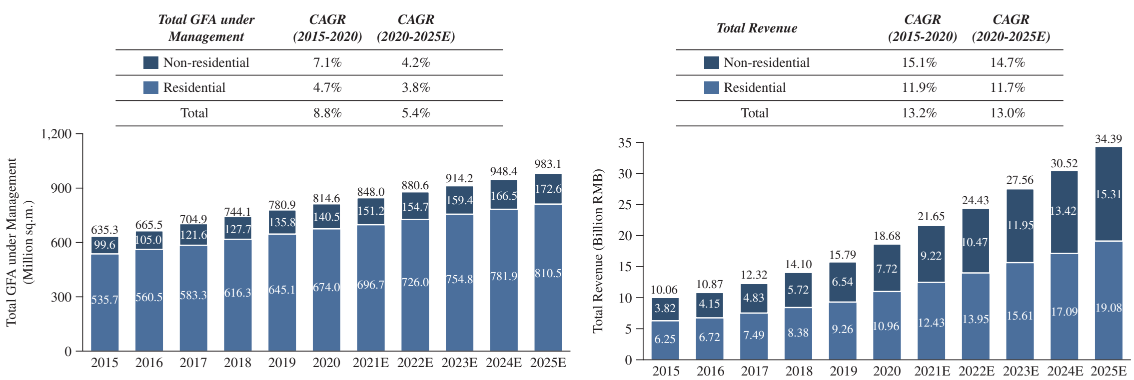


Source: National Bureau of Statistics of China, Ministry of Commerce, Frost & Sullivan Analysis

In Sichuan-Chongqing Region, the total GFA under management by property management services companies increased from 3.19 billion sq.m. in 2015 to 3.95 billion sq.m. in 2020, with a CAGR of 4.4%. The total GFA under management of residential properties reached 3.38 billion sq.m. in 2020, with a CAGR of 4.1% from 2015 to 2020 and the total GFA under management of non-residential properties reached 0.58 billion sq.m. in 2020, with a CAGR of 6.6% from 2015 to 2020. Going forward, with the sustainable development of economy in Sichuan-Chongqing Region and the real estate market, the total GFA under management is expected to grow continuously. In 2025, the total GFA under management in Sichuan-Chongqing Region is expected to reach 4.67 billion sq.m., with a CAGR of 3.4% from 2020 to 2025.

From 2015 to 2020, the total revenue of property management service companies in Sichuan-Chongqing Region increased from RMB31.2 billion to RMB55.1 billion, with a CAGR of 12.0%. During the same period from 2015 to 2020, the total revenue generated from residential properties and non-residential properties increased from RMB20.2 billion to RMB34.1 billion and from RMB11.0 billion to RMB21.0 billion, with a CAGR of 11.1% and 13.7%, respectively. In 2025, the total revenue of property management services in Sichuan-Chongqing Region is expected to reach RMB92.4 billion, with a CAGR of 10.9% from 2020 to 2025.

Total GFA under Management by Property Management Services and Total Revenue of Property Management Service Companies, 2015-2025E (Chengdu)

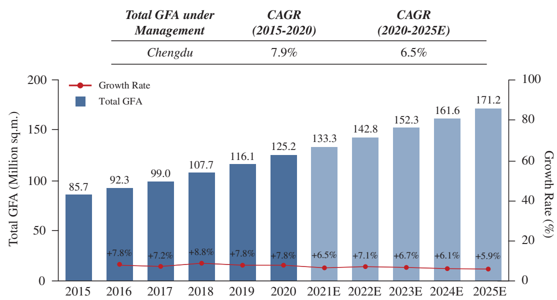


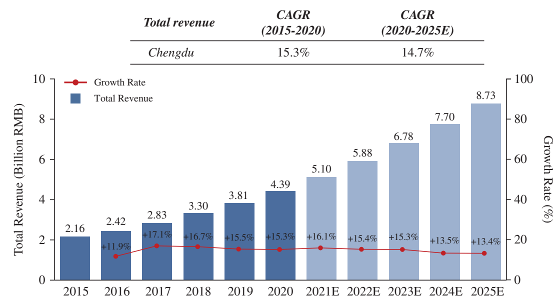
Source: National Bureau of Statistics of China, Ministry of Commerce, Frost & Sullivan Analysis

From 2015 to 2020, the total GFA under management by property management service providers in Chengdu increased from 635.3 million sq.m to 814.6 million sq.m, with a CAGR of 8.8%. The total GFA under management of residential properties in Chengdu reached 674.0 million sq.m. in 2020, with a CAGR of 4.7% from 2015 to 2020 whilst the total GFA under management of non-residential properties in Chengdu reached 140.5 million sq.m. in 2020, with a CAGR of 7.1% from 2015 to 2020. In the future, with the stable development of real estate industry, the total GFA under management by property management service providers in Chengdu is expected to reach 983.1 million sq.m, with an expected CAGR of 5.4% from 2020 to 2025.

From 2015 to 2020, the total revenue of property management services companies in Chengdu increased from RMB10.06 billion to RMB18.68 billion, with a CAGR of 13.2%. In 2025, the total revenue of property management services companies in Chengdu is expected to reach RMB34.39 billion, with an expected CAGR of 13.0% from 2020 to 2025. From 2015 to 2020, the total revenue generated from residential properties and non-residential properties in Chengdu increased from RMB6.25 billion to RMB10.96 billion and from RMB3.82 billion to RMB7.72 billion, representing a CAGR of 11.9% and 15.1%, respectively.

Total GFA Under Management and Total Revenue of Mid- to high-End Residential Property Management Services Market (Chengdu), 2015 – 2025E





Source: National Bureau of Statistics of China, Ministry of Commerce, Frost & Sullivan Analysis

The mid- to high-end residential buildings have attractive look, distinctive design, superior exterior and interior finishes, ornamental green landscape and improved surrounding facilities, and are managed by well-known and professional property management services companies who could provide high-quality and intelligent property management services. The selling prices and property management service fees of mid- to high-end residential properties are relatively high. In Chengdu, residential properties with the selling prices exceeding RMB18,000 per sq.m., and with the property management services fees higher than RMB2.5 per sq.m. per month are defined as mid- to high-end residential properties.

With the increase in disposable income of residents in Chengdu, the demand for mid- to high-end residential properties continues to grow in recent years, promoting the development of the mid- to high-end residential property management services market. From 2015 to 2020, the total GFA under management of mid- to high-end residential property management services market in Chengdu has increased from 85.7 million sq.m. to 125.2 million sq.m., with a CAGR of 7.9%. In the future, with the further development of mid- to high-end residential properties, the total GFA under management in mid- to high-end residential property management services market is expected to reach 171.2 million sq.m., representing a CAGR of 6.5% from 2020 to 2025.

From 2015 to 2020, total GFA under management in mid- to high-end residential property management services market grew continuously. Accordingly, the total revenue of mid- to high-end residential property management services market increased from RMB2.16 billion to RMB4.39 billion, with a CAGR 15.3%. With the continuous development of the mid- to high-end residential real estate market and the increase of in Chengdu, total revenue of mid- to high-end residential property management services market is expected to maintain rapid growth. In 2025, the total revenue of mid- to high-end residential property management services market is expected to reach RMB8.73 billion, with a CAGR of 14.7% from 2020 to 2025. For mid- to high-end residential properties in Chengdu, the average property management fee increased from RMB2.5 per sq.m. per month in 2015 to RMB2.9 per sq.m. per month in 2020, representing a CAGR of 2.5%.

Market drivers

Continuous Urbanisation and Development of Urban Agglomeration: In 2016, Chinese government issued "The Development Plan of Chengdu-Chongqing Megalopolis" (成渝城市群發展規劃), which aims to implement a new urbanisation strategy and promote the economic development of Sichuan-Chongqing region, resulting in a stable growth in real estate industry and development in property management services market. Meanwhile, due to the rapid economic development and the influx of migrants from rural areas to developed areas, the urban population in Sichuan-Chongqing region has been steadily increasing. From 2015 to 2020, the urbanisation rate of Sichuan-Chongqing region increased from 51.20% in 2015 to 58.20% in 2020. This trend of urbanisation in Sichuan-Chongqing region generates a huge demand for housing and properties, driving the needs for property management services.

Increasing Demands for Property Management Services from Urban Renewal: In August, 2020, Chengdu government released the investment list in "Centre and Optimal" (中優) region, which includes 502 urban renewal projects. Those projects involving various property types, are expected to construct a high-quality livable city and promote the high-quality development of Chengdu. In September 2020, Chongqing government issued the "The Work Plan of Chongqing Urban Renewal" (重慶城市更新工作方案), which mainly includes the renovation and upgrading of old communities, industrial areas, commercial districts, and public facilities. With the vigorous advancement of urban renewal process in Sichuan-Chongqing region, the demand for property management services is expected to increase.

Acceleration of Intelligent Community Construction: As an increasing density of urban population, the demand on convenient and efficient community services in Sichuan-Chongqing region are rising, to improve life qualities and social well beings. Moreover, it is also crucial for supervisory departments to seek for applicable and effective solutions to govern communities nowadays with more residents. Therefore, construction and development of intelligent residential communities are highly regarded by governments and related enterprises to fulfil supervisory departments' requirements and deliver citizens with life with better qualities. The acceleration of intelligent community construction put forward higher requirement for property management services. Some leading property management services providers seize the opportunity and actively participate in the construction of intelligent residential communities.

Entry barriers

Customer Relationship with Property Owners: Customer relationship is one of the determining factors affecting the business of services providers in the property management services market. With sustainable customer relationship, the service providers can deliver prominent performance in customer satisfaction rate, renewal rate and fee collection rate. In addition, the cooperation with some customers such as hospitals and government institutions who have greater demands of high-quality property management services is based on good customer relationship. Thus, the new players in this market are not easy to achieve such a good customer relationship.

Brand Reputation: Brand reputation is an important factor for property management services companies. Most property owners and users prefer renowned property management services companies over less well-known services providers. Furthermore, the marketing of property management services companies normally depends on their services reputation and brand awareness and brand reputation is easy to spread among property owners and users. A well brand reputation relies on years of management and accumulation thus the brand reputation of well-known and experienced companies built over the years cannot be easily caught up by a new participant in Sichuan-Chongqing Region.

Technology Level: The popularisation of technologies such as cloud computing, big data and IoT (internet of things), intelligent office scenarios (including intelligent access control system, intelligent office equipment, etc.) have put forward high requirements for the facilities of different types of properties, property management service providers should have the capability of managing and maintain those facilities. Besides, leading service providers actively introduce smart technology equipment to automate basic services and significantly improve management efficiency and service quality, while new entrants can hardly obtain the projects which have high requirements on service providers' technology level.

Future opportunities

Increasing Supply of High-end Residential Properties: With the rapid economic development of core cities in the Sichuan-Chongqing region and the growth of the middle-class population, many well-known real estate developers have entered the Sichuan-Chongqing region and are committed to building high-end and boutique residential properties in recent years. Different from ordinary residential properties, owners of high-end residential properties have higher requirements for property management services and are relatively insensitive to the price of property management services fees. In the future, with the increasing supply of high-end residential properties in Sichuan-Chongqing region, especially in Chengdu and Chongqing, property management service providers who could provide high-quality services for those properties are expected to obtain more projects and become more competitive in property management services market in Sichuan-Chongqing region.

Accelerated Industry Concentration: The degree of concentration of the property management services market is increasing in recent years as a result of policy environment, market competition and information technology. Moreover, property management services companies are making efforts to develop alliance and consolidation to achieve economies of scale resulting in the increasing concentration level of Sichuan-Chongqing Region's property management services market in the future. As an increasing number of property management companies listed on the Stock Exchange are looking for high-quality property management companies in the PRC as their acquisition targets, these companies face intense competition trying to find suitable acquisition targets.

Growing Awareness of Service Quality: Nowadays, property owners play more attention on service quality in selecting their property management services providers. With the growing per capita disposable income, property owners pursue better living conditions and are more willing to pay premiums for high quality property management services. An increasing number of property management services companies are expected to keep up with this trend by optimising their traditional property management services and upgrading the quality of their services by applying information technologies.

Expanding Service Scope and Provision of Value-added Services: Property management services companies have been extending property services and integrating essential life services, such as services for the elderly, consulting services, community leasing and sales services. Value-added services generally have a higher profit margin than traditional property management services. Meanwhile, the growing requirements for professional property management services provided to different property types will promote the innovation of services standard and service model in the property management services market in China.

Challenges

Absence of Effective Price Adjustment Mechanism for Residential Property Management Services: Once the residential properties are delivered to property owners, they generally hold a meeting of property owners and form a property owners' association. The residential property management companies have to obtain the approval from property owners' meeting if they plan to raise the property management fees. However, due to the absence of price adjustment mechanism for residential property management services, it is rather difficult to raise the fees in most cases, which squeezes the residential property management services companies' profit margin.

THE COMMERCIAL OPERATIONAL SERVICE MARKET IN SICHUAN-CHONGQING REGION AND CHENGDU

Definition and Introduction

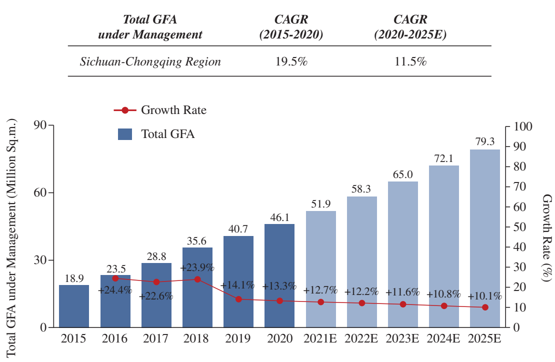
Commercial operational services refer to a full range of services provided to retail commercial property developers or owners, tenants and consumers from the pre-opening period to the post-opening period of retail commercial properties to determine the appropriate positioning and design and optimise the tenant and brand mix for property developers or owners, assist tenants to improve the operation of stores, provide professional property management services, and create a unique lifestyle experience to attract customers. Retail commercial properties refer to various retailing places mainly including enclosed and open-air shopping malls and open-air shopping streets.

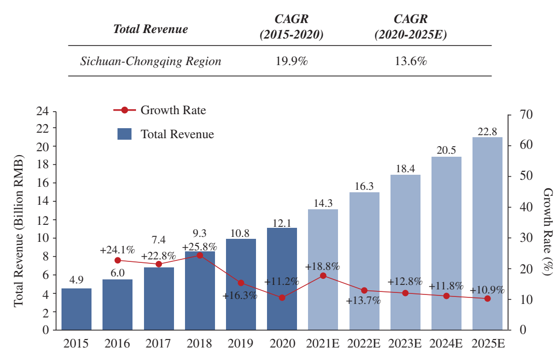
Depending on the location, scale, complexity of retail commercial properties and customer requirements, commercial operational services generally include (i) consulting services; (ii) tenant sourcing services; (iii) preparation services for the opening of retail commercial properties; (iv) operational and management services; (v) property leasing services; and (vi) other value-added services.

Commercial operational services providers with wide brand recognition, strong operation and management capabilities and an excellent track record are likely to maintain the leading position in the commercial operational services market.

Market Size of Commercial Operational Service Market

Total GFA under Management and Total Revenue of Commercial Operational Services Market (Sichuan-Chongqing Region), 2015 – 2025E



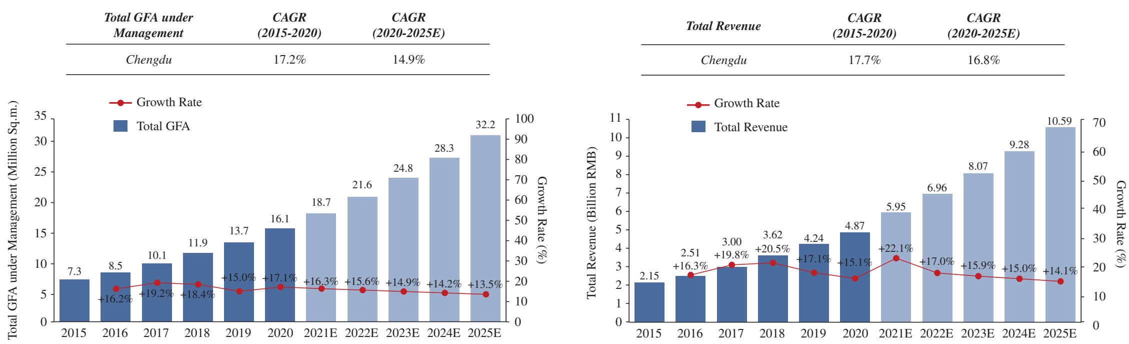


Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

In recent years, with the increasing number of shopping malls and commercial streets in Sichuan-Chongqing region, the total GFA under management in commercial operational services market in Sichuan-Chongqing region has increased from 18.9 million sq.m. in 2015 to 46.1 million sq.m. in 2020, with a CAGR of approximately 19.5% from 2015 to 2020. In the future, with the improvement of consumption level, the demand for shopping malls and commercial streets is expected to further increase. The total GFA under management in commercial operational services market in Sichuan-Chongqing region is expected to maintain a sustained growth, reaching 79.3 million sq.m. in 2025, representing a CAGR of approximately 11.5% from 2020 to 2025.

From 2015 to 2020, the total revenue of commercial operational services companies in Sichuan- Chongqing region increased from RMB4.9 billion to RMB12.1 billion, with a CAGR of approximately 19.9%. In the future, with the further growth of total GFA under management in the commercial operational services market, the total revenue of the commercial operational services companies in Sichuan-Chongqing region is anticipated to maintain a rapid growth, reaching RMB22.8 billion in 2025, representing a CAGR of approximately 13.6% from 2020 to 2025.

Total GFA under Management and Total Revenue of Commercial Operational Services Market (Chengdu), 2015 – 2025E



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

In recent years, with the increasing number of shopping malls and commercial streets in Chengdu, the total GFA under management in commercial operational services market in Chengdu has increased from 7.3 million sq.m. in 2015 to 16.1 million sq.m. in 2020, with a CAGR of approximately 17.2% from 2015 to 2020. In the future, with the improvement of consumption level, the demand for shopping malls and commercial streets will further increase. The total GFA under management in commercial operational services market in Chengdu is expected to maintain a sustained growth, reaching 32.2 million sq.m. in 2025, representing a CAGR of approximately 14.9% from 2020 to 2025.

From 2015 to 2020, the total revenue of commercial operational services companies in Chengdu increased from RMB2.15 billion to RMB4.87 billion, with a CAGR of approximately 17.7%.In the future, with the further growth of total GFA under management in the commercial operational services market, the total revenue of the commercial operational services companies in Chengdu is anticipated to maintain a rapid growth, reaching RMB10.59 billion in 2025, representing a CAGR of approximately 16.8% from 2020 to 2025.

Market drivers

Accelerated Urbanisation and Continuous Growth of Per Capita Disposable Income: During the period from 2015 to 2020, the urbanisation rate in Sichuan-Chongqing Region increased from 51.2% to 58.2% whilst the urbanisation rate in Chengdu increased from 71.4% to 75.0%. Meanwhile, per capita annual disposable income of urban households in Sichuan-Chongqing Region and Chengdu observed an increase from RMB26,536 to RMB38,808 and from RMB33,476 to RMB48,593, with a CAGR of 7.9%and 7.7%, respectively. The accelerated urbanisation and continuous growth of per capita disposable income stimulated the demands for commercial operational services and promoted the development of commercial operational services market in Sichuan-Chongqing Region.

Government Support: There is a series of policies and regulations, such as the "Implementation Scheme of Revitalising and Utilising Commercial Housing Inventory in Central Urban Area of Main City (《主城中心城區存量商業商務用房盤活利用實施方案》)" which aimed to guide the transformation and upgrading of existing large-scale commercial facilities, excavating new functional orientation, cultivating and introducing high-quality commercial facility operators. The upgrading of existing large-scale commercial facilities is expected to stimulate the demand for commercial operational service. Besides, the high-quality commercial facility operators are likely to have high requirements on the level of commercial property management services. The policies issued by local governments in Sichuan-Chongqing Region are expected to promote the development of commercial operational services market in Sichuan-Chongqing Region.

Continuous Growth of Investment in Retail Commercial Properties: With continuous growth of investment in retail commercial properties, the total number of shopping streets in Sichuan-Chongqing Region grew continuously in recent years and is expected to enjoy broad development prospects in the future. Investment in retail commercial properties in Sichuan-Chongqing Region has experienced a stable increase and the total floor area of retail commercial properties both under construction and completed has maintained a steady growth in recent years, bringing great consumption potential and broader development prospect to the commercial operational services market.

Growing Demand for Asset-light Operational Services: As residential property developers pay more attention to the construction of ancillary commercial facilities, along with the relaxation of land supply policies and planning and construction departments allowing the development of residential properties with ancillary commercial properties, growing number of real estate developers are expected to scale up the development of retail commercial properties in Sichuan-Chongqing Region. Leading commercial operational services providers with strong capabilities and experiences are preferred by retail commercial property owners and will benefit from the growing demand for asset-light operational services.

Future Opportunities

Increasing Market Concentration: Increasing number of commercial operational services providers have brought fierce competition in the commercial operational services market in Sichuan-Chongqing Region. The commercial operational services providers with sufficient project experiences, strong operation and management capability and high brand reputation will gradually dominate the market with increasing market concentration as they fully understand the strategies, operation models and relevant expertise.

Various Service Categories: To maintain competitiveness, commercial operational services providers will offer more diversified services, improve service qualities and invest in talent reserves to ensure operational capabilities. Meanwhile, the commercial operational services providers in Sichuan-Chongqing Region are committed to combining their services with online platforms and mobile applications, develop digital operation services such as applying big data to analyse customers' consumption habits, enrich the value-added services such as membership points, gift cards and portable battery rental for better promotion and good shopping experiences for consumers.

Popularisation of Asset-light Model: Asset-light model, which can lessen the financial burdens of holding and acquiring assets of commercial operational services providers and improve operational efficiency, will popularise in the future along with the development of the commercial operational services market in Sichuan-Chongqing Region. With the asset-light model, commercial operational services providers will optimise the allocation of resources, leverage their strong capabilities in consulting services on project design, development and management as well as tenant sourcing services to improve the operational conditions of shopping malls and shopping streets, which will achieve the asset appreciation of shopping malls and shopping streets, bring higher profit margins to commercial operational services providers and further promote the outward expansion in the commercial operational services market in Sichuan-Chongqing Region.

Entry Barrier

Mature and Successful Experiences of Operation and Management: Mature operation and management experience and successful project experience are particularly important for commercial operational services providers to shape their brand image. Furthermore, in terms of large-scale and integrated shopping centres with various tenant mix, rich and mature experiences in managing such shopping centres has a guiding role for the commercial operational services team in the actual operation and management process, which is one of the entry barriers to new entrants.

Sufficient Tenant Resources: In order to optimise tenant mix based on market positioning and requirements of retail commercial property developers or owners, commercial operational services providers in Sichuan-Chongqing Region are normally required to possess sufficient tenant resources with renowned brands. Meanwhile, when providing tenant sourcing services, leading commercial operational services providers are able to attract quality tenants and have stronger bargaining power. Branded tenants tend to establish long-term cooperation with leading commercial operational services providers and achieve mutual benefit, which is conducive for those tenants to realise scale effect and network effect through business expansion along with the national layout of commercial operational projects undertaken by professional and experienced commercial operational teams.

Brand Awareness: Due to increasing competition of the commercial operational services market in Sichuan-Chongqing Region, property owners and commercial property developers prefer renowned and experienced services providers. Meanwhile, leading commercial operational services providers have established their own operational systems through the coordination of all resources within their business system, which will significantly improve customer stickiness and satisfaction. Thus, new entrants will face great challenges of operational capability and attracting consumers and establish their own consumer bases.

COMPETITIVE LANDSCAPE

Top 5 Property Management Services Companies Providing Commercial Operational Services by Revenue (Chengdu), 2020

Ranking	Company	Background Information	Market Share *(%)*
1	Company A	A leading property management and commercial property operational service provider in China which manages a portfolio of residential properties, and manages and operates a diversified and growing portfolio of commercial properties	1.3%
2	Company B	A listed company which provides residential property management services, and shopping mall and office building operational services in China	1.1%
3	Company C	A well-established comprehensive property management and lifestyle service operator in China, providing property management services, value-added services to non-property owners, commercial operational services and lifestyle services	0.9%
4	Company D	A listed and comprehensive property management service provider with commercial operational services in China	0.7%
5	Our Group	An integrated property management services and commercial operational services provider in Chengdu, Sichuan Province	0.5%
Top 5			**4.5%**

Source: Frost & Sullivan Analysis

The property management services and commercial operational services market in Chengdu is fragmented, the top 5 property management services companies providing commercial operational services accounted for 4.5% in terms of revenue generated in Chengdu. As for total revenue in Chengdu in 2020, our group ranked 5th in terms of revenue generated in Chengdu among all companies which provide both property management services and value-added services and accounted for approximately 0.5% of the total revenue of property management and commercial operational services in Chengdu, with a revenue of RMB127.9 million. According to Frost and Sullivan, our gross profit margin was consistent with the industry norm in Sichuan Province.

PRC REGULATORY OVERVIEW

Legal Supervision Over Corporation and Foreign Investment

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) (the "**SCNPC**") on 29 December 1993 and came into effect on 1 July 1994. The Company Law of the PRC was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in PRC (《關於外商投資企業境內投資的暫行規定》) which was promulgated on 25 July 2000, came into effect on 1 September 2000, and was amended on 28 October 2015, stipulates that the domestic investment of foreign-invested enterprises shall comply with the requirements set out in the (i) Interim Provisions on Guiding the Direction of Foreign Investment (《指導外商投資方向暫行規定》) that was promulgated on 20 June 1995, came into effect on the same day and was replaced by the Provisions on Guiding the Direction of Foreign Investment (《指導外商投資方向規定》), which was promulgated on 11 February 2002 and came into effect on 1 April 2002, and (ii) the Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) (the "**Guidance Catalog**") promulgated in 1995 and amended or restated from time to time.

Pursuant to the Guidance Catalog which was most recently amended on 28 June 2017 and came into effect on 28 July 2017, the industries invested by foreign investors are classified into two categories: encouraged industries and the industries included in special administrative measures for the access of foreign investment (including restricted industries and prohibited industries). The Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資準入特別管理措施(負面清單)》) (the "**Negative List**") which was promulgated on 28 June 2018, restated on 30 June 2019 and 23 June 2020, and came into effect on 23 July 2020, replaced the portion of special administrative measures for the access of foreign investment in the Guidance Catalog. The Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**") was promulgated on 27 December 2020 and came into effect on 27 January 2021. Foreign investors shall not invest in the fields for which foreign investment is prohibited in the Negative List. Investment in restricted fields of investment in the Negative List shall obtain foreign investment access permit. Unless otherwise prescribed by the PRC laws, any industries not falling into any of the encouraged, restricted or prohibited industries set out in the Encouraged Catalog and the Negative List are generally deemed as permitted for foreign investment. Accordingly, property management service industry is a permitted foreign investment industry.

On 15 March 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was adopted at the Second Session of the 13th National People's Congress. It was promulgated on 15 March 2019 and came into effect on 1 January 2020. The Foreign Investment Law of the PRC has replaced the Law on Chinese-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Law on Chinese-Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. According to the Foreign Investment Law of the PRC, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises, or other organisations (hereinafter "**Foreign Investors**"). The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was issued by the Ministry of Commerce of the PRC and State Administration for Market Regulation (the "**SAMR**") on 30 December 2019, which came into effect on 1 January 2020 and replaced the Interim Administrative Measures for the Record-filling of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

Legal Supervision Over Property Management Services

Regulations on Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) which was promulgated on 8 June 2003, came into effect since 1 September 2003, and was amended on 26 August 2007, 6 February 2016 and 19 March 2018, respectively, a qualification system for enterprises engaging in property management activities has been adopted.

According to the Regulations of Sichuan Province on Property Management (《四川省物業管理條例》) which was promulgated on 29 March 2012, came into effect since 1 July 2012, and was amended on 26 July 2018, a qualification system for enterprises engaging in property management activities in Sichuan Province has been adopted. On 29 September 2021, the aforementioned regulation was revised at the 30th meeting of the Standing Committee of the 13th people's Congress of Sichuan Province and will come into effect on 1 May 2022.

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

According to the Decision of the State Council on Cancelling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (Guo Fa [2017] No. 7), which was promulgated and came into effect on 12 January 2017, province and city level second class or below property management enterprise qualifications acknowledged by provincial and municipal government departments of Housing and Urban-Rural were cancelled.

According to the Decision of the State Council on Cancelling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) (Guo Fa [2017] No. 46), which was promulgated and came into effect on 22 September 2017, qualification accreditation for property management enterprises of Level One was cancelled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jian Ban Fang [2017] No. 75), which was promulgated and came into effect on 15 December 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

The Decision of the State Council on Revising and Repealing Certain Administrative Regulations (2018)(《國務院關於修改和廢止部分行政法規的決定(2018年)》) (Order No. 698 of the State Council) which was promulgated and came into effect on 19 March 2018, deleted the requirement on qualification of property management enterprises in the Regulations on Property Management.

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

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》), which was promulgated by the SCNPC on 29 April 1998, and implemented on 1 September 1998, later amended on 28 October 2008, and 23 April 2019, the property management enterprises in residential areas shall maintain fire prevention facilities and ensure residents' safety. Pursuant to the Provisions on the Administration of Fire Control Safety of State Organs, Organisations, Enterprises and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) promulgated on 14 November 2001 and implemented on 1 May 2002, property management enterprises in the residential areas shall perform the duties for fire control safety within the scope of administration, and other property management enterprises shall be responsible for the work of administration on public fire control safety within the scope of administration by entrustment.

Pursuant to the Administrative Measures on Business Licensing for High-Risk Sports Projects (《經營高危險性體育項目許可管理辦法》) which was promulgated by the General Administration of Sport on 28 January 2013 and came into effect on 1 May 2013, the Regulation on National Fitness (2016 Revision) (《全民健身條例(2016年版)》) which was promulgated by the State of Council and the Hygienic Regulations for Swimming Places (《游泳場所衛生規範》), which was promulgated on 21 June 2007, and the Article 4 of the Regulation on the Administration of Sanitation in Public Places (2019 Amendment) (《公共場所衛生管理條例(2019修訂)》) which was issued on 1 April 1987; revised for the first time on 6 February 2016, and revised for the second time on 23 April 2019, any enterprise or individual business engaging in any high-risk sport, including swimming, shall meet the requirements on sanitation, safety and etc., and obtain the approval from the competent sports administration authorities.

Regulations on Appointment of the Property Management Enterprises

According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated on 28 May 2020 and came into effect on 1 January 2021, the property owners can either manage the buildings and the ancillary facilities by themselves, or engage a property service enterprise or other custodians. Property owners are entitled, according to the laws, to replace the property service enterprise or other custodians engaged by the developer. Property service enterprises or other custodians shall manage the buildings and the ancillary facilities within the district of the building as entrusted by the owners, and shall be subject to the supervision by the owners.

According to the Regulation on Realty Management (2018 Revision) (《物業管理條例(2018)》), which was promulgated and came into effect on 19 March 2018, the owners can jointly select, employ and dismiss a realty service enterprise. The decision made by the owners' congress is subject to the approval by owners who possess exclusive areas accounting for more than half of the total area of buildings and owners who account for more than half of the total number of owners.

According to the Regulations on Property Management (《物業管理條例》), where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000. And a general meeting of the property owners can engage or dismiss the property management enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. The property owners' association may enter into a property management service contract on behalf of owners with the property management enterprise engaged in the owners' general meeting. Before the engagement of a property management enterprise by property owners and a general meeting of the property owners, a written preliminary property management service contract should be entered into between the developer and the selected and engaged property management enterprise. The preliminary property management service contract may stipulate the contract term. However, if the property management service contract entered into by and between the property owners association and the property management enterprise comes into force within the term of the preliminary property management service, the preliminary property management service contract shall be terminated automatically.

According to the Regulations on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130) which was promulgated on 26 June 2003 and came into effect on 1 September 2003, the developer of residential buildings and non-residential buildings in the same property management area shall engage qualified property management enterprises by inviting bid or publish announcement on public media. In case where there are less than three bidders or for small-scale properties, the developer can hire qualified property management enterprises by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located.

Regulations on Property Management Service Charges

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

According to Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was promulgated on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge property service fees from property owners for repairing, maintaining, and managing houses as well as their accompanying facilities and equipment and relevant sites, and ensuring the sanitation and order of relevant areas according to relevant property management contracts. Property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall take into account the nature and characteristics of the different property, such as the differences between residential property and non-residential property, etc., and be priced under the government's guidance and market regulation respectively. In what way the charges are priced shall be determined by competent price departments under the people's government of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate.

According to Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Property Service Disputes (《最高人民法院關於審理物業服務糾紛案件適用法律若干問題的解釋》) (Fa Shi [2020] No. 17), which was promulgated by the Supreme People's Court on 29 December 2020 and came into effect on 1 January 2021, the court shall support when property owner raises a plea on the ground of illicit charges because the property service provider, in breach of the property service contract or violation of laws, regulations or departmental rules, extends the scope of charging, raises the charging rate, or makes repeated charging on its own accord.

Pursuant to Sichuan Province Property Service Charges Management Rules ("**Service Charges Rules**") (《四川省物業服務收費管理細則》) issued by the Price Bureau of Sichuan Province and Construction Department of Sichuan Province on 25 December 2003 and came into effect on 1 January 2004, the fees for the property management services can be charged either as a lump sum basis (包幹制) or a commission basis (酬金制). The lump sum basis refers to the charging mode requiring property owners to pay fixed property management expenses and allowing property management enterprises to enjoy or assume the surplus or deficit. The commission basis refers that property management enterprises may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management service contract, and property owners shall enjoy or assume the surplus or deficit.

In accordance with the Service Charges Rules, property service charges shall be subject to government-guided prices and market-regulated prices respectively. Property service charges for ordinary residential buildings shall be subject to government- guided prices, and those for areas other than ordinary residential buildings shall be subject to market-regulated prices. The scope of ordinary residential buildings shall be determined by the various cities and prefectures, and shall be reported to the provincial competent administrative department of construction for the record.

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

According to the Regulation on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No. 1428), which was jointly promulgated by the NDRC and the Ministry of Construction on 19 July 2004 and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (including the property management services as stipulated in the property service contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards. Property management enterprises shall neither use any false or misleading price items or mark prices in a false or misleading manner to commit price fraud, nor charge any fees not clearly specified, other than those expressly marked.

According to the Measures for Property Management Pricing Costs Supervision and Examination (Trial) (《物業服務定價成本監審辦法(試行)》) (Fa Gai Jia Ge [2007] No. 2285), which was jointly issued by NDRC and the Ministry of Construction of the PRC, on 10 September 2007 and came into effect on 1 October 2007, the competent pricing departments of people's government formulate and regulate the property management charging standard where the government guidance price shall be implemented and conduct pricing cost supervision and examination on relevant property management enterprises. Property management pricing cost is determined according to the social average cost of property management services verified by the competent pricing department of people's government. With the assistance of competent real estate administrative departments, competent pricing departments are responsible to organise the supervision and examination of the property management pricing cost. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, security cost, insurance premiums for public facilities and equipment located at public places of the property and for public liability, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755), which was promulgated and came into effect on 17 December 2014, the price control on property management fee of non-government-supported houses was cancelled. The competent price administration departments at provincial level and the administrative departments of housing and urban-rural development have the authority to decide whether to implement government guidance prices for charges of property management fees for government-supported houses, housing-reform properties and properties in old residential areas and service fees under preliminary property management based on actual situation. The benchmark and floating range of these government guidance prices vary from region to region. Fees charged by property management service providers or parking service companies from property owners or users of residential areas for the providing and management of parking spaces and parking facilities shall be in accordance with the agreed parking service contract. In addition, according to the regulations promulgated by the Chengdu Development and Reform Commission and the property price authorities of various districts, the government-guided benchmark price and the corresponding floating range will be implemented for those who adopt the lump-sum method for preliminary property service charges (excluding high-end residences such as villas).

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

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《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》), price control on parking services in residence communities was also cancelled.

Enforcement of the Regulations on Property Management Services

On December 25, 2020, ten departments including the Ministry of Housing and Urban-Rural Development jointly issued a "Notice on Strengthening and Improving the Management of Residential Property" (Jian Fang Gui [2020] NO. 10) (關於加強和改進住宅物業管理工作的通知, the "**Notice 10**"), which emphasized the areas including (i) improving the governance structure of the owners' committee; (ii) regulating the use and management of maintenance funds; (iii) reinforcing supervision and management of property management services, including establishing a property service information disclosure system and a property service enterprise credit management system, and improving the property management bidding system and withdrawal system.

On July 13, 2021, the Ministry of Housing and Urban-Rural Development and other seven departments issued a notice on the continuous improvement and regulation of the real estate market order (Jian Fang [2021] NO. 55) (關於持續整治規範房地產市場秩序的通知, the "**Notice 55**"). The competent departments will focus on rectifying outstanding issues in real estate development, housing sales, housing leasing, and property services. The notice pointed out that it will strive to achieve improvement in the order of the real estate market in about three years. The key areas include real estate development, housing sales, housing leasing, and property services. For property management services companies, the key area to standardise include (i) failure to provide services in accordance with the contents and standards stipulated in contracts; (ii) failure to disclose the property service fee items standards, the common area's operation and income and maintenance funds related information; (iii) collection of fees beyond service contracts; (iv) unauthorised use of common area to carry out business activities, and (v) refusal to exit the property services project without a proper reason upon rescission or termination of the property services contract pursuant to the law. Among them, the problems of property development and property management industries have been reflected in other valid regulations such as the Property Management Regulations and Regulations of Sichuan Province on Property Management. The purpose of the Notice is to strengthen law enforcement of other valid regulations.

Legal Supervision Over Real Estate Brokerage Business

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (Order No. 29 of the President), which was promulgated on 5 July 1994, came into effect on 1 January 1995 and revised on 30 August 2007, 27 August 2009 and 26 August 2019, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (1) have their own name and organisation; (2) have a fixed business site; (3) have the necessary assets and funds; (4) have a sufficient number of professionals; (5) have other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) (Order No. 8 of the MOHURD, the NDRC and the Ministry of Human Resources and Social Security ("**MOHRSS**"), which was promulgated on 20 January 2011, came into effect on 1 April 2011 and revised on 1 March 2016, came into effect on 1 April 2016, real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient number of real estate agents shall be equipped to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the competent construction (real-estate) supervising department of the local municipality/city/county for handling the filing formalities within 30 days from the date of receiving business licences.

Legal Supervision Over the Recent Real Estate Market

According to the Notice 55, the competent departments will focus on rectifying outstanding issues in real estate development, housing sales, housing leasing, and property services. Among them, the problems of property development and property management industries have been reflected in other valid current regulations such as the Property Management Regulations and Regulations of Sichuan Province on Property Management. The purpose of the Notice is to strengthen law enforcement of other valid current regulations.

According to the "Notice on the establishment of real estate loan concentration management system for banking financial institutions" (Yinfa [2020] No. 322) (關於建立銀行業金融機構房地產貸款集中度管理制度的通知, the "**Notice 322**") issued by the People's Bank of China and China Banking and Insurance Regulatory Commission on 28 December 2020 and became effective on 1 January 2021, the proportion of the balance of real estate loans of banking financial institutions (excluding overseas branches) to the balance of various RMB loans (hereinafter referred to as the proportion of real estate loans) and the proportion of the balance of personal housing loans to the balance of various RMB loans (hereinafter referred to as the proportion of personal housing loans) shall meet the management requirements determined by the People's Bank of China and the China Banking and Insurance Regulatory Commission, namely it shall not exceed the upper limit of the proportion of real estate loans and the proportion of personal housing loans determined by the People's Bank of China and the China Banking and Insurance Regulatory Commission. Taking into consideration of the asset scale and type of banking financial institutions and other factors, Notice 322 sets different upper limits for the proportion of real estate loan balance and the proportion of personal housing loan balance for different grades of banking financial institutions, and sets a transition period for banking financial institutions that exceed the upper limit, and establishes regional differentiation mechanism.

The People's Bank of China and the MOHURD announced in 2020 that they had drafted a newly proposed standard in the assessment of the debt burden of property developers, namely Three Red Lines (三條紅線), for real estate companies to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying: (i) a 70% ceiling on liabilities to assets, excluding advance proceeds from projects sold on contract, (ii) a 100% cap on net debt to equity ratio, (iii) a cash to short-term borrowing ratio of at least one. Developers will be categorized based on how many limits they breach and their debt growth will be capped accordingly. If a firm passes all three, it will be labeled as

"Green", and can increase its debt a maximum of 15% in the next year; if a firm passes two of them, it will be labeled as "Yellow", and can increase its debt a maximum of 10% in the next year; if a firm passed one of them, it will be labeled as "Orange", and can increase its debt a maximum of 5% in the next year; if a firm fails to pass any of them, it will be labeled as "Red", and cannot increase any debt in the next year. As of the Latest Practicable Date, no such new regulations had been officially proposed.

Legal Supervision Over the Internet Information Services

Supervision on Internet Information Services

According to Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), which was issued on 7 November 2016, and came into force on 1 June 2017, and the Provisions on Protecting the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was issued on 16 July 2013, and came into force on 1 September 2013, Telecommunications business operators, Internet information service providers and their staff members shall keep strictly confidential the personal information of users collected and used in the course of providing services, and shall not disclose, tamper with or damage it, or sell it or illegally provide it to others.

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (Order No. 292 of the State Council), which was issued by the State Council on 25 September 2000, came into effect on the same day and revised on 8 January 2011, Internet information service refers to the provision of the information through internet to web users, and includes two categories: commercial and non-commercial. Commercial internet information service refers to the service activities of compensated provision to online subscribers through the internet of information or website production. Non-commercial internet service refers to the provision free of charge of public, commonly shared information through the internet to web users.

Entities engaged in providing commercial internet information service shall apply for a licence for valued-added telecommunication services of internet information services. As for the operation of non-commercial internet information services, only record-filing is required. Internet information service provider shall provide services within the scope of their licence or filing. Non-commercial internet information service providers shall not provide services with the charge of payment.

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

Legal Supervision Over Advertising Business

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) (Order No. 34 of the President) which was issued by the SCNPC on 27 October 1994, came into effect on 1 February 1995 and revised on 24 April 2015 and 26 October 2018, advertisement shall be expressed in a true, legal, healthy manner, in line with requirements of construction of socialist spiritual civilisation and development of Chinese national fine cultural tradition, and shall not contain false or misleading content and defraud or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition in carrying out advertising activities. Local market supervision administration department at and above the county level shall take charge of the supervision and administration on advertising within their respective administrative jurisdictions. Other relevant departments of the local people's governments at and above the county level shall take charge of the advertising management related work within their respective scope of duties.

Legal Supervision Over Intellectual Property Rights

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (Order No. 11 of the President of the PRC) which was promulgated by the SCNPC on 12 March 1984, came into effect on 1 April 1985, revised on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. Chinese patent system adopts the principle of "prior application", i.e., where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may use the patent after obtaining the permit or proper authorisation of the patent holder, otherwise such behaviour will constitute an infringing act of the patent right.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 10 of the SCNPC) which was issued by the SCNPC on 23 August 1982, came into effect on 1 March 1983 with latest amended on 23 April 2019, and became effective on

1 November 2019 and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council), which was issued by the State Council on 3 August 2002, came into effect on 15 September 2002, amended on 29 April 2014 and came into effect on 1 May 2014. The trademark bureaus under the SAMR are responsible for trademark registration and authorising registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may licence, authorise others to use their registered trademark by signing up a trademark licence contract. The trademark licence agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others in registering a trademark which others have already begun to use and which has "sufficient degree of reputation".

Copyright law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (Order No. 31 of the President of the PRC) which was issued by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and revised on 27 October 2001, 26 February 2010 and 11 November 2020, provides that works of PRC citizens, legal persons or other organisations, which include, works of literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (Order No. 1 of the National Copyright Administration) which was promulgated by the National Copyright Administration (the "**NCAC**") on 20 February 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contracts and transfer contracts of software copyright. The NCAC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Centre of China is the software registration organisation authority. The Copyright Protection Centre of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Computer Software Copyright Registration Measures and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No. 84 Order of the State Council) which was issued by the State Council on 4 June 1991, came into effect on 1 October 1991 and revised on 20 December 2001, 8 January 2011 and 30 January 2013.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (Order No. 43 of the Ministry of Industry and Information Technology), which was issued on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in the PRC. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

Legal Supervision Over Tax

Enterprise Income Tax

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") ([2007] Order No. 63 of the President of the PRC) which was promulgated on 16 March 2007 and became effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018 and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) ([2007] Order No. 512 of the State Council) which was promulgated on 6 December 2007 and became effective from 1 January 2008, and amended on 23 April 2019, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country or region whose actual administration institution is in PRC, shall be considered as "resident enterprises". Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as "non-resident enterprises". A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income which deriving outside the PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a reduced EIT rate of 20%.

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

According to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the western China Development Strategy (No. 58 [2011] of the Ministry of Finance) (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), from 1 January 2011 to 31 December 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%; and the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of western China (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission) (《財政部、稅務總局、國家發展改革委關於延續西部大開發企業所得稅政策的公告》) which was promulgated on 23 April 2020 and became effective from 1 January 2021 to 31 December 2030, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at a reduced rate of 15%. For the purpose of this article, "enterprise in an encouraged industry" means an enterprise whose main business is within the scope of industry projects set out in the Catalogue of Encouraged Industries in western China and whose revenue from its main business accounts for 60% or more of its gross income. "western China" includes Sichuan Province. According to the enterprise in an encouraged industry (2019) revised by The National Development and Reform Commission, the property service industry belongs to the encouraged industry.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on 21 August 2006 and came into effect on 8 December 2006. According to the Arrangement, if a Hong Kong resident company owns at least 25% equity interests in a PRC company and is the beneficial owner of the dividends paid by the PRC company, the PRC withholding tax on the dividends shall not exceed 5% of the gross amount of the dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) which was promulgated by the State Administration of Taxation (the "**SAT**") and became effective on 20 February 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the SAT Public Notice [2015] No. 7) which was promulgated by the SAT on 3 February 2015 and came into effect on the same day), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognised as a direct transfer in accordance with the provisions of the EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transfer or according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

Value-added Tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council) which was promulgated by the State Council on 13 December 1993 with the latest amended version effective from 19 November 2017, and the Implementing Rules to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by Ministry of Finance (the "**MOF**") on 25 December 1993 and revised on 15 December 2008 and 28 October 2011, respectively, tax payers engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as "**labour services**"), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax, and the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated and for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods shall be 11%. Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No. 110) (《關於印發營業稅改徵增值稅試點方案的通知》) which was promulgated by the MOF and the SAT the State began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of Value-added Tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot programme of the collection of Value-added Tax in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from 1 May 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

According to Notice on Implement Measures to Value-added Tax Rate《關於調整增值稅稅率的通知》which was issued by the MOF and the SAT on 4 April 2018 and came into effect on 1 May 2018, the value-added tax rate of taxable sales service or import goods is adjusted. The original applicable value-added tax rate was 17% and 11%, and the tax rate is adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the MOF, the SAT and the General Administration of Customs on 20 March 2019 and came into effect on 1 April 2019, for Value-added tax taxable sales or imported goods of a Value-added tax general taxpayer where the Value-added tax rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable Value-added tax rate of 10% shall be adjusted to 9%.

Legal Supervision Over Labour and Social Insurance

According to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009 and 29 December 2018, enterprises and institutions shall establish and improve their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate employee in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide employees with workplace safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labour protection.

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, employment contracts shall be concluded in writing if employment relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force the employees to work beyond the statutory time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely. And the Implementation Regulation on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council) which was issued by the State Council on 18 September 2008 and came into effect on the same day, regulates both parties through a labour contract, namely the employers and the employees, and contains specific articles involving the terms of the labour contract. Meanwhile, it is stipulated that labour contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labour contract, a non-fixed-term labour contract or a labour contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labour contract and dismiss its employees.

Labour contracts concluded before the enactment of Labour Contract Law and existing during its effective term shall continue to be honoured. With respect to circumstances where an employment relationship has already been established without the conclusion of a written labour contract, the written labour contract shall be concluded within one month from the date when the employee commences work.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and came into effect on 1 July 2011 and was amended on 29 December 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated and came into effect on 22 January 1999, and was amended on 24 March 2019, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated on 27 April 2003, came into effect on 1 January 2004 and was amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) (Order No. 258 [1999] of the State Council), which was promulgated and came into effect on 22 January 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (Lao Bu Fa [1994] No. 504), which was promulgated on 14 December 1994 and came into effect on 1 January 1995, the enterprises in the PRC shall provide their employees with benefit programmes including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

Pursuant to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council), which was promulgated on 3 April 1999, became effective on the same day, and was amended on 24 March 2002 and 24 March 2019, respectively, the housing provident fund contributions made by an individual employee and housing provident fund contributions made by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund deposit registrations with the housing provident fund administrative centre. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process the deposit registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative centre may order such enterprises to pay up the amount within a prescribed period; if those enterprises still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application may be made to the People's Court for mandatory enforcement.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was issued by the General Office of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council (國務院辦公廳) of the PRC on 20 July 2018, from 1 January 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. Furthermore, according to the Notice by the General Office of the SAT on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) ([2018] No. 142 of the General Office of the SAT) issued on 13 September 2018 and the Urgent Notice of the General Office of the MOHRSS on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) (Ren She Ting Notice [2018] No. 246) issued on 21 September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the SAT on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知》) (Shui Zong Fa [2018] No. 174) issued on 16 November 2018 repeats that tax authorities at all levels may not organise self-collection of arrears of taxpayers including private enterprises in the previous years.

Legal Supervision Over Foreign Exchange

Under the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》), which was promulgated on 29 January 1996, and revised on 14 January 1997, and 5 August 2008, and various regulations issued by the State Administration of Foreign Exchange (the "**SAFE**") and other relevant PRC government authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade-related receipts and payments and the payment interest and dividend. The conversion of RMB into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans, and repatriation of investment, requires prior approval from the SAFE or its local offices. Payments for transactions that take place within China must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local offices. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

Pursuant to the Notice on Relevant Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investments by Domestic Residents Through Special Purpose Vehicles (the "**Circular 37**") (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated on 4 July 2014, before the PRC residents or entities contributing capital to offshore special purpose companies with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. Furthermore, after the initial registration, PRC residents or entities must update their registrations when the offshore special purpose companies undergo material events relating to any change of basic information, including change of such PRC citizens or residents, name, the term of operation, increases or decreases in investment amount, transfers or exchanges of shares, mergers, and divisions. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions of the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under foreign exchange administration regulations.

According to the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") which was promulgated on 13 February 2015, and became effective on 1 June 2015, the above-mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

According to the Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa [2015] No. 19) (the "**Circular 19**"), which was promulgated on 30 March 2015 and became effective on 1 June 2015, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). And foreign-invested enterprises are allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, the Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

According to the Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) (the "**Notice No. 16**"), which was issued by the SAFE on 9 June 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The Notice No. 16 reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated by the SAFE on 23 October 2019, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

OUR HISTORY

Overview

We are an integrated property management services and commercial operational services provider in Chengdu, Sichuan Province. We strive to provide property management services and commercial operational services for mid- to high-end residential properties and commercial properties. Our commercial operational services include providing market research services, tenant sourcing services, and shopping streets management services to developers and tenants. Our origin dated back to 2010 when our key founding members, Mr. Zou Kang (鄒康) and Ms. Zou Jian (鄒健) established Chengdu Desun (formerly known as Chengdu Desun Investment Management Co., Ltd, (成都德商投資管理有限公司) at the time of establishment) in the PRC. Since its establishment, Chengdu Desun has been controlled by Mr. Zou Kang and Ms. Zou Jian, who are siblings, and who had entered into a concert party agreement in 2015 (and subsequently the Concert Parties Confirmatory Deed in 2021), pursuant to which they agreed, among others, to reach consensus on the operation and development of Chengdu Desun. Chengdu Desun was quoted on NEEQ on 2 August 2016 and subsequently withdrew the quotation from NEEQ voluntarily on 7 May 2020. According to Frost & Sullivan, we ranked the fifth in 2020 in terms of revenue generated in Chengdu among all property management services companies providing commercial operational services in Chengdu. Business expansion and achieving growth are our main corporate development objectives. After completion of the acquisition of Zhongneng Group, we expanded the scale of our property management services, scope of services offering and geographical coverage. For further details on the acquisition of Zhongneng Group, please refer to the paragraph headed "Business – Acquisition of Zhongneng Group" in this prospectus.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2020. For further details of our corporate development and restructuring, please refer to the paragraph headed "Our Corporate Development" in this section below.

KEY CORPORATE MILESTONES

The following is a summary of our Group's business development milestones:

Date	Event
2010	We established our business through Chengdu Desun. During the initial stage, we mainly focused on the provision of property management services to industrial parks.
2013	We expanded our business to cover property management services to residential properties.

Date	Event
2016	In August, the shares of Chengdu Desun were quoted on the NEEQ (stock code: 837976).
2018	We were awarded the "2018 Top 50 Integrated Strength Property Management Services Companies of Chengdu" (「2018成都市物業服務企業綜合實力50強」) by Chengdu Property Management Association.
	We were awarded the "Prize for Quality Property in Sichuan for 2018" (「2018四川品質物業獎」). We were awarded the "Prize for Harmonious and Happy Services for Communities in Sichuan for 2018: Desun – Huafutianjiao" (「2018四川和諧幸福服務社區獎: 德商 – 華府天驕」) by Huaxi Daily (華西都市報).
2019	We were awarded the "Top 50 property service enterprises in Chengdu City" (「成都市物業服務企業綜合實力50強」) in terms of the comprehensive strength by Chengdu Property Management Association (成都物業協會).
	We were awarded the "2019 Top 100 Property Management Enterprises in China" (「2019年中國物業服務百強企業」) in the PRC by China Index Academy.
	We were awarded the "Top 10 excellent property service enterprises in Chengdu" (「成都物業服務優秀企業TOP10」) by China Index Academy.
2020	In August, we acquired Zhongneng Group and expanded our business capacity to include the provision of commercial operational and management services.
2021	We were awarded the "2021 Top 100 Property Management Companies in China" (「2021中國物業服務百強企業」) by China Index Academy.

OUR COMPANY

Our Company was incorporated as an exempted company with limited liability under the laws of Cayman Islands on 10 December 2020 with an authorised share capital of US$50,000 divided into 500,000,000 shares of par value of US$0.0001 each. Upon completion of the Reorganisation, our Company became the holding Company of our Group, the details of which are set out in the paragraph headed "Reorganisation" below in this section.

OUR CORPORATE DEVELOPMENT

Chengdu Desun

During the Track Record Period, Chengdu Desun was our principal operating subsidiary which was responsible for deriving the majority of our revenue.

Chengdu Desun (formerly known as Chengdu Desun Investment Management Co., Ltd., (成都德商投資管理有限公司) at the time of establishment), was established in the PRC with an initial registered capital of RMB500,000 and was held by Mr. Zou Kang (鄒康), Ms. Zou Jian (鄒健), Mr. Zhong Xin (鍾馨), Mr. Yang Bin (楊彬) and Mr. Zhou Hongbo (周洪波) as to 43.5%, 44%, 5%, 5% and 2.5%, respectively. On 2 April 2011, the name of Chengdu Desun was changed to Chengdu Desun Property Service Co., Ltd. (成都德商物業服務有限公司). Since its establishment, there were a few rounds of capital injection and corporate restructuring in view of the capital needs of Chengdu Desun.

Prior NEEQ quotation and subsequent withdrawal from quotation

In 2016, to prepare for our Group's NEEQ quotation, Chengdu Desun convened an extraordinary general meeting to convert from a limited liability company into a joint stock limited liability company and changed its name into Chengdu Desun Property Service Joint Stock Co., Ltd. (成都德商物業服務股份有限公司). After the conversion and immediately before the NEEQ, the share capital of Chengdu Desun was RMB10 million divided into 10,000,000 Shares with a nominal value of RMB1.00 each, and the then shareholding structure is summarised as follows:

No.	Name of shareholders	Number of shares held *(share)*	Shareholding *(%)*
1	Zou Kang	5,100,000	51.0
2	Sichuan Desun Wealth Investment Management Co., Ltd. (四川德商財富投資管理有限公司) *(Note)*	3,000,000	30.0
3	Zou Jian	1,060,000	10.6
4	Yang Bin	350,000	3.5
5	Zhong Xin	350,000	3.5
6	Zhou Hongbo	140,000	1.4
Total		10,000,000	100.0

Note: Sichuan Desun Wealth Investment Management Co., Ltd (四川德商財富投資管理有限公司) (currently known as Sichuan Desun Wealth Investment Management Group Co., Ltd (四川德商財富投資管理集團有限公司)) was then owned as to approximately (i) 80.64% by Mr. Zou Kang; (ii) 3.69% by Ms. Zou Jian; (iii) 4.80% by Mr. Yang Bin; (iv) 4.80% by Mr. Zhong Xin; (v) 1.92% by Mr. Zhou Hongbo; and (vi) an aggregate of 4.15% by Li Shiliang, Shi Bo, Chen Qian and Wang Meirong, who were Independent Third Parties.

On 8 July 2016, Chengdu Desun received approval for its shares to be quoted on NEEQ in the PRC. Chengdu Desun was quoted on NEEQ on 2 August 2016 (stock code: 837976).

In October 2016, Chengdu Desun changed its name to Chengdu Desun Real Estate Investment Property Service Joint Stock Co., Ltd. (成都德商產投物業服務股份有限公司).

On 8 April 2020, the then shareholders of Chengdu Desun resolved to voluntarily withdraw the quotation of Chengdu Desun shares from NEEQ ("**NEEQ Withdrawal**"). The NEEQ Withdrawal was approved by all of then relevant shareholders of Chengdu Desun. On 30 April 2020, Chengdu Desun received regulatory approval for the NEEQ Withdrawal. The NEEQ Withdrawal was completed on 7 May 2020. The NEEQ Withdrawal was a decision made as part of our corporate development strategy.

Immediately after the NEEQ Withdrawal, Chengdu Desun was owned as to approximately 83.45% by Mr. Zou Kang, 10.60% by Ms. Zou Jian, 3.50% by Mr. Yang Bin, 1.05% by Mr. Zhong Xin and 1.40% by Mr. Zhou Hongbo.

Compliance during quotation on NEEQ

Our Directors confirm, to the best of their knowledge and belief, that:

(a) save as disclosed in the paragraph headed "Business – Legal proceedings and compliance" in this prospectus, during the period that our Company was quoted on NEEQ:

    (i) it had been in compliance in all material respects with all applicable rules and regulations in the PRC;

    (ii) it had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and

(b) there are no further matters in relation to the prior listing of our Company that need to be brought to the attention of the Stock Exchange or our Shareholders.

Save as disclosed in the paragraph headed "Business – Legal proceedings and compliance" in this prospectus, our Directors confirm, and the Sole Sponsor concurs, that (i) none of our Company, members of our Group or our Directors were subject to any disciplinary actions or administrative penalties for non-compliance with the applicable regulatory rules for the NEEQ; (ii) there are no further matters in relation to the prior listing of our Group that need to be brought to the attention of the Stock Exchange or our Shareholders; (iii) our Group had been in compliance in all material respects with all applicable rules and regulations in the PRC, and (iv) our Group had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

Reasons for NEEQ Withdrawal and Listing on the Stock Exchange

Our Directors considered, and the then shareholders subsequently approved, Hong Kong to be a suitable location for listing our business. We consider that the NEEQ Withdrawal is beneficial to our Company as (i) the NEEQ is a market in the PRC open to qualified investors only, and it adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution; (ii) Hong Kong is a gateway between the PRC and the international markets and thus would give us greater access to international investors and global markets; accordingly, the Listing would provide us a viable source of capital to support our business growth; and (iii) our Shares would be listed on a competitive and established exchange with a long-standing reputation as one of the leading stock exchanges globally, which would in turn strengthen our reputation, credibility and competitiveness. For these reasons, our Directors consider the NEEQ Withdrawal, and listing of Shares of our Company on the Stock Exchange to be in the interests of our Group and our Company as a whole.

Conversion from a joint stock company to a limited liability company

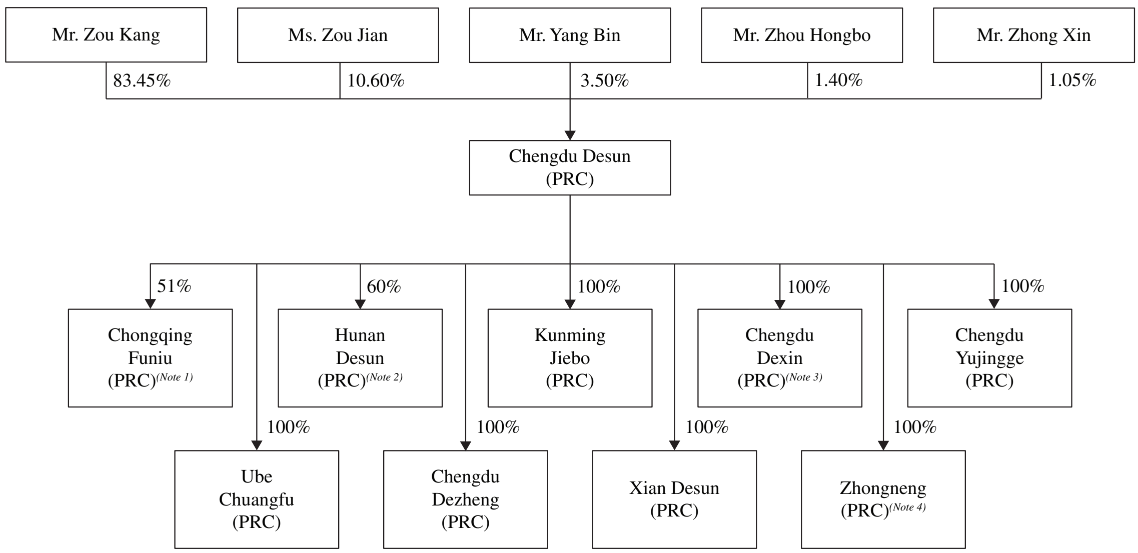
On 16 November 2020, Chengdu Desun was converted from a joint stock company to a limited liability company, and was renamed to Chengdu Desun Real Estate Investment Property Service Co., Ltd. (成都德商產投物業服務有限公司). Prior to the conversion, there were a few share transfers among the shareholders of Chengdu Desun: (i) Mr. Zou Kang transferred approximately 0.70% of equity interests to Mr. Yang Bin; (ii) Ms. Zou Jian transferred approximately 5.00% to Mr. Zhang Zhicheng, 0.36% to Mr. Zhou Hongbo and 0.40% to Mr. Yang Bin; and (iii) Mr. Zhong Xin transferred approximately 0.08% of equity interests to Mr. Zhou Hongbo. For further details, please refer to the paragraph headed "Pre-IPO Investments" in this section below.

After the completion of the said share transfers and the conversion to a limited liability company, Chengdu Desun had a registered capital of RMB10 million, which was owned as to approximately 82.75% by Mr. Zou Kang, 4.84% by Ms. Zou Jian, 4.60% by Mr. Yang Bin, 5.00% by Mr. Zhang Zhicheng, 1.84% by Mr. Zhou Hongbo, and 0.97% by Mr. Zhong Xin.

Upon the completion of the Reorganisation, Chengdu Desun became an indirect wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed "Reorganisation" in this section below.

REORGANISATION

Prior to the Reorganisation and immediately before the conversion of Chengdu Desun from a joint stock company to a limited liability company, the structure of our Group was as follows:



Notes:

1. With respect to the remaining 49% of equity interests of Chongqing Funiu, 29.4% and 19.6% of the equity interests of Chongqing Funiu were owned by Chongqing Xinbenniu Property Management Co., Ltd. (重慶新犇牛物業管理有限公司) and Chongqing Zhuimeng Yihao Corporate Management Consultation Centre (Limited Partnership) (重慶追夢一號企業管理諮詢中心(有限合夥)), respectively, which are Independent Third Parties.

2. The remaining 40% of equity interests of Hunan Desun was owned by Human Shulekang Internet of Things Technology Co., Ltd. (湖南舒樂康物聯網科技有限公司), which is an Independent Third Party.

3. Chengdu Dexin held 51% of the equity interests of Chengdu Fulang, a joint venture of our Group. The remaining 49% of equity interests of Chengdu Fulang was held by Nanjing Langta Property Management Co., Ltd. (南京朗拓物業管理有限公司), which is an Independent Third Party.

4. Immediately prior to the Reorganisation, Zhongneng held the entire equity interest of Chengdu Jinjie, which in turn held 50% of the entire equity interests of Chengdu Baiyuejiacheng Business Management Co., Ltd. (成都栢悦嘉誠商業管理有限公司) ("**Chengdu Baiyuejiacheng**"). The remaining 50% of equity interests of Chengdu Baiyuejiacheng was then held by Sichuan Zhongcheng Xinjia Commercial Management Co., Ltd. (四川中誠新佳商業管理有限公司) ("**Zhongcheng Xinjia**"), which is an Independent Third Party. Subsequently, on 24 December 2020, Chengdu Jinjie acquired such 50% of equity interests of Chengdu Baiyuejiacheng from Zhongcheng Xinjia pursuant to an equity transfer agreement at the consideration of RMB500,000, being the amount of registered capital actually contributed by Zhongcheng Xinjia at the time. Upon the completion of the above transfer, Chengdu Baiyuejiacheng became an indirect-wholly owned subsidiary of our Company. For further details, please refer to the paragraphs headed "Acquisitions during the Track Record Period" in this section below.

In preparation for the Listing, we undertook the following reorganisation steps in preparation for the Listing:

(1) Conversion of Chengdu Desun to a limited liability company and the acquisition of equity interests in Chengdu Desun by Mr. Zhang Zhicheng, Mr. Yang Bin and Mr. Zhou Hongbo

On 16 November 2020, Chengdu Desun was converted from a joint stock company to a limited liability company, and was renamed to Chengdu Desun Real Estate Investment Property Service Co., Ltd. (成都德商產投物業服務有限公司). Prior to the conversion, there were a few share transfers among the shareholders of Chengdu Desun: (i) Mr. Zou Kang transferred approximately 0.70% of equity interests to Mr. Yang Bin; (ii) Ms. Zou Jian transferred approximately 5.00% to Mr. Zhang Zhicheng, 0.36% to Mr. Zhou Hongbo and 0.40% to Mr. Yang Bin; and (iii) Mr. Zhong Xin transferred approximately 0.08% of equity interests to Mr. Zhou Hongbo. The aforesaid equity transfers constitute Pre-IPO Investments, please refer to the paragraph headed "Pre-IPO Investments" in this section below for further details.

After the completion of the subscription and the conversion to a limited liability company, Chengdu Desun had a registered capital of RMB10 million, which was owned as to approximately 82.75% by Mr. Zou Kang, 4.84% by Ms. Zou Jian, 4.60% by Mr. Yang Bin, 5.00% by Mr. Zhang Zhicheng, 1.84% by Mr. Zhou Hongbo, and 0.97% by Mr. Zhong Xin.

(2) Incorporation of corporate shareholders of our Company

(a) Incorporation of Sky Donna

Sky Donna was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Sky Donna was allotted and issued as fully paid to Mr. Zou Kang.

(b) Incorporation of Pengna Holding

Pengna Holding was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Pengna Holding was allotted and issued as fully paid to Ms. Zou Jian.

(c) Incorporation of Zhiyu Holding

Zhiyu Holding was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Zhiyu Holding was allotted and issued as fully paid to Mr. Zhang Zhicheng.

(d) Incorporation of Binyang Holding

Binyang Holding was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Binyang Holding was allotted and issued as fully paid to Mr. Yang Bin.

(e) Incorporation of Zhirui Holding

Zhirui Holding was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Zhirui Holding was allotted and issued as fully paid to Mr. Zhou Hongbo.

(f) Incorporation of Lvy Holding

Lvy Holding was incorporated under the laws of the BVI with liability limited by shares on 4 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Lvy Holding was allotted and issued as fully paid to Mr. Zhong Xin.

(3) Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2020 to act as the holding company of our Group for the listing on the Stock Exchange. The initial authorised share capital of our Company was US$50,000 divided into 500,000,000 shares of US$0.0001 each. On the date of incorporation, one Share was issued to an initial subscriber, which was transferred to Sky Donna on the same date. On the same date, our Company further allotted and issued (i) 41,376 Shares to Sky Donna; (ii) 2,420 Shares to Pengna Holding; (iii) 2,500 Shares to Zhiyu Holding; (iv) 2,300 Shares to Binyang Holding; (v) 483 Shares to Lvy Holding; and (vi) 920 Shares to Zhirui Holding. After the above transfer and allotment of Shares, our Company was owned as to approximately 82.75% by Sky Donna, 4.84% by Pengna Holding, 5.00% by Zhiyu Holding, 4.60% by Binyang Holding, 0.97% by Lvy Holding, and 1.84% by Zhirui Holding.

(4) Incorporation of our intermediate holding companies

(a) Incorporation of Desun Services

Desun Services was incorporated under the laws of the BVI with liability limited by shares on 23 December 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Desun Services was allotted and issued as fully paid to our Company.

(b) Incorporation of Desun (Hong Kong)

Desun (Hong Kong) was incorporated under the laws of Hong Kong with liability limited on 18 January 2021. On the date of incorporation, one share of Desun (Hong Kong) was allotted and issued as fully paid to Desun Services.

(c) Incorporation of Chengdu Fuyue

Chengdu Fuyue was established under the laws of the PRC with limited liability on 12 March 2021, with a registered capital of RMB20 million at the time of incorporation, which is wholly-owned by Desun (Hong Kong).

(5) Increase of registered capital of Chengdu Desun

On 9 March 2021, the registered capital of Chengdu Desun was increased from RMB10 million to RMB50 million by contribution from all the then shareholders on a pro rata basis.

(6) Acquisition of 1.00% equity interests in Chengdu Desun by WeiYue Management

On 11 March 2021, WeiYue Management, which is an Independent Third Party, acquired 1.00% of equity interests in Chengdu Desun from Ms. Zou Jian for a consideration of HK$1.1 million pursuant to an equity transfer agreement. The consideration for the above transfer was agreed between the parties on an arm's length basis and determined with reference to the net asset value of our Group as at 31 December 2020. After the completion of the above transfer, Chengdu Desun was owned as to approximately 82.75% by Mr. Zou Kang, 5.00% by Mr. Zhang Zhicheng, 4.60% by Mr. Yang Bin, 3.84% by Ms. Zou Jian, 1.84% by Mr. Zhou Hongbo, 0.97% by Mr. Zhong Xin, and 1.00% by WeiYue Management. The aforesaid transfer has been completed and settled. At the time of the transaction, WeiYue Management was ultimately held by an individual who is a Hong Kong resident and an Independent Third Party (the "**WeiYue Investor**").

(7) Acquisition of 99% of equity interests of Chengdu Desun by Chengdu Fuyue

On 23 March 2021, as part of the Reorganisation, Chengdu Fuyue acquired the equity interests held by Mr. Zou Kang, Ms. Zou Jian, Mr. Yang Bin, Mr. Zhang Zhicheng, Mr. Zhou Hongbo and Mr. Zhong Xin in Chengdu Desun (representing 99% of the equity interests of Chengdu Desun) at nominal consideration. The aforesaid transfer has been completed and settled. Immediately after the completion of the equity transfer, Chengdu Desun was held as to 99% by Chengdu Fuyue and 1% by WeiYue Management.

(8) Repurchase of Shares by our Company

On 11 May 2021, as part of the Reorganisation to reflect the intended shareholding structures after the Pre-IPO Investments but before the Capitalisation Issue and the Global Offering, our Company repurchased 1% of issued Shares from Pengna Holding at par value.

(9) Investment by Wellman Investments and acquisition of WYGL Holding

Subsequent to the acquisition of 1% equity interest in Chengdu Desun by the WeiYue Investor, to the best knowledge and information of our Directors, due to his own commercial reason, the WeiYue Investor, through his wholly-owned company Wellink Management, sold the entire issued shares of WYGL Holding (the indirect holding company of WeiYue Management) held by it to Wellman Investments at the consideration of HK$1.2 million, which was arrived after arm's length negotiation with reference to the consideration paid by the WeiYue Investor for acquisition of the 1% of equity interests in Chengdu Desun. The aforesaid transfer has been completed and settled. After the completion of the said share transfer, Wellman Investments became the holding company of WYGL Holding. For further details, please refer to the paragraphs headed "Pre-IPO Investments" in this section below.

On 11 May 2021, our Company acquired the entire issued shares of WYGL Holding from Wellman Investments, and in consideration thereof, our Company issued and allotted 1% of the issued Shares (on a fully-diluted basis) to Wellman Investments. The aforesaid transfer has been completed and settled. Following the completion of the share transfer, WYGL Holding became a wholly-owned subsidiary of our Company, which indirectly held 1% of the equity interests of Chengdu Desun.

ACQUISITIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, we have completed the following acquisitions and, as advised by our PRC Legal Advisers, they have been properly and legally completed and settled.

Acquisition of Zhongneng Group

Zhongneng Group is a property management group located in the Sichuan Province committed to providing comprehensive property management and operational services for both residential and non-residential properties. Zhongneng was established in 16 May 2006. Immediately before its acquisition by our Group, Zhongneng had a registered capital of RMB5 million, which was owned as to 31.00% by Mr. Liu Jun, 23.00% by Mr. Shao Jiazhen and 23.00% by Mr. Yan Zhenhao and 23.00% by Mr. Xiao Kun, who were Independent Third Parties prior to the acquisition.

On 31 August 2020, our Company entered into an equity transfer agreement with Mr. Liu Jun, Mr. Shao Jiazhen, Mr. Yan Zhenhao and Mr. Xiao Kun, pursuant to which our Company acquired 100% of the equity interest in Zhongneng Group from the said parties for a total consideration of RMB15.0 million, which was determined based on (i) a valuation report issued by an independent valuer; (ii) scale and portfolio of properties under management of Zhongneng Group; and (iii) the management of Zhongneng Group.

Zhongneng Group was introduced to us as a potential acquisition target by Mr. Zhou Youbo (a member of our senior management), who was acquainted with Mr. Liu Jun and Mr. Shao Jiazhen (the shareholders of Zhongneng Group prior to the acquisition) as they were ex-colleagues working in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶

服務集團股份有限公司). During the preliminary stage of negotiation of the acquisition, owing to the uncertainty of the transaction at the time and the competition from other potential buyers, we have entrusted Tibet Desun Investment Co., Ltd* (西藏德商投資有限公司) ("**Tibet Desun**") to negotiate on our behalf. Tibet Desun is an wholly-owned company and investment vehicle of Sichuan Desun Wealth Investment Management Co., Ltd. (四川德商財富投資管理有限公司) ("**Desun Wealth**", a company which was controlled by Mr. Zou Kang, a non-executive Director and a Controlling Shareholder) which was principally engaged in equity investment and possessed the relevant expertise and human resources. In order to facilitate and secure the negotiation, we have also entrusted Tibet Desun to pay on our behalf earnest monies to the vendors in the aggregate amount of RMB7.96 million. Such sum of earnest monies was subsequently deducted from the total consideration of RMB15.0 million for the acquisition upon settlement. As the transaction gradually progressed to materialisation, we resumed the negotiation with the vendors by ourselves and conducted the due diligence review on Zhongneng Group before the execution of the share transfer agreement. We repaid Tibet Desun in full for the said sum of earnest monies in December 2020, and we settled the remainder of the consideration for the acquisition of Zhongneng in full in February 2021.

Upon completion of such acquisition, Zhongneng Group became a wholly owned subsidiary of our Company. We acquired Zhongneng Group in order to expand the scale of our property management services. In addition, such acquisition enables us to expand our service offering and geographical coverage. For further details of the acquisition of Zhongneng Group, please refer to the paragraph headed "Business – Property Management Services – Acquisition of Zhongneng Group" in this prospectus.

For details of the pre-acquisition financial information of Zhongneng Group, please refer to the paragraphs headed "Financial Information – Financial information of Zhongneng Group" in this prospectus.

Acquisition of 50% of equity interests in Chengdu Baiyuejiacheng

Prior to the acquisition to be described below, Chengdu Baiyuejiacheng was owned as to 50% by Chengdu Jinjie (our indirect wholly-owned subsidiary) and 50% by Zhongcheng Xinjia, which is an Independent Third Party. On 24 December 2020, Chengdu Jinjie acquired 50% equity interest of Chengdu Baiyuejiacheng from Zhongcheng Xinjia pursuant to an equity transfer agreement dated 26 November 2020 at the consideration of RMB500,000, being the amount of registered capital of Chengdu Baiyuejiacheng actually contributed by Zhongcheng Xinjia at the time. The parties also agreed that Chengdu Baiyuejiacheng shall distribute its undistributed profits as at 31 October 2020, amounting to approximately RMB0.3 million, to Chengdu Jinjie and Zhongcheng Xinjia in equal shares. After completion of the acquisition, Chengdu Baiyuejiacheng became an wholly-owned subsidiary of our Company.

Our Company confirmed that all applicable approvals had been obtained and the acquisitions disclosed above have been properly and legally completed and settled.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any material acquisition, disposal or merger.

PRE-IPO INVESTMENTS

(A) Acquisition of shareholding in Chengdu Desun by Mr. Zhang Zhicheng

On 2 November 2020, Mr. Zhang Zhicheng entered into an equity transfer agreement (which was supplemented by a supplemental agreement dated 15 January 2021) with Ms. Zou Jian, pursuant to which he agreed to purchase 5.00% of equity interests of Chengdu Desun at the consideration of RMB4.4 million from Ms. Zou Jian. The consideration was arrived after arm's length negotiation between the parties with reference to the net asset value of our Group as at 31 December 2020.

Immediately after the completion of the above equity transfer, Mr. Zhang Zhicheng held 5.00% of equity interests of Chengdu Desun.

(B) Acquisition of shareholding in Chengdu Desun by Mr. Yang Bin

On 2 November 2020, Mr. Yang Bin entered into an equity transfer agreement (which was supplemented by a supplemental agreement dated 15 January 2021) with Mr. Zou Kang, pursuant to which he agreed to purchase approximately 0.70% of the equity interest of Chengdu Desun at the consideration of RMB612,480 from Mr. Zou Kang.

On the same day, Mr. Yang Bin entered into an equity transfer agreement (which was supplemented by a supplemental agreement dated 15 January 2021) with Ms. Zou Jian, pursuant to which he agreed to purchase approximately 0.40% of the equity interest of Chengdu Desun at the consideration of RMB355,520 from Ms. Zou Jian.

The consideration of the above share transfers were arrived after arm's length negotiation between the parties with reference to the net asset value of our Group as at 31 December 2020.

Immediately after the completion of the above equity transfers, the shareholding of Mr. Yang Bin in Chengdu Desun increased from 3.50% to 4.60%.

(C) Acquisition of shareholding in Chengdu Desun by Mr. Zhou Hongbo

On 2 November 2020, Mr. Zhou Hongbo entered into an equity transfer agreement (which was supplemented by a supplemental agreement dated 15 January 2021) with Ms. Zou Jian, pursuant to which he agreed to purchase approximately 0.36% of the equity interest of Chengdu Desun at the consideration of RMB313,280 from Ms. Zou Jian.

On the same day, Mr. Zhou Hongbo entered into an equity transfer agreement (which was amended by a supplemental agreement dated 15 January 2021) with Mr. Zhong Xin, pursuant to which he agreed to purchase approximately 0.08% of the equity interest of Chengdu Desun at the consideration of RMB73,920 from Mr. Zhong Xin.

The consideration of the above share transfers were arrived after arm's length negotiation between the parties with reference to the net asset value of our Group as at 31 December 2020. After completion of the above equity transfers, the shareholding of Mr. Zhou Hongbo in Chengdu Desun increased from 1.40% to 1.84%.

(D) Acquisition of shareholding in WYGL Holding by Wellman Investments

On 11 May 2021, Wellman Investments, an Independent Third Party, entered into a share transfer agreement with Wellink Management, pursuant to which Wellman Investments agreed to purchase, and Wellink Management agreed to sell, the entire issued shares of WYGL Holding (which indirectly held 1% of equity interests in Chengdu Desun) at the consideration of HK$1.2 million. To the best knowledge and information of our Directors, the consideration was arrived at after arm's length negotiation between the parties with reference to the consideration paid by the WeiYue Investor for the 1% of equity interests in Chengdu Desun. Immediately after the completion of the share transfer, Wellman Investments indirectly held 1% of equity interests in Chengdu Desun. For further information on Wellman Investments, please refer to the paragraphs headed "Information about the Pre-IPO Investors" in this section below.

Subsequently, on the same date, our Company acquired the entire issued shares of WYGL Holding from Wellman Investments, and in consideration thereof, our Company allotted and issued 1% of the issued Shares (on a fully-diluted basis) to Wellman Investments. Immediately after the above allotment of Shares, Wellman Investments held 1.00% of the issued Shares.

The following table sets out the summary of the Pre-IPO Investments:

Investor	**Mr. Zhang Zhicheng**	**Mr. Yang Bin**		**Mr. Zhou Hongbo**		**Wellman Investments**
Seller	Ms. Zou Jian	Mr. Zou Kang	Ms. Zou Jian	Ms. Zou Jian	Mr. Zhong Xin	Wellink Management
Date of the equity transfer agreement/share transfer agreement	2 November 2020 (as amended by a supplemental agreement dated 15 January 2021)	2 November 2020 (as amended by a supplemental agreement dated 15 January 2021)	2 November 2020 (as amended by a supplemental agreement dated 15 January 2021)	2 November 2020 (as amended by a supplemental agreement dated 15 January 2021)	2 November 2020 (as amended by a supplemental agreement dated 15 January 2021)	11 May 2021
Amount of consideration	RMB4,400,000	RMB612,480	RMB355,520	RMB313,280	RMB73,920	HK$1,200,000
Payment date of consideration in full	19 March 2021	16 March 2021	16 March 2021	16 March 2021	16 March 2021	17 May 2021
Approximate cost per Share paid under Pre-IPO Investment	RMB0.20 *(Note 1)*	RMB0.20 *(Note 2)*	RMB0.20 *(Note 2)*	RMB0.20 *(Note 3)*	RMB0.20 *(Note 3)*	HK$0.27 *(Note 4)*
Discount to the Offer Price *(Note 5)*	81.63%	81.63%	81.63%	81.63%	81.63%	79.17%
Use of proceeds from the Pre-IPO Investment	N/A. The consideration was paid to Ms. Zou Jian.	N/A. The consideration was paid to Mr. Zou Kang.	N/A. The consideration was paid to Ms. Zou Jian.	N/A. The consideration was paid to Ms. Zou Jian.	N/A. The consideration was paid to Mr. Zhong Xin.	N/A. The consideration was paid to Wellink Management.

Investor	Mr. Zhang Zhicheng	Mr. Yang Bin		Mr. Zhou Hongbo		Wellman Investments
Benefits from the Pre-IPO Investment	Mr. Zhang Zhicheng is our chairman and executive Director with over 20 years of experience in the real estate and property management industry. While the acquisition of shareholdings in Chengdu Desun was conducted between Ms. Zou Jian and Mr. Zhang Zhicheng, we believe the interests of Mr. Zhang Zhicheng would align with that of our Group through his ownership in shareholding interests in our Company, which would benefit our Group from Mr. Zhang Zhicheng's extensive experience and business connections in the real estate industry.	The acquisitions of shareholdings in Chengdu Desun were solely commercial transactions determined and concluded between parties who were both existing shareholders of Chengdu Desun.				While the acquisition of shareholdings was conducted between Wellink Management and Wellman Investments, our Directors believe that the Pre-IPO Investment (i) is a demonstration of confidence from the Pre-IPO Investor in our operation, which serves as endorsement or our performance and prospects; and (ii) would benefit us from the commitment of the Pre-IPO Investor.
Special Right	No special right.	No special right.	No special right.	No special right.	No special right.	No special right.
Approximate percentage of issued Shares in relation to the Pre-IPO Investments upon completion of the Reorganisation but before the Global Offering	5.00%	1.10%		0.44%		1.00%
Approximate percentage of issued Shares in relation to the Pre-IPO Investments upon Listing (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised)	3.75%	0.83%		0.33%		0.75%

Notes:

1. This is derived based on 22,500,000 Shares to be held by Zhiyu Holding (an wholly-owned company of Mr. Zhang Zhicheng) attributable to the Pre-IPO Investment upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).

2. This is derived based on 4,950,000 Shares to be held by Binyang Holding (an wholly-owned company of Mr. Yang Bin) attributable to the Pre-IPO Investment upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).

3. This is derived based on 1,980,000 Shares to be held by Zhirui Holding (an wholly-owned company of Mr. Zhou Hongbo) attributable to the Pre-IPO Investment upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).

4. This is derived based on 4,500,000 Shares to be held by Wellman Investments attributable to the Pre-IPO Investment upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).

5. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$1.28 per Share, being the mid-point of the indicative Offer Price range of HK$1.10 to HK$1.46.

Information about the Pre-IPO Investors

The background of our Pre-IPO Investors are set out below:

(i) Mr. Zhang Zhicheng is our chairman and executive Director. We invited Mr. Zhang Zhicheng to join our Group in September 2020 in contemplation of the potential benefits and strategic advices that he can bring to our Group in light of his over 20 years of experience in the property services and property management industry, which we believe can further drive the growth of our Group. For further information on the background of Mr. Zhang Zhicheng, please refer to the paragraph headed "Directors and Senior Management – Directors" in this prospectus. The Pre-IPO Investment by Mr. Zhang Zhicheng was solely a commercial transaction determined and concluded based on negotiations between Mr. Zhang Zhicheng and Ms. Zou Jian, who was an existing shareholder. Nevertheless, to the best knowledge and information of our Directors, Mr. Zhang Zhicheng decided to invest in our Group as he was optimistic about the prospect of the property management service market in the PRC and the business of our Group.

(ii) Mr. Yang Bin was a former executive director of Chengdu Desun. Mr. Yang Bin resigned from the aforesaid position in May 2015, such that he could devote more of his time on his other business commitments outside of our Group, including his responsibilities as directors and senior management in the companies in Desun Group. There were no material disputes or disagreements between our Group and Mr. Yang Bin during the Track Record Period and up to the Latest Practicable Date.

The Pre-IPO Investments by Mr. Yang Bin were solely commercial transactions determined and concluded based on negotiations between Mr. Yang Bin and Mr. Zou Kang and Ms. Zou Jian, respectively, all of them being existing shareholders.

(iii) Mr. Zhou Hongbo is the vice president of Chengdu Desun. For further information on the background of Mr. Zhou Hongbo, please refer to the paragraph headed "Directors and Senior Management – Senior management" in this prospectus. The Pre-IPO Investments by Mr. Zhou Hongbo were solely commercial transactions determined and concluded based on negotiations between Mr. Zhou Hongbo and Ms. Zou Jian and Mr. Zhong Xin, respectively, all of them being existing shareholders.

(iv) To the best knowledge and information of our Directors, each of Wellman Investments and Mr. Cai Kui is an Independent Third Party. The Pre-IPO Investment by Wellman Investments was solely a commercial transaction determined and concluded based on negotiations between Wellman Investments and Wellink Management, who was an existing shareholder. Mr. Cai Kui is not subject to any lock-up restriction. Our Directors believe that Wellman Investments, decided to invest in our Group based on its own investment decision.

The consideration of each of the aforementioned Pre-IPO Investments by Mr. Zhang Zhicheng, Mr. Yang Bin and Mr. Zhou Hongbo was arrived at after arm's length negotiation between the relevant parties with reference to the net assets value of our Group as of 31 December 2020. On the other hand, the consideration of the Pre-IPO Investment by Wellman Investments was determined with reference to the initial costs of acquisition of shareholding interests in our Group by Wellink Management (which was in turn determined with reference to the net assets value of our Group as of 31 December 2020) plus a premium, which was the result of the commercial decision of the parties. To the best knowledge and information of our Directors, the discrepancies between the considerations of the Pre-IPO Investments and the Offer Price stem primarily from the non-listed status of our Group at the time of negotiation of the Pre-IPO Investments, whereas a premium was factored into the Offer Price to reflect the listing status, including the increased liquidity of the Shares upon the successful listing.

Nevertheless, to the best knowledge and information of our Directors, with respect to the Pre-IPO Investment by Mr. Zhang Zhicheng, in addition to the aforesaid pricing basis of the consideration, Ms. Zou Jian also considered (i) the extensive experience and business connection of Mr. Zhang Zhicheng in the property services and property management industry; (ii) the expected contribution of Mr. Zhang Zhicheng with his extensive experience and business network in real estate industry to our Group by aligning his own interests with our Group through ownership in shareholding interests in our Company, which would bring long term benefits to our Group and shareholders as a whole; (iii) the equity risk of investment in an unlisted company; (iv) that the Listing is conditional and may or may not go forward; and (v) the absence of divestment right in the Pre-IPO Investment.

On the other hand, with respect to the Pre-IPO Investments by Wellman Investments, to the best knowledge and information of our Directors, in addition to the pricing basis as aforementioned, the parties also took into account factors such as (i) the equity risk of investment in an unlisted company; (ii) that the Listing is conditional and may or may not go forward; and (iii) the absence of divestment right in the Pre-IPO Investment. While the Pre-IPO Investment was a private commercial arrangement between Wellman Investments and Wellink Management where our Group did not enjoy any monetary benefit, our Directors believe it is a demonstration of confidence from the Pre-IPO Investor in our operation, which serves as endorsement or our performance and prospects. Our Directors believe that we would leverage on Mr. Cai's knowledge and experience in the real estate industry.

Lock-up and Public Float

Each of Mr. Zhang Zhicheng, Zhiyu Holding, Mr. Yang Bin, Binyang Holding, Mr. Zhou Hongbo and Zhirui Holding (the "**Covenantors**") has voluntarily entered into a lock-up undertaking not to dispose of Shares acquired through the Pre-IPO Investments during the first six months from the date of Listing. Wellman Investments and its ultimate beneficial owners are not subject to any lock-up obligations after Listing.

Pursuant to the lock-up undertakings entered into by the Covenantors in favour of the Company, each of the Covenantors, unless he/it has obtained prior written consent of our Company or required by the applicable laws or regulations, he/it will not, and will cause his/its affiliates not to, at any time from the date of the Listing until the expiry of the six months after the Listing, (i) sell or contract to sell any Share; or (ii) enter into any transaction to sell any option, right, benefit or burden underlying any Share directly or indirectly with the same economic effect as any aforesaid transactions.

Upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-Allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised), the Shares held by (i) Zhiyu Holding (being wholly owned by Mr. Zhang Zhicheng, an executive Director) as to approximately 3.75%; (ii) Sky Donna (being wholly owned by Mr. Zou Kang, a non-executive Director and a Controlling Shareholder) as to approximately 62.06%; and (iii) Pengna Holding (being wholly owned by Ms. Zou Jian, a party acting in concert with Mr. Zou Kang and hence a Controlling Shareholder) as to approximately 2.88%, would not be counted towards the public float.

Save as disclosed above in this section and the section headed "Substantial Shareholders" in this prospectus, to the best of our Directors' knowledge, the remaining Pre-IPO Investors and Shareholders are not core connected persons of our Company. As a result, an aggregate of approximately 31.31% of the total issued Shares (upon completion of the Global Offering and assuming the Over-allotment Option is not exercised and the options granted under the Pre-IPO Share Option Scheme are not exercised) will be counted towards the public float.

Sole Sponsor's confirmation

Given that (i) the Listing will take place no earlier than 120 clear days after the completion of the Pre-IPO investments; and (ii) no special right has been granted to the Pre-IPO Investors which would survive after the Listing, the Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance (HKEX-GL29-12) and the Guidance Letter HKEX-GL43-12.

ACTING-IN-CONCERT ARRANGEMENT

On 17 December 2015, Mr. Zou Kang and Ms. Zou Jian (Mr. Zou Kang's sister) entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Chengdu Desun before entering into the agreement, and agreed to continue the same going forward. On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as Shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to, directly or indirectly through their respective wholly-owned company, continue to act in concert, and agreed to, among others, vote unanimously at all Shareholders' meetings, discuss and reach consensus with each other before proposing to Shareholders' meetings, and act in concert in respect of the business operations, governance and other key matters of our Company which shall be decided by the Shareholders.

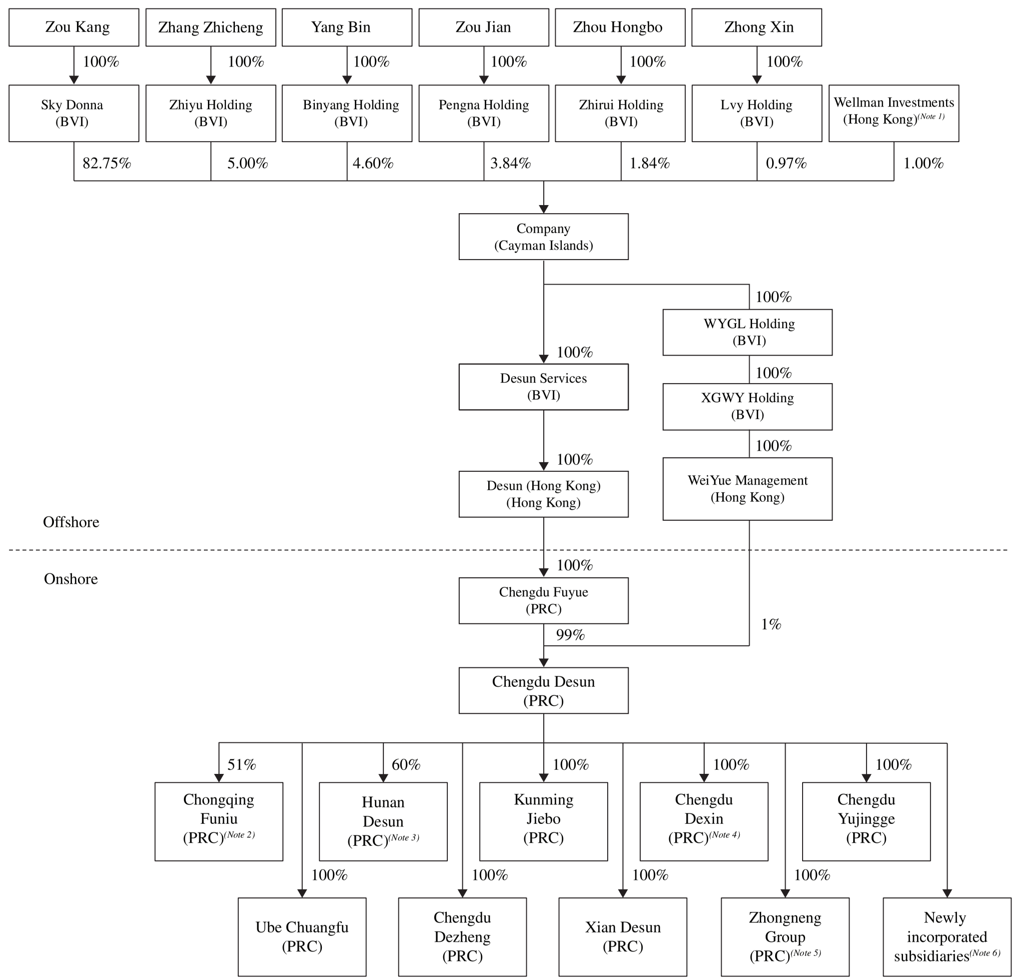
CAPITALISATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorised to allot and issue a total of 449,950,000 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of US$44,995 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares.

CORPORATE STRUCTURE

Our structure immediately prior to the Capitalisation Issue and the Global Offering

The following diagram illustrates our shareholding structure as at the Latest Practicable Date and immediately prior to the Capitalisation Issue and the Global Offering:



Notes:

1. Wellman Investments is a limited liability company incorporated in Hong Kong. The entire issued shares of Wellman Investments are ultimately held by a family trust set up by Mr. Cai Kui as the settlor. Mr. Cai Kui is a substantial shareholder (as defined in the Listing Rules) of Longfor Group Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 00960.HK)).

2. As at the Latest Practicable Date, with respect to the remaining 49% of equity interests of Chongqing Funiu, 29.4% and 19.6% of equity interests of Chongqing Funiu were owned by Chongqing Xinbenniu Property Management Co., Ltd. (重慶新犇牛物業管理有限公司) and Chongqing Zhuimeng Yihao Corporate Management Consultation Centre (Limited Partnership) (重慶追夢一號企業管理諮詢中心(有限合夥)), respectively, which were Independent Third Parties.

3. As at the Latest Practicable Date, the remaining 40% of equity interests of Hunan Desun was owned by Human Shulekang Internet of Things Technology Co., Ltd. (湖南舒樂康物聯網科技有限公司), which is an Independent Third Party.

4. As at the Latest Practicable Date, Chengdu Dexin held one joint venture, namely Chengdu Fulang, which was held as to 51% by Chengdu Dexin and 49% by Nanjing Langta Property Management Co., Ltd. (南京朗拓物業管理有限公司), which was an Independent Third Party.

5. As at the Latest Practicable Date, Zhongneng held the entire equity interest of Chengdu Jinjie, which in turn held the entire equity interests of Chengdu Baiyuejiacheng Business Management Co., Ltd. (成都栢悦嘉誠商業管理有限公司).

6. These refer to the subsidiaries of our Company in the PRC incorporated after the commencement of the Reorganisation and these subsidiaries had insignificant contribution to our Group during the Track Record Period as follows:

   (i) Chengdu Xiyueju Interior Design Co., Ltd. (成都璽悦居室內設計有限公司), a limited liability company incorporated in the PRC on 14 December 2020, which was owned as to 70% by Chengdu Desun and 30% by an individual who was an Independent Third Party as at the Latest Practicable Date.

   (ii) Shanghai Jiede Property Service Co., Ltd. (上海捷德物業服務有限公司), a limited liability company incorporated in the PRC on 21 January 2021, which was wholly-owned by Chengdu Desun as at the Latest Practicable Date.

   (iii) Chengdu Desun Qiming Property Service Co., Ltd. (成都德商啟銘物業服務有限公司), a limited liability company incorporated in the PRC on 18 March 2021, which was owned as to 70% by Chengdu Desun and 30% by Chengdu Qiming Lianxing Real Estate Marketing Planning Co., Ltd. (成都啟銘聯行房地產行銷策劃有限公司), which was an Independent Third Party, as at the Latest Practicable Date.

   (iv) Chengdu Desun Jinshangmei Property Service Co., Ltd. (成都德商錦上美物業服務有限公司), a limited liability company incorporated in the PRC on 30 April 2021, which is owned as to 60% by Chengdu Desun and 40% by Chengdu Jinshangmei Property Management Co., Ltd. (成都錦上美物業管理有限公司), which was an Independent Third Party, as at the Latest Practicable Date.

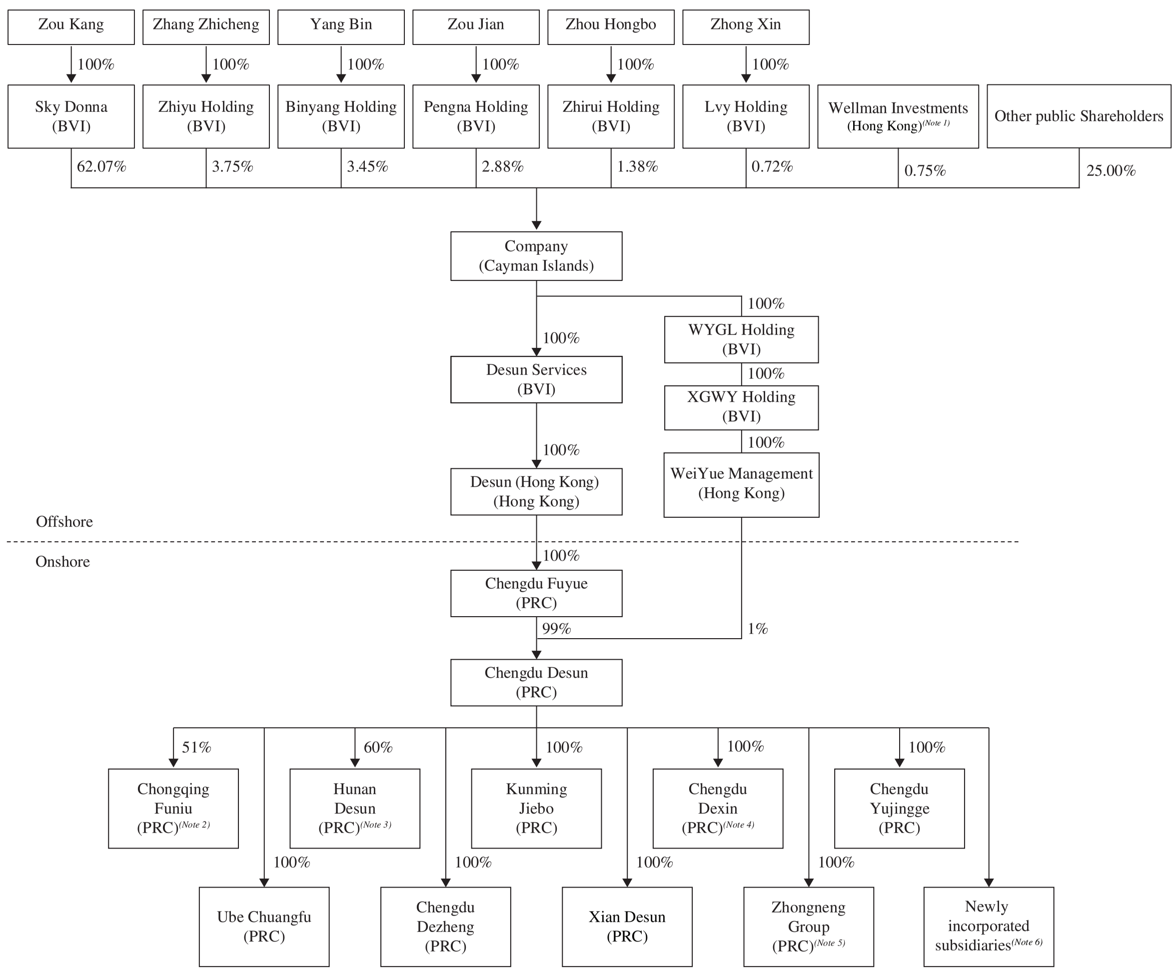
   (v) Sichuan Kaizhou Depin Property Management Co., Ltd. (四川凱州德品物業管理有限公司), a limited liability company incorporated in the PRC on 30 April 2021, which was owned as to 60% by Chengdu Desun, 25% by Deyang Kaizhou City Management Services Co., Ltd. (德陽市凱州城市管理服務有限公司) and 15% by Sichuan Yipin Tianxia Investment Management Co., Ltd. (四川一品天下投資管理有限公司) as at the Latest Practicable Date. Deyang Kaizhou City Management Services Co., Ltd. and Sichuan Yipin Tianxia Investment Management Co., Ltd. were Independent Third Parties.

   (vi) Sichuan Desun Xinjiang Commercial Management Co., Ltd. (四川德商鑫江商業管理有限公司), a limited liability company incorporated in the PRC on 7 July 2021, which was owned as to 70% by Chengdu Desun and 30% by Xinjiang Real Estate Co., Ltd. (鑫江置業有限公司) (which was an Independent Third Party) as at the Latest Practicable Date.

   (vii) Chengdu Desun Lixiang Chantou Property Service Co., Ltd. (成都德商理想產投物業服務有限公司), a limited liability company incorporated in the PRC on 7 July 2021, which was owned as to 50% by Chengdu Desun and 50% by Chengdu Ideal Times Property Management Co., Ltd. (成都理想時代物業管理有限公司) (which was an Independent Third Party) as at the Latest Practicable Date.

Our structure immediately following the completion of the Capitalisation Issue and the Global Offering

The following diagram illustrates our shareholding structure immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).



Notes (1) to (6): Please refer to the notes contained under the sub-section headed "Our structure immediately prior to the Capitalisation Issue and the Global Offering" in this section.

SAFE CIRCULAR 37

According to SAFE Circular 37 promulgated by SAFE, PRC residents are required to register with competent local SAFE branches regarding establishing or controlling offshore companies. Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or Circular 13, which was promulgated by the SAFE on 13 February 2015 and effective from 1 June 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As confirmed by our PRC Legal Advisers, Mr. Zou Kang, Mr. Zhang Zhicheng, Mr. Yang Bin, Ms. Zou Jian, Mr. Zhou hongbo and Mr. Zhong Xin who are PRC residents under SAFE Circular 37 had completed the process of initial registration by January 2021.

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisers, Chengdu Desun was converted from a domestic limited liability company to a foreign-invested enterprise upon the acquisition of equity interest in Chengdu Desun by WeiYue Management from Ms. Zou Jian. As WeiYue Management is an offshore Independent Third Party, the aforesaid acquisition of equity interests does not fall under the circumstances of "acquisition or merger by a foreign investor of an affiliated domestic company in the PRC" governed by the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"). Further, as Chengdu Desun was converted into a foreign-invested enterprise as aforementioned, the subsequent acquisition of 99% of equity interests of Chengdu Desun by Desun (Hong Kong) through Chengdu Fuyue in March 2021 therefore did not fall under the scope of application of the M&A Rules.

OVERVIEW

We are an integrated property management services and commercial operational services provider, ranking the fifth in terms of revenue generated in Chengdu among all companies providing both property management services and commercial operational services in Chengdu in 2020. We strive to provide property management services and commercial operational services for mid- to high-end residential properties and commercial properties. Our commercial operational services include providing market research services, tenant sourcing services, and shopping streets management services to developers and tenants. As at 31 May 2021, our GFA under management was approximately 4.2 million sq.m., among which, total GFA of residential properties under management was approximately 1.9 million sq.m., accounting for 44.7% of our GFA under management; total GFA of non-residential properties under management was approximately 2.3 million sq.m., accounting for 55.3% of our GFA under management. Our GFA under management grew from approximately 0.5 million sq.m. as at 31 December 2018 to approximately 3.8 million sq.m. as at 31 December 2020, representing a CAGR of approximately 175.7%. Our contracted GFA grew from approximately 1.3 million sq.m. as at 31 December 2018 to 6.8 million sq.m. as at 31 December 2020, representing a CAGR of approximately 128.7%. The average property management fee of our properties under management was RMB3.9 in FY2020, 50.0% higher than the average property management fee of RMB2.6 for properties in Chengdu and 105.3% higher than the average property management fee of RMB1.9 for properties in China according to Frost & Sullivan.

Our vision is to "create desirable and blessed living" (「創造美好福流生活」) and our mission is to "create value for customers, pursue happiness for those who strive, and proactively take the responsibility of improving the industry standard" (「為客戶創造價值、為奮鬥者謀幸福，為行業進步勇於擔當」). We have been dedicated to providing property management services along the real estate development chain and providing value service for property owners. We are headquartered in Cheng-Yu city cluster, which is the economic development driver of PRC southwest region, we serve our customers through management and operation of three types of their properties – (i) residential properties, (ii) shopping street and other commercial properties, and (iii) industrial parks and office buildings. Our properties under management are located at Cheng-Yu city cluster with a regional coverage. We are committed to deliver quality services and have established competitive market positions in mid- to high-end residential property management services and shopping street management services locally and regionally, and we have entered in the property management market in Guangdong Province, Jiangsu Province and Yunnan Province.

Our goal is to build and enhance our own brand and become a leading integrated property management service operator of mid- to high-end residential properties and commercial property operation in western China. Our objective is to strengthen our positions in Chongqing Municipality and Sichuan Province, while focusing on western China and aiming for nation-wide expansion (聚焦川渝，深耕西部，並佈局全國市場).

About us

We offer a wide array of services to cater to the different needs of customers which resides in various types of properties, including residential properties, shopping street and other commercial properties, industrial parks and office buildings. Focusing on the needs of customers in the real estate industry chain, we provide comprehensive property management and value-added services from covering market research, tenant sourcing, management of sales offices, quality assurance and maintenance, and commercial operational services to realise properties' asset value. We distinguish the different needs of commercial customers and residential customers based on the different scenarios of mid- to high-end residential properties, shopping street and other commercial properties. We provide customers of residential properties with real estate agent services, public space advertising and other value-added services. We provide brand planning, tenant sourcing, store display, marketing and other services for commercial customers, and provide leasing services, plants and decorations rental, hosting conferences and reception services for industrial parks and office buildings customers. In particular, we have extensive experience in serving customers in mid- to high-end residential properties.

We have invested and plan to continue to invest significant resources in systemic work-flows and technology to support our growth strategy, improve our productivity and bring better experiences for our customers. We have built a scalable platform that is well positioned to execute our growth strategy focused on: (i) meeting the growing properties service needs of residents pursuing higher quality lifestyles, (ii) creating asset value for shopping street and other commercial properties owners; and (iii) improving operation environment for enterprises in industrial parks and office buildings. Our proven track record of operational performance well-positioned us to capitalise on the attractive and growing real estate services industry in the Sichuan Province. The "Guiding Opinions on Promoting the Development of West China to Form A New Pattern in New Era (《關於新時代推進西部大開發形成新格局的指導意見》)" issued by the State Council in May 2020 has proposed to promote the transformation in quality, efficiency, and driving forces of economic development, coordinate the economic development with population, resources and environment in western China, and achieve the economic development of higher quality, efficiency and sustainability. According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain subsidiaries of our Group that are located in Sichuan Province and engaged in the encouraged business of property services management were entitled to a preferential CIT rate of 15% in 2018, 2019 and 2020. Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Cai Shui Fa [2020] No. 23), the tax preferential treatments were extended to 31 December 2030. Leveraging on the abovementioned preferential policies and favourable government policies and by providing product lines and service combinations that cater to market needs, we believe we are able to expand our market shares and services in the mid- to high-end residential, shopping street and other commercial markets in western China.

During the Track Record Period, we grew significantly by way of organic growth and business acquisitions. For example, in 2020, we acquired Zhongneng Group which engaged in both residential and non-residential property managements in six cities in Sichuan Province, contributing GFA under management and contracted GFA of approximately 2.5 million sq.m. and 3.3 million sq.m., respectively, to our property management portfolio as at 31 December 2020. Our total portfolio has GFA under management of approximately 3.8 million sq.m. as at 31 December 2020, representing a CAGR of approximately 175.7% from approximately 0.5 million sq.m. as at 31 December 2018, compared to a 3% average CAGR achieved by other property management companies in the PRC during the same period. In recent years, we achieved notable rankings among the Top 100 in China Property Service Companies, Top 50 of Property Services Companies in western China and Top ten Property Services Companies in Chengdu. In particular, we ranked 7th and 32nd in 2019 and 6th and 19th in 2020 among the "Top ten Property Services Companies in Chengdu" and "Top 50 Property Services Companies in western China", respectively; meanwhile, we were named an "Outstanding Property Enterprise for Sales Office Services in western China" (中國西部案場服務優秀物業企業), "Outstanding Enterprise for Commercial Property Services in western China" (中國西部商業物業服務優秀企業) and "Professional Enterprise for High-end Residential Property Services in western China" (中國西部高端住宅服務典範企業) by China Index Academy. We ranked 54th among the "Top 100 Property Services Companies in China" (中國物業服務百強企業) in 2021 and we were named as one of the "China's Leading Enterprises for High-end Property Services" (中國高端物業服務領先企業) by China Index Academy at the same time.

For FY2018, FY2019 and FY2020, we recorded revenue of RMB64.0 million, RMB69.1 million and RMB127.9 million, respectively, representing a CAGR of approximately 41.4% between 2018 and 2020. During the same period, our net profit was RMB31.4 million, RMB31.0 million and RMB42.9 million, respectively, representing a CAGR of approximately 16.9% between 2018 and 2020.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our market position in the property management industry in Sichuan Province and differentiated us from our competitors:

Rooted in Sichuan Province, we have a proven track record and are well-positioned to capture significant growth opportunities in the region.

Since our inception, we have benefitted significantly from the fast economic development in Sichuan Province facilitated by the favourable government policies. We are committed to providing full services and customer-value service in the real estate development chain. We believe that there will still be tremendous potential for growth given the continuous fast economic development in Sichuan and Chongqing as well as the larger western China.

Geographical location. In early 2000's, the PRC central government introduced western China Development and Chengdu-Chongqing Economic Zone, escalating development of western China. The Fifth Plenary Session of the 19th Central Committee of the Communist Party of China in 2020 once again studied the development of the "Sichuan-Chongqing Economic Circle". The policy consists of development components encompassing infrastructure (including transport and telecommunications), enticement of investments, promotion of education and environmental protection. The Sichuan-Chongqing region has excellent natural endowments, good industrial foundation, dense urban distribution, complete transportation system and rich human resources. It is an important urban and industrial cluster in China, and it is the region with the strongest overall economic strength in western China. The total GFA under management of residential properties reached 30.9 billion sq.m. in 2020, with a CAGR of 4.3% from 2015 to 2020 and the total GFA under management of non-residential properties reached 5.0 billion sq.m. in 2020, with a CAGR of 6.7% from 2015 to 2020. From 2015 to 2020, the total revenue of property management service companies in Sichuan-Chongqing Region increased from RMB31.2 billion to RMB55.1 billion, with a CAGR of 12.0%, higher than the CAGR of total revenue of property management services companies in China, which is 10.4%. Going forward, with the sustainable development of economy in Sichuan-Chongqing Region and the real estate market, the total revenue of property management services in Sichuan-Chongqing Region is expected to reach RMB92.4 billion in 2025, with an expected CAGR of 10.9% from 2020 to 2025. Exponential growths of the Sichuan-Chongqing region, have provided us, an enterprise originated from the region, ample opportunities for expansion.

We ranked the fifth in 2020 in terms of revenue of property management companies in Chengdu providing commercial operating service. We ranked 54th among the "Top 100 Property Services Companies in China" (中國物業服務百強企業) in 2021 and we were named an "China's Leading Enterprises for High-end Property Services" (中國高端物業服務領先企業) by China Index Academy.

Based on local, focus in the western China

We have built our company organically and through business merger and acquisition. Given our deep local insight and rich management experience, we are able to understand the needs of local customers, and identify suitable acquisition targets for business expansion. In August 2020, we successfully acquired Zhongneng Group, which has enhanced our business capability. Zhongneng Group contributed 2.5 million sq.m. of GFA under management in FY2020. More importantly, through the acquisition of Zhongneng Group, we expanded our business capability in relation to the provision of commercial operation and management services. We also diversified our customer base to include more properties developed by developers other than Desun Group.

Proven track record

For FY2018, FY2019 and FY2020, we recorded revenue of RMB64.0 million, RMB69.1 million and RMB127.9 million, respectively, representing a CAGR of approximately 41.4% between 2018 and 2020. During the same period, our net profit was RMB31.4 million, RMB31.0 million and RMB42.9 million, respectively, representing a CAGR of approximately 16.9% between 2018 and 2020. Our GFA under management grew from approximately 0.5 million sq.m. as at 31 December 2018 to approximately 3.8 million sq.m. as at 31 December 2020, and 4.2 million sq.m. as at 31 May 2021. We believe that we will continue to benefit from the escalated urbanisation attracting a growing population in Sichuan and Chongqing and progress on infrastructure and economic development.

We have built our own brand, which in turn strengthens our continuous and steady growth.

Since our establishment, we have always adhered to the mission of "creating value for customers, pursuing happiness for those who strive, and proactively take the responsibility improving the industry standard", bringing customers a pleasant life experience and generating capital value in assets. We strive to establish our brand to become one of the well-known brands in the industry in western China.

Positioning of our brand. Our brand is associated with quality services for the management and operation of mid- to high-end residential, shopping street and other commercial properties. According to the 2020 Industry Report on Property Management in western China published by China Index Academy, we were named an "Outstanding Property Enterprise for Sales Office Services", "Outstanding Enterprise for Commercial Property Services" and "Professional Enterprise for High-end Residential Property Services". According to the 2021 Industry Report on Property Management in China published by China Index Academy, we were named as one of the "China's Leading Enterprises for High-end Property Services".

With our professional service platform enabled by technologies, we deliver to the tenants and owners of the properties high quality services to enrich their lifestyles and to bring them better experiences, thus making them proud of ownership in the properties managed under our brand.

Brand and reputation-led continuous growth. Our brand continues to be recognised by our customers, employees and the industry. Given our efforts in protecting the neighbourhoods that we served during the pandemic in 2020, we received the honour of "Influential Model Branded Properties of the Communities" (社區共建–品牌影響力榜樣物業) from Huaxi Daily Huaxi Community Media (華西都市報,華西社區傳媒). In 2019, 2020 and 2021, we achieved notable rankings among the Top 100 in China Property Service Companies, Top 50 of Property Services Companies in western China and Top ten Property Services Companies in Chengdu. We are proud of the recognition of our services through honours awarded to our brand from the industry, media and communities. As our brand continues to embrace quality services, these recognitions will enhance our position to expand our market share and obtain new business opportunities.

With the breadth of our service offerings, we have the flexibility and capacity to customise service offerings based on specific needs of our customers and establish a unique integrated platform in the real estate service industry.

Building on traditional basic property management services, we focus on customer needs when designing our service offerings. We offer our services to the property industry chain, including project planning and consultation, sales and marketing services, sales offices property management and services, property delivery and maintenance services, as well as continuous property management and value-added services for owners and residents. We create value-added services catering for various needs of owners and residents. We regard each interaction with our customers as an opportunity to provide an extraordinary experience, deepening and strengthening our relationship while providing property services. Our services are offered with the goal to enhance the asset value of the residential properties, shopping street and other commercial properties, industrial parks and office buildings and provide outstanding service experience to customers. We believe that a flexible business model would enable us to increase operational leverage, translating revenue growth into increased profitability.

Full industry chain service capabilities. We provide services across the industry value chain, from planning and design, sale and marketing, completion certification to periodic maintenance and management services. Our services encompass market and feasibility studies in the early stage, consultation on sale and marketing in the middle stage and asset management and operation as well as quality property management in the later stage.

Sector and product diversification. Pivoted to the needs of our customers and considering the variety of requirements for residential properties, shopping street and other commercial properties and industrial parks and office buildings, we offer different property management services to our enterprise customers and individual customers. For residential properties, we aim to create high quality living ambience and amenities for our properties owners and residents. We offer interior design consultation, leasing and living environment improvement. For shopping street and other commercial customers, we provide multifaceted services including branding, sales and marketing, and store front redevelopment services. We also provide planning services on leasing space interior layout, conferencing and reception services. With a diverse portfolio of properties located primarily in Sichuan Province, and diversified service offerings encompassing property project planning and consultation to the property management services, we have diversified source of income that increase stability and over time lower our cost of capital. As a result of this diversity, we are able to seize attractive opportunities as they arise.

Collaboration with Desun Group over the past years has brought us steady growth in customer base for mid- to high-end residential properties and will continue to enhance our competitiveness.

Our synergies with Desun Group have formed the strong basis for our sustainable growth. Desun Group has extensive experience and resources in properties development, operation and management. Desun Group is a well-known property developer in China, and achieved ranking among Top 100 Real Estate Sales Revenue in China, Top ten Real Estate Sales Revenue in Chengdu and Top ten Brand Value of Boutique Real Estate Projects in China. Desun Group strives to focus on the development of mid- to high-end residential properties. We gained our management experience of mid- to high-end residential properties through the collaboration with Desun Group. We had contracted but undelivered GFA of approximately 3.2 million sq.m. as at 31 May 2021, comprising 24 projects, most of which were developed by Desun Group and most of those in Chengdu were mid- to high-end residential properties.

We have established our market position in Chengdu from years of expansion and Desun Group's strategic advantages here. As a Desun Group's preferred property management service provider given our specialty, we benefit from its geographical expansion and expect to continue to be the property management service provider in projects developed by Desun Group in the foreseeable future.

Deriving from our association with Desun Group, we have been able to capture the opportunities arising from its expansion in the mid- to high-end residential properties development. Through years of cooperation with Desun Group, we have gained valuable experience in the whole real-restate value chain, from planning and development to sales office services and post-delivery project operation. These experiences have prepared us to deliver quality services to other customers engaged in mid- to high-end residential property development on a stand-alone basis.

We have an experienced and creative executive leadership, completed by our competitive and talented team, as well as a comprehensive human capital management system, to support our sustainable growth.

Our most valuable assets are our employees and their talents. Under the leadership of a senior management team with extensive property management experience, we have gathered a professional team with superior execution capabilities. We are focused on management development, strong assessments and aligning interests of our employees with ours to drive strong operational performance and continued innovation. The investment into our talent helps to foster a strong organisational culture, leading to employee satisfaction and strengthening their commitment to our company.

Experienced executive leadership. Our executive management team currently consists of professionals possessing a diverse set of backgrounds across complementary expertise and disciplines. Mr. Zhang Zhicheng (張志成), being our chairman of the Board, has more than 20 years of experience in the real estate and property management industry in China. Our chief executive officer, Mr. Zhou Youbo, served as the director of Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a property management service joint stock company incorporated in the PRC with limited liability listed on the Stock Exchange (Stock code: 02606.HK), and the general manager of property of Chengdu Heneng Group (成都合能集團), which is engaged in real estate development, commercial operation and management services and property management. For details of the experience and qualification of our executive management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our executive management team brings with them years of institutional and industry knowledge and experience that support our growth initiatives.

Comprehensive human capital development and management system. For our continuous and stable development, we strive to recruit suitable talents for us. Through communication with the human resources department and in-depth analysis of our business, we find matching candidates from different industries. After commencement of work, we continue to pay attention to their performance, and give feedback to their supervisors from time to time to help them integrate into the team as soon as possible. We also set up "management" and "professional" career promotion channels. Employees can choose different promotion channels according to their own conditions. The promotion channels create a career development platform for employees with dreams and goals. The growth of employees is inseparable from training and assessment. Through assessment, we can grasp the shortcomings of employees, and provide targeted training to support their continued success.

OUR BUSINESS STRATEGIES

Our goal is to be a leading property service provider for (i) mid- to high-end residential properties and (ii) shopping street and other commercial properties in western China. To achieve our goal, we intend to implement the following strategies:

Continue to scale up our business to increase our market share and strengthen our position in the region and industry.

We believe these efforts will further strengthen our industry position in Chengdu.

Grow organically and pursue suitable opportunities. We are prepared to continue to grow organically and through suitable acquisitions. For instance, in August 2020, we acquired Zhongneng Group and increased the number and square footage of (i) residential properties and (ii) shopping street and other commercial properties significantly. We will opportunistically pursue attractive acquisitions to improve our offerings to customers across geographies and service lines. We plan to selectively acquire, invest in or establish joint ventures with, property management and commercial property operational service providers with complementary strengths or with targeted operation scale and profitability. We also intend to identify and selectively acquire the rights to manage and operate commercial properties, either in operation or under construction. We believe through strategic investments, acquisitions and market expansion, we can diversify our service offerings, enhance our geographic distribution and market shares, and realise economies of scale. We expect to be able to continue to find, acquire and integrate acquisitions to drive growth and improve profitability. See the section headed "Future Plans and Use of Proceeds" in this prospectus for details of our selection criteria of acquisition targets. In addition, we will continue to scale up our business organically. Based on our experience in managing properties and serving properties' owners and residents of the properties we manage, we intend to strategically expand our business through collaboration with Independent Third Parties and increasing our marketing efforts. In particular, we are interested in cooperating with small and medium sized property developers with limited property management capabilities, and local government investment platforms that are usually not equipped with property management experience. We will continue to work with Desun Group to secure new engagements of property management and commercial operational services for properties developed or owned by Desun Group for a stable expansion of our business.

Maintain brand advantage and business model. Our brand popularity, cooperation experiences with Desun Group, and excellent team have ensured us to deliver quality services to third parties on a stand-alone basis without heavy capital investment. We focus on mid- to high-end residential property service and commercial property management as major business and operation to secure an advantage of stable cash flow. In addition, for cost control purposes, we invest in technology to increase management efficiency, optimise management cost and human resource cost, we also outsource certain services to optimise our cost structure. We will continue to maintain low capital expenditures and costs. In addition, we expect to reinvest this cash flow into our services platform as well as acquisitions to drive our growth continually.

Leverage our breadth of services, efficient resources allocation, creative service solutions, and various value-added services to achieve superior customer satisfaction.

We will continue our operation principle to focus on our customers when planning and delivering our services, particularly in the mid- to high-end residential properties service market. In order to improve customer experiences and increase customer loyalty and satisfaction, we will continue to efficiently allocate our resources across our multiple service lines and create various value-added services. The value-added services and amenities we provide and the quality of the our property management services and technology innovations will foster strong customer relationships by exploring and being responsive to their needs. Our attention to detail is integral to serving our customers and building our brand.

Expand value-added service offerings in mid- to high-end residential properties. Our current scale and position create significant opportunity for growth by delivery of services to existing and potential customers across multiple service lines. Leveraging on our understanding on the demand of mid- to high-end property owners as well as resources integration, we provide various value-added services. For instance, we plan to continue to optimise our value-added services for our customers in the residential properties in various aspects such as property delivery inspection, entrusted maintenance, housekeeping, sales of properties, property management, organisation of community activities, etc. We also plan to offer renovation services to property developers, including decoration of sales offices. We believe these initiatives will enrich our customer’s experiences and enhance their loyalty to our company.

Promote value-added services for non-residential properties. We intend to put stronger emphasis on serving our customers from the non-residential properties sector, which includes shopping streets, office buildings and industrial parks. We plan to provide solutions to meet their business needs such as branding and positioning consultancy services for their development projects, business promotion, sales agency and marketing. We also plan to promote value-added services for industrial parks and offices such as leasing services, indoor rental, conferences hosting and reception services.

We will deploy information technologies to improve customer experience and increase operational efficiency.

We have deployed information technologies to our property services platforms and workflow processes to improve customer engagement and operational efficiency.

Information management. We plan to continue to invest in technology to upgrade and transform our various information management systems to improve the efficiencies in managing our financials, human sources, customer relationships, and business intelligence, etc. We have started and will continue to digitally transform the corporate management system to further improve our operational efficiency.

Smart community management. Leveraging on our property management expertise, we plan to launch a property management system that utilises information technology to centralise access control, parking lot management, security monitoring and office building management. This system is scalable and can effectively integrate services into the properties we manage, which in turn improve the efficiency of our services and enhance customer experience.

Intelligent customer services. We plan to utilise the Internet of Things to create an online services platform to provide a wide array of services, such as home refurbishment, butler, lease and merchant management services.

Invest in our human capital by recruiting and retaining top talent.

We believe our people are key to our success. We endeavour to attract and retain high quality employees at all levels and we will continue to invest in our human capital.

Recruit and retain top talent. We will continue to invest in our human resources to attract talent and ensure stability of our executive team. To that end, we intend to maintain competitive remuneration package and benefits programmes to incentivise the top talents.

Allocate resources effectively. Our professionals come from diverse backgrounds and expertise. We will continue to tailor our training programmes and place them at roles which optimise each employee's specialty and talent. We will also reward them according to their performance and capabilities.

Establish a career development program. We plan to develop a career development programme, which we believe will motivate our people to develop their specialty and align our success with our employees. We intend to provide suitable promotion opportunities and clear career paths for our employees. We will achieve long-term success with our employees who are committed to delivering superior services to our customers and advancing in our career development program.

OUR BUSINESS MODEL

We serve our customers through management and operation of their properties across four sectors – (i) residential property management services; (ii) non-residential property management services; (iii) value-added services for non-property owners; and (iv) value-added services for property owners.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**34,184**	**49.5**	**61,435**	**48.0**	**17,078**	**46.1**	**45,989**	**51.6**
Residential property management services	11,303	17.6	15,530	22.5	27,794	21.7	8,989	24.3	17,766	19.9
Non-residential property management services	18,850	29.5	18,654	27.0	33,641	26.3	8,089	21.8	28,223	31.7
Value-added services	**33,811**	**52.9**	**34,932**	**50.5**	**66,487**	**52.0**	**19,975**	**53.9**	**43,170**	**48.4**
– for non-property owners*	28,959	45.3	29,724	43.0	55,766	43.6	17,750	47.9	35,464	39.8
– for property owners	4,852	7.6	5,208	7.5	10,721	8.4	2,225	6.0	7,706	8.6
Total	**63,964**	**100.0**	**69,116**	**100.0**	**127,922**	**100.0**	**37,053**	**100.0**	**89,159**	**100.0**

* A majority of our Group's value-added services revenue for non-property owners during the Track Record Period was generated from Desun Group.

During the Track Record Period, we generated a majority of our revenue from services provided to properties located in Chengdu. The table below sets forth the breakdown of our revenue, gross profit and gross profit margin by geographical location:

	FY2018			FY2019			FY2020			5M2020			5M2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Chengdu, Sichuan Province															
Property management services	30,153	14,133	46.9	34,184	15,921	46.6	53,133	23,490	44.2	17,078	9,374	54.9	34,763	13,222	38.0
Value-added services	32,713	23,904	73.1	29,844	18,363	61.5	53,380	33,823	63.4	16,931	10,476	61.9	32,992	17,975	54.5
Others(1)															
Property management services	–	–	–	–	–	–	8,302	705	8.5(2)	–	–	–	11,226	1,364	12.2
Value-added services	1,098	122	11.1	5,088	1,576	31.0	13,107	4,652	35.5	3,044	1,318	43.3	10,178	2,338	23.0
Total	63,964	38,159	59.7	69,116	35,860	51.9	127,922	62,670	49.0	37,053	21,168	57.1	89,159	34,899	39.1

Notes:

(1) Includes other cities in Sichuan Province and other provinces including Guangdong Province, Jiangsu Province and Yunnan Province.

(2) With respect to the properties under our management which we incurred gross losses in FY2020 and 5M2021, most were located in other cities in Sichuan Province. As a result, our gross profit margin for property management services provided to properties located in other cities was lower compared to that for property management services provided to properties located in Chengdu in FY2020 and 5M2021. Please refer to the section headed "Business – Property management services – Lump sum basis" for further details.

We provide management services for residential properties and other non-residential properties comprising shopping street and other commercial properties, industrial parks and offices, and provide various value-added services to property owners and non-property owners to meet their needs.

Our residential and non-residential property management services can be categorised into:

- Property management services, including security, cleaning, greening and gardening services, as well as repair and maintenance services to (i) property developers for properties prior to their delivery, and (ii) property owners, property owners' associations or residents for properties sold and delivered;

- Value-added services to non-property owners, primarily property developers, including (i) pre-delivery and sales assistance services; (ii) assets management services; and (iii) commercial operational services;

- Value-added services to property owners, including (i) owners' asset-related services, including real estate agent services and assets management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community services, including community group bulk purchases and travel agency services.

PROPERTY MANAGEMENT SERVICES

We have been providing property management services since 2012. As at 31 May 2021, we managed 30 properties with an aggregate GFA under management of approximately 4.2 million sq.m.

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

	As at 31 December			As at 31 May
	2018	2019	2020	2021
Number of properties we were contracted to manage[1]	7	11	50	54
Contracted GFA *(sq.m. in thousands)*	1,271.6	1,970.0	6,778.9[3]	7,365.3
Number of properties under management[2]	4	4	27	30
GFA under management *(sq.m. in thousands)*	533.5	792.0	3,834.6	4,154.2

Notes:

(1) Refers to all properties which we entered into the relevant operating property management service agreements, which may, in addition to properties under management, also include properties that have not been delivered to us for property management purposes.

(2) Refers to properties that have been delivered to us for property management purposes.

(3) To the best knowledge of our Directors, the majority of the contracted but undelivered GFA as at 31 December 2020 are expected to be delivered to us within the next two years.

The following table illustrates the revenue from property management services and GFA under management by type of properties for the periods indicated:

	FY2018			FY2019			FY2020			5M2020			5M2021		
	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	GFA under management
	RMB	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*
							(in thousands, except for percentage)								
Residential properties	**11,303**	**37.5**	**422.7**	**15,530**	**45.4**	**681.2**	**27,794**	**45.2**	**1,638.6**	**8,989**	**52.6**	**681.2**	**17,766**	**38.6**	**1,858.5**
Non-residential properties	**18,850**	**62.5**	**110.8**	**18,654**	**54.6**	**110.8**	**33,641**	**54.8**	**2,196.0**	**8,089**	**47.4**	**168.0**	**28,223**	**61.4**	**2,295.7**
Office buildings	18,850	62.5	110.8	18,654	54.6	110.8	23,854	38.8	283.8	7,469	43.8	110.8	14,828	32.3	283.8
Shopping malls and streets	–	–	–	–	–	–	6,602	10.7	1344.5	–	–	–	8,270	18.0	1372.2
Industrial parks	–	–	–	–	–	–	3,185	5.3	567.7	620	3.6	57.3	5,125	11.1	639.7
Total	**30,153**	**100.0**	**533.5**	**34,184**	**100.0**	**792.0**	**61,435**	**100.0**	**3,834.6**	**17,078**	**100.0**	**849.2**	**45,989**	**100.0**	**4,154.2**

Property management fees primarily depend on the tier of the cities in which the properties under our management were located. The age, quality, location and other attributes of the properties play a role in determining the property management fees charged by us. In general, properties within the same city that (i) are located in city centre with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees. See paragraph headed "Business – Our Pricing Policy" in this prospectus below for discussion of our changes in management fee per sq.m.. Please refer to the paragraph headed "Financial Information – Description of certain consolidated profit and loss statements items – Average property management fee" for detailed breakdown of our property management fees by property types and property developers.

Scope of traditional property management services

In order to focus on our core competencies, we may elect to subcontract services apart from key management responsibilities, such as security, cleaning, greening and gardening, and repair and maintenance services.

We primarily provide the following types of property management services.

- *Security*. We provide security services to ensure that the properties under our management are safe and in good order. In particular, we dispatch security staff to routinely patrol the properties, set up surveillance over common areas, verify identities of visitors and visiting vehicles, and handle emergencies. We use a combination of internal staff and subcontractors to provide security services.

- *Cleaning, greening and gardening services*. We provide general cleaning, pest control, greening and gardening services to the properties under our management through our subsidiaries and third-party subcontractors.

- *Common area facility repair and maintenance services*. We are generally responsible for the maintenance of (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates, fences and surveillance cameras; and (iv) utility facilities such as electricity generators, power distribution equipment, water pump rooms, water supply and drainage systems. We use a combination of internal staff and external subcontractors to provide repair and maintenance services.

Property management fees

We charge property management fees mainly on a lump sum basis where we act as the principal provider of property management services, and recognise the entire amount received or receivable from property developers, property owners and residents as our revenue over the service period, and all related costs as cost of sales over the service period. Our revenue from property management fees charged on a lump sum basis accounted for approximately 100%, 100%, 98.9% and 99.0% of our revenue from property management services in FY2018, FY2019, FY2020 and 5M2021, respectively. The lump sum basis is also the dominant revenue model in the property management industry in the PRC according to Frost and Sullivan.

The following table sets forth a breakdown of our total GFA under management as at the dates indicated, and revenue from property management services by revenue model during the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	As at 31 December 2018 GFA under management	FY2018 Revenue		As at 31 December 2019 GFA under management	FY2019 Revenue		As at 31 December 2020 GFA under management	FY2020 Revenue		As at 31 May 2021 GFA under management	5M2021 Revenue	
	Sq.m.	*RMB*	*%*	*Sq.m.*	*RMB*	*%*	*Sq.m.*	*RMB*	*%*	*Sq.m.*	*RMB*	*%*
						(in thousands, except for percentages)						
Lump sum basis	533.5	30,153	100.0	792.0	34,184	100.0	3,638.7	60,741	98.9	3,870.3	45,544	99.0
Commission basis	–	–	–	–	–	–	195.9	694	1.1	283.9	445	1.0
Total	**533.5**	**30,153**	**100.0**	**792.0**	**34,184**	**100.0**	**3,834.6**	**61,435**	**100.0**	**4,154.2**	**45,989**	**100.0**

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

Lump Sum Basis

Under the lump sum basis, we charge a fixed amount of predetermined property management fee on a monthly basis which represents an all-inclusive fee for all property management services provided by us and our subcontractors. We are entitled to retain the full amount of property management fees received from property developers, property owners and residents. We also bear property management service costs, which we recognise as our cost of sales. If the property management fees we charge during the term of a property management service agreements are not sufficient to cover all the costs incurred, we may not request the property developers, property owners or residents to pay us the shortfall.

	FY2018[(1)]	**FY2019**	**FY2020[(2)]**	**5M2021[(3)]**
Number of loss-making projects	1	–	4	4
Aggregate gross loss amount	RMB26,000	–	RMB898,000	RMB686,000
Aggregate revenue generated from such loss-making projects	RMB1.2 million	–	RMB1.7 million	RMB1.9 million
Percentage of our total revenue	1.8%	–	1.3%	2.1%

Notes:

1. We recorded losses for a residential property project in FY2018 mainly because only less than 10% of the GFA of this residential project was delivered. This project turned profit-making in FY2019 and FY2020. We continued to provide property management services to this loss-making project.

2. Among the four loss-making projects in FY2020, two were commercial properties, one was residential property and one was industrial park.

   a. We recorded losses for a commercial property project in FY2020 and 5M2021 because we started managing this project in FY2020, and only a portion of the GFA of this project was delivered in FY2020 and 5M2021. We expect to derive more revenue from this project along with the delivery of the remaining GFA.

   b. We recorded loss for a commercial property project in FY2020 and 5M2021 which was delivered five years ago. We provide both property management services and value-added services to this commercial property project. We aim to obtain two streams of income from these services and achieve overall profitability in this project. We decided to continue to provide property management services to this commercial project because the profit from commercial operational service can make up for the losses in property management services.

   c. We recorded loss for a residential project which we charged discounted property management fee for the first two years after delivery in FY2019 and FY2020. From the third year after delivery or 2021, we will resume the regular price for this project as set out in the property management service agreement.

d. We recorded loss for an industrial park project in FY2020 because we invested relatively more resources on staffing and supplies into this property project to build customer trust as it was our benchmark project which is expected to further enhance our reputation and marketing position. We expect the project to turn profit-making in FY2021 as additional GFA will be delivered for this industrial park project.

e. We continued to provide property management services to these four loss-making projects for FY2020.

3. Among the four loss-making projects in 5M2021, all of them were commercial properties.

a. We recorded loss for a commercial property project in 5M2021 because the property developer faced financial difficulty and failed to provide subsidy to the project as agreed. We terminated this agreement in March 2021 after assessing the risk.

b. We recorded loss for a commercial property project in 5M2021 because we made some severance payment to restructure the on-site workforce. We expect this project will turn profitable for the year ending 31 December 2022. We continued to provide property management services to this project.

c. Please also refer to notes 2(a) and (b) above.

We have implemented various measures, including conducting cost analysis prior to determining our resources to be allocated to a property project based on our expected gross profit margin, and conducting regular budget reviews to prevent or reduce any losses. For the loss-making projects, we will monitor closely and may exit if we do not expect to turnaround the gross loss within a short period of time, taking into account the overall profitability of the project and our business strategy.

Commission Basis

Revenue from property management services derived on a commission basis represented nil, nil, 1.1% and 1.0% of our revenue from property management services in FY2018, FY2019, FY2020 and 5M2021, respectively. We recognise a predetermined property management commission fee, generally representing 5-10% of the property management fees, as revenue, while the remainder serves as working capital to cover the property management costs and expenses incurred. We essentially act as an agent to recruit, organise and coordinate various property management services.

Management office of each property typically uses our finance department to collect and make property management services related payments. If the working capital balance of a property is insufficient to cover costs and expenses incurred, the shortfall is recognised as trade receivable subject to impairment. See the paragraph headed "Risk Factors – Risks relating to our business and industry – we may fail to recover all payments made on behalf of property owners and residents of the properties managed on a commission basis" in this prospectus for details. When the end balance after paying for all property management costs and expenses is positive, the balance is carried over to the next year.

Property management service agreements

During the Track Record Period, we generally obtained preliminary property management service agreements by participating in tenders, a process by which property developers evaluate and select from multiple property management companies. Tender invitations are usually issued by property developers for properties under development before sales commence, or from property owners' associations for properties that wish to replace their existing property management service provider.

We provide property management services to a majority of the residential properties developed by Desun Group. We also provide property management services to properties solely developed by other property developers which are Independent Third Parties. We procure most of our property management service agreements through standard public tender procedures regulated by the applicable PRC laws and regulations, including property management service agreements with respect to properties developed by Desun Group. We adopt the following strategies in bidding for new projects: (i) we collect essential information such as property size, type, target customer type, target property sales price, construction blueprints, among others; (ii) we obtain information on local regulations on property management pricing, utility fee collections, elevator fees, among other potential fees; (iii) we research the fees charged in surrounding properties and analyse their delivery times, property scales, types, and property management fees; and (iv) we prepare a proposed pricing plan which we submit to our operations management centre for review and approval.

After we receive tender invitations and file such invitations with the relevant local authorities, we begin the pre-qualification process and prepare tender materials. Our tender materials will then be evaluated by the property developers or property owners' associations which will inform us whether our bidding is successful. If successful, we will enter into property management agreements with regards to such properties and begin generating revenue.

We primarily procured residential property management service agreements from Desun Group through standard public tender procedures regulated by applicable PRC laws and regulations, whereby the tenders would be evaluated by a tender evaluation committee established by Desun Group in accordance with the Interim Measures for the Administration of Tendering and Bidding for Preliminary Property Management (前期物業管理招標投標管理暫行辦法). The tender evaluation committee shall consist of no less than five members, including (i) at least a two-thirds majority of property management experts who are independent of our Group and are selected on a random basis from a list of experts compiled by the local real estate administrative department; and (ii) the representative members from Desun Group. Generally, in determining the property management service provider to whom the property management projects will be awarded, the tender evaluation committee of Desun Group evaluates the tender bids received based on certain criteria, including reputation, quality and scope of service, relevant experience and capability to meet the service requirements. As confirmed by our Directors and Desun Group, Desun Group does not give any preferential treatment in the selection process and we are not automatically granted residential property management agreements simply due to our relationship with Desun Group.

Benefiting from our expertise on mid- to high-end residential property management services and our long-term relationship with Desun Group, we were able to provide property management services with quality and a wide range of ancillary services which we believe can enhance the brand image of Desun Group. At the same time, we have dedicated a team to provide tailor-made services to Desun Group according to its specific need for each project. Due to our long term relationship with Desun Group, our Directors consider that we understand better and are more familiar with the requirements and quality standards of Desun Group than our competitors, thus enabling us to have competitive advantages to secure Desun Group's property management service contracts.

During the Track Record Period, we recorded a tender success rate of 100% in bidding for properties developed by Desun Group. Our Directors consider that the 100% tender success rate was attributable to (i) our strategy to bid for projects after comprehensive feasibility analysis; (ii) our ability in generating accurate and timely financial data, which is helpful in projecting our operating costs when managing a particular property's expenses and in preparing our tendering documents; (iii) our well-established presence and reputation in western China; and (iv) our good relationship with Desun Group.

In FY2020, we started to bid for properties developed by third party developers. The tender success rate in FY2020 in bidding for properties developed by third party developers was 40%. Our Directors believe that the lower tender success rate in bidding for properties developed by third party developers was mainly because (i) we endeavoured to explore more business opportunities by actively participating in a number of tendering and bidding processes; and (ii) we needed time to attain the trust and confidence of third party developers and establish cooperative relationships.

The following table illustrates the number of tenders submitted by us and our tender success rate for properties developed by Desun Group and Independent Third Parties by property types during the Track Record Period and for the five months ended 31 May 2021:

	FY2018			**FY2019**			**FY2020**			**For the five months ended 31 May 2021**		
	No. of tenders submitted	**No. of successful tenders**	**Tender success rate**	**No. of tenders submitted**	**No. of successful tenders**	**Tender success rate**	**No. of tenders submitted**	**No. of successful tenders**	**Tender success rate**	**No. of tenders submitted**	**No. of successful tenders**	**Tender success rate**
Residential properties	**3**	**3**	**100%**	**4**	**4**	**100%**	**13**	**13**	**100%**	**4**	**3**	**75%**
– Desun Group	3	3	100%	4	4	100%	13	13	100%	3	3	100%
– Independent Third Parties	–	–	–	–	–	–	–	–	–	1	0	0%
Non-residential properties	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**2**	**40%**	**7**	**3**	**43%**
– Desun Group	–	–	–	–	–	–	–	–	–	–	–	–
– Independent Third Parties	–	–	–	–	–	–	5	2	40%	7	3	43%
Total	**3**	**3**	**100%**	**4**	**4**	**100%**	**18**	**15**	**83%**	**11**	**6**	**55%**

Key terms of agreements with property developers or property owners

Our property management service agreements with property developers and property owners typically include the following key terms.

- *Scope of services*. A typical agreement with a property developer sets out the scope of services, which typically includes the design of property management policies and protocols, facility management, security, cleaning, greening and gardening, traffic control and road maintenance, and home refurbishment. We also occasionally offer household repair and maintenance, housekeeping and property inspection services.

- *Performance standards*. The agreement sets forth specific standards and frequency for our main services.

- *Property management fees*. The agreement sets forth the amount of property management fees and the GFA covered, as well as whether the fee is payable on a lump sum or commission basis. The property developer is responsible for paying the property management fees for unsold property units, which typically begin to accrue upon the execution of the property management service agreement and such fees will be borne by the property purchaser upon the delivery of the relevant unit. We also charge a late fee for overdue property management fees, which is typically a percentage of the overdue amount. For properties that have carparks, we also set out our fee rate for each carpark space.

- *Payment terms*. Property management fees are typically due in advance on a quarterly or semi-annually basis.

- *Rights and obligations of property developer*. The property developer is entitled to (i) supervise our services according to the standards included in the agreement; and (ii) review and approve property management service plans and management policies. The property developer is typically responsible for (i) offering us the necessary office space to carry out our services; (ii) cooperating with our work; (iii) informing property owners and residents of their obligations to pay property management fees and follow property management policies; (iv) handling certain repair and maintenance obligations; and (v) offering records, blueprints and other documents as necessary.

- *Rights and obligations of property owners' associations.* According to the relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interests in matters concerning property management. The property owners' association's decisions are binding on all property owners. As advised by our PRC Legal Advisers, the agreements between property owners' associations and property management companies are valid and legally binding on property owners represented by property owners' association, even if the property owners are not themselves parties to such agreement. As a result, we have legal claims against property owners for accrued and outstanding property management fees. The property owners' association has the right to (i) renew agreements with us or terminate us for cause; (ii) supervise the use of public funds and the management of common areas and public facilities; and (iii) review our annual budget and property management plans. Under the supervision of property owners, property owners' associations are responsible for (i) ensuring timely payment of property management fees and contributions to specialised repair funds; (ii) cooperating with our property management services; (iii) keeping necessary records; and (iv) offering us office space to carry out our work.

- *Our rights and obligations*. We are entitled to receive property management fees according to the relevant provisions in the agreement. We are responsible for (i) providing the services included in the agreement; (ii) cooperating with the supervision by property developers; (iii) monitoring property use; (iv) publicly disclosing the property management fees collected and expensed; and (v) offering relevant records and materials as necessary.

- *Term of service*. For agreements entered into with property developers, they typically expire after the property owners' association is established and new property management service agreements are entered into. We entered into two property management agreements with property owners' association during the Track Record Period, which had a term of three and five years respectively. If a property owners' association decides not to renew the agreement, it typically has to provide two- to three-month prior written notice. We may be responsible for transitioning the property management work to our successor. Both the property owners' association and us have the right to terminate the agreement prior to the expiration of the agreement term. Such causes typically include our failure to offer satisfactory services pursuant to the service standards included in the agreements, or property owners' association's failure to cooperate with our work which leads to our economic losses.

- *Dispute resolution*. Parties are typically required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

After delivery of the properties to the property owners, they may form and operate property owners' associations. However, a general meeting of the property owners of a property may dismiss a property management company with affirmative votes with more than half of the total GFA under management of the property as well as more than half of the voting rights. For properties where we have entered into property management service agreements with property developers without fixed terms, property owners and residents are obligated to pay property management fees to us until the property owners' associations enter into new agreements with the property management companies selected by of the property owners and the new agreements becoming effective.

As at 31 May 2021, three out of twelve residential properties under our management established property owners' associations. The property owners' associations are independent from us. To secure and renew property management service agreements, we strive to provide quality services at competitive prices.

Key terms of property management service agreements for non-residential properties

We enter into property management service agreements with property owners or property developers for the management of non-residential properties including shopping street and other commercial properties, industrial parks and office buildings. Our property management service agreements for non-residential properties typically include key terms such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions.

According to the current laws and regulations of the PRC government, there is no regulatory requirement that the selection and renewal of non-residential properties should be conducted through tender process. We generally enter into preliminary property management agreements with property developers of non-residential properties. After delivery of the non-residential property, the property owner may select property management service provider by quotation invitation or by public tender.

Our Pricing Policy

For our property management services, we generally price our services based on a number of factors, including (i) the types and locations of the properties; (ii) the scope of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties. Under the property management service agreements, we may raise property management fees upon renewal of the agreements after negotiations with property owners and residents. For our value-added services, we generally price on cost-plus basis with reference to (i) the scope of our services; (ii) our target profit margins; (iii) the pricing of comparable properties; and (iv) the rate charged by our competitors within the same area.

For residential properties, the relevant price administration department and construction administration department of the State Council are jointly responsible for supervising property management fees and issuing relevant guidance. See the paragraph headed "Regulatory Overview – Regulations on Property Management Service Charges" in this prospectus for details.

Property management fees primarily depend on the tier of the cities in which properties under our management were located. The age, quality, location and other attributes of properties play a role in determining the property management fees charged by us. In general, properties within the same city that (i) are located in city centre with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees.

Please refer to the paragraph headed "Financial Information – Description of certain consolidated profit or loss statements items – Average property management fee" in this prospectus for breakdown of our monthly property management fee by type of property and property developer.

Payment and Credit Terms

Property management fees are generally due on a quarterly or semi-annually basis in accordance with the agreement provisions. For property management fees charged under a lump sum basis, property owners and residents pay us a fixed amount, and we retain the surplus and bear the losses after paying the necessary operating costs and expenses. For property management fees charged under a commission basis, any surplus in working capital at the end of the year is carried over to the next year, and any shortfalls in working capital are to be recovered from property owners and residents, with each property owner and resident's share of the shortfall generally proportional to the property owner and resident's share of the total GFA.

We issue demand notes to property owners and/or property developers prior to payment due dates, and typically receive payments for our property management services after the issuance of the demand note, which is consistent with the property management industry norm in the PRC according to Frost and Sullivan.

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

Expiration Schedule of Property Management Service Agreements

The following table sets forth the expiration schedule of our contracted property management service agreements as at 31 May 2021.

	Number of agreements	**Contracted GFA**	
		(sq.m.'000)	*%*
Property management service agreements expiring in			
Year ending 31 December 2021	4	268.2	3.6
Year ending 31 December 2022	6	755.3	10.3
Year ending 31 December 2023 and beyond	2	332.1	4.5
Agreements with no expiry date *(Note 1)*	42	6,009.7	81.6
Total:	**54**	**7,365.3**	**100.0**

Note:

(1) Represents preliminary property management service agreements we entered into with property developers. Such agreements can be terminated when the property owners' associations are formed and decide to select other property management companies.

The following table sets forth movement of our contracted GFA and GFA under management during the periods indicated.

	FY2018		FY2019		FY2020		5M2021	
	Contracted GFA	*GFA under management*	*Contracted GFA*	*GFA under management*	*Contracted GFA*	*GFA under management*	*Contracted GFA*	*GFA under management*
				(sq.m.'000)				
As at the beginning of the period	880.2	461.8	1,271.6	533.5	1,970.0	792.0	6,778.9	3,834.6
New engagements[1]	391.4	71.7	698.4	258.5	1,621.6	889.0	633.6	366.8
Acquisitions[2]	–	–	–	–	3,481.2	2,447.6	–	–
Termination[3]	–	–	–	–	(293.9)	(293.9)	(47.2)	(47.2)
As at the end of the period	**1,271.6**	**533.5**	**1,970.0**	**792.0**	**6,778.9**	**3,834.6**	**7,365.3**	**4,154.2**

Notes:

(1) Primarily include (i) preliminary property management service agreements entered into with property developers for new properties; and (ii) property management service agreements for residential properties that replaced their previous property management companies. The renewed agreements are not regarded as the new engagements that we entered into during such period. The newly engaged GFA under management includes the newly delivered GFA we contracted in previous period.

(2) Refers to new GFA we obtained through our acquisitions of other property management companies.

(3) Primarily arose out of non-renewal of certain property management service agreements, reflecting our reallocation of resources to more profitable engagements to optimise our property management portfolio. In FY2020, we terminated the preliminary property management service agreement for a commercial project with approximately 294,000 sq.m. of GFA under management. In 5M2021, we terminated the property management service agreement of a shopping mall with approximately 47,000 sq.m. of GFA under management. It came to our attention that these third party property developers faced financial difficulty, we terminated these agreements after assessing the risks.

The following table sets forth the renewal rate and retention rate of our property management services during the periods indicated.

	Renewal rate				Retention rate			
	FY2018	**FY2019**	**FY2020**	**5M2021**	**FY2018**	**FY2019**	**FY2020**	**5M2021**
Properties developed by Desun Group								
- Residential properties	N/A*	N/A*	100.0%	N/A*	100.0%	100.0%	100.0%	100.0%
- Non-residential properties	100.0%	N/A*	N/A*	N/A*	100.0%	100.0%	100.0%	100.0%
Properties developed by Independent Third Parties								
- Residential properties	N/A	N/A	N/A*	N/A*	N/A	N/A	100.0%	100.0%
- Non-residential properties	N/A	N/A	100.0%	100.0%	N/A	N/A	93.8%	94.4%
Total	100.0%	N/A*	100.0%	100.0%	100.0%	100.0%	96.3%	96.8%

* No property management agreement expired and therefore renewal rate was not applicable.

We believe that it is feasible to renew our existing service agreements with newly formed property owners' associations or with property developers going forward considering our established reputation and service capabilities. We believe our service quality has established trust among property owners in our capabilities to offer quality property management services. When evaluating tender bids, property owners' associations typically consider factors such as a property management company's track record in customer satisfaction, condition of the properties under management, business scale and reputation, and capabilities to meet property owners' changing needs, among other factors.

VALUE-ADDED SERVICES

We provide value-added services to property owners and non-property owners.

Value-added services to property owners

Our value-added services to property owners primarily consist of (i) owners' asset-related services, including real estate agent services and asset management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

The table below sets forth breakdown of revenue, costs, gross profit and gross profit margin of value-added services.

	FY2018	FY2019	FY2020	5M2020	5M2021
	RMB'000 except for percentage				
Value-added services for non-property owners					
Revenue	28,959	29,724	55,766	17,750	35,464
– Pre-delivery and sales assistance services	20,319	27,666	48,909	15,500	29,915
– Commercial operational and assets management services	8,640	2,058	6,456	2,250	4,154
– Other services	–	–	401	–	1,395
Costs	5,885	11,679	23,342	7,385	17,440
Gross profit	23,074	18,045	32,424	10,365	18,024
Gross profit margin	79.7%	60.7%	58.1%	58.4%	50.8%
Value-added services for property owners *(Note)*					
Revenue	4,852	5,208	10,721	2,225	7,706
Costs	3,900	3,314	4,670	796	5,417
Gross profit	952	1,894	6,051	1,429	2,289
Gross profit margin	19.6%	36.4%	56.4%	64.2%	29.7%
Total revenue of value-added services	33,811	34,932	66,487	19,975	43,170
Total costs of value-added services	9,785	14,993	28,012	8,181	22,857
Gross profit of value-added services	24,026	19,939	38,475	11,794	20,313
Gross profit margin of value-added services	71.1%	57.1%	57.9%	59.0%	47.1%

Note: Value-added services to property owners primarily consist of (i) owner's asset-related services, including real estate agent services and asset management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

Revenue from value-added services for non-property owners increased over the Track Record Period primarily due to new projects launched by Desun Group during the period, and the resulting increase in revenue from pre-delivery and sales assistance services. The number of residential projects developed or under development by Desun Group increased from five in 2018 to ten in 2019 and 15 in 2020. We provided pre-delivery and sales assistance services to all of these residential properties. We believe Desun Group engaged and will continue to engage us to provide value-added service because (i) we have proven track record to provide satisfactory service and achieved the required standard for mid- to high-end residential properties; (ii) benefitting from the long-term cooperation with Desun Group, we understand the brand, culture, standards and needs of Desun Group better than other service providers.

We expanded our business scope to include commercial operational services in FY2020. The following table sets forth a breakdown of the revenue, gross profit and gross profit margin of our commercial operational services:

	FY2020			5M2020			5M2021		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit/ Gross loss**	**Gross profit margin/ Gross loss margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Services during the operation stage[(1)]	4,511	3,200	70.9	2,250	1,530	68.0	2,561	1,922	75.0
Other services[(2)]	771	62	8.0	–	–	–	594	(130)	(21.9)
Total	**5,282**	**3,262**	**61.8**	**2,250**	**1,530**	**68.0**	**3,155**	**1,792**	**56.8**

Notes:

(1) Primarily involved tenant management and rent collection services.

(2) Included market research and opening preparation services and tenant sourcing services for property developers and property owners. We incurred gross losses for other services in 5M2021 because the commercial properties we provided tenant sourcing services to were in marketing and business development stage. We expect the profitability for such projects improve in FY2022 when more tenants enter those commercial properties.

Our revenue from commercial operational services in FY2020 mainly included revenue from providing services during operation stage. It also included revenue from pre-delivery commercial operational services after the acquisition of Zhongneng Group, such as market research and opening preparation services, as well as tenant sourcing services for property developers and property owners. Services during the operation stage were provided to one office building located in the financial and commercial center of Chengdu, which had a high occupancy rate. On the other hand, we provided property management services for this office building which resulted in management efficiency. Hence, it yielded a relatively high profit margin.

Value-added services to non-property owners

We offer a range of value-added services to non-property owners, which primarily include property developers and tenants of shopping street and other commercial properties. These services include (i) pre-delivery and sales assistance services; (ii) assets management services; and (iii) commercial operational services.

Pre-delivery and sales assistance services

Sales assistance services

We may be contracted by property developers at an early stage of property development to provide sales assistance and agency services. We help property developers with their preparation of marketing activities and recognise revenue based on the fees we charge, which are determined according to the cost we may incur. We deploy our staff to assist property developers with their marketing activities on-site which may include, cleaning, security, maintenance of display units, visitor management and hospitality services. We enter into a sales assistance service agreement with the property developer for such work, and the contract is generally set to expire when the property developer notifies us that our sales assistance services are no longer required. Under our sales assistance service agreements, we are obligated to follow the service standards specified by our customers, while our customers are obligated to provide us with the facilities and equipment necessary to provide our services. We provide our sales assistance services through our own employees and subcontractors.

Pre-delivery Inspection Services

We may be engaged by property developers to conduct routine quality inspection of properties once the construction services have been completed. In such cases, our work may include deploying staff or experts on-site to conduct quality checks based on the quality guidelines provided by the property developers, assess any quality issues, report to the property developer and conduct follow-up visits to ensure that the issues have been resolved to our customer's satisfaction.

Consultancy and other services

We provide preliminary planning and design consultancy services to property developers who rely on our expertise to improve their sales and marketing performance. Our services include on-site consultations during the construction phase to help identify quality issues or provide insights as to the expectation of the end-users of the property, so that they can tailor the design to better suit their needs. We also help the property developers assess various planning documents and advise on the design and construction plans of the properties, including those related to landscaping, fire safety and waste disposal and drainage systems. We also provide on-site inspection services during the construction phase to help monitor the progress and follow up on any quality issues. We generally enter into separate agreements with property developers for our preliminary planning and design consultancy services. We charge our fees for these services based on GFA and price per sq.m..

Assets Management Services

For assets management services, we assist property developers to source potential buyers and tenants for parking spaces, storage rooms and units. We also provide management or sub-let services for vacant home units.

Commercial operational services

We began to provide commercial operational services to property developers and tenants of retail commercial properties in 2020 after the acquisition of Zhongneng Group. We manage and operate a portfolio of shopping street and other commercial properties, which vary in target consumers, property locations and sizes and property types. These shopping street and other commercial properties are primarily located in Sichuan Province. We provide:

– market research and opening preparation services to property developers during the preparatory stage, which primarily involve conducting market analysis to formulate an optimal plan with respect to the positioning, tenant and brand mix, and advising on their design and construction from marketing and positioning perspectives.

– tenant sourcing services for property developers and property owners, which primarily involve identifying and attracting tenants for these commercial properties, coordinating the signing of tenancy agreements, supervising the design and construction works, managing the entry of tenants, formulating resources allocation plan, conducting on-site supervision and coordination, and organising opening ceremony and promotional events.

– services during the operation stage, which primarily involve tenant management and rent collection services, including handling tenants' enquiries and complaints, processing rent payments and ensuring timely payment of rents by tenants, and assisting the property owners in optimising the tenant mix.

Our pricing policy for commercial operational services

We generally price with reference to, among others, (i) brand, size and location of a commercial property; (ii) market standard and rates charged by our competitors; (iii) types of tenant sourcing required; and (iv) the service period.

Payment terms

Service	Payment and credit terms
Market research and positioning consultancy service	Fixed consultancy fees payable upon signing of contract
Tenant sourcing service	Tenant sourcing fees generally payable to us in two instalments by the property developers, one is prepayment before we provide tenant sourcing services, the other is payable after property developers confirm our tenant sourcing results For supermarket or large stores with area over 500 sq.m., we receive a predetermined fee as stipulated in the contract. For other stores, we receive a fixed fee which typically equals to two to three times a month's rent (excluding rent free period)
Operational service	Fixed operation and manage fees on per sq.m. per month basis generally payable quarterly

Interior design services and interior decorating and furnishing services

We began providing interior design services and interior decorating and furnishing services to property owners and non-property owners since early 2021. We provide two major types of services to our clients according to their specific demands, namely, interior design services and interior decorating and furnishing services. Our interior design services typically involve concept design, detail design and project documentation, followed by construction supervision. Our interior decorating & furnishing services typically involve the delivery of design and the procurement, supply, installation and/or setting up of furniture, fitting and accessories. Our major client generally include property developers and property owners in residential properties. We provide interior design services and interior decorating and furnishing services to property developers for the show flats and sales offices, while we provide such services to property owners in their apartments or houses. We generally charge property owners based on an agreed lump sum fee or on cost-plus basis and we generally charge property developers on cost-plus basis. Our service fee of interior design services and interior decorating and furnishing services is determined on a case-by-case basis with reference to among other things, (i) the materials involved; (ii) the requirements of the client; and (iii) the complexity of the design work. We generated revenue of RMB4.9 million, representing 5.5% of our Group's total revenue, from interior design services and interior decorating and furnishing services for 5M2021. Our gross profit margin of interior design services and interior decorating and furnishing services was 31.6% for 5M2021.

Acquisition of Zhongneng Group

In August 2020, we acquired the entire equity interest in Zhongneng Group. Such acquisition contributed to the significant increase in our GFA under management, contracted GFA and revenue from property management services from 2019 to 2020. In particular, Zhongneng Group added 2.5 million sq.m. to our GFA under management, and 3.3 million sq.m. to our contracted GFA as at 31 December 2020. We acquired Zhongneng Group in order to expand the scale of our property management services. In addition, the acquisition enabled us to expand our service offering and geographical coverage.

The following table sets forth a breakdown of the revenue, gross profit, gross profit margin, net profit and net profit margin of Zhongneng Group for the periods indicated.

	FY2018	**FY2019**	**8M2019**	**8M2020**
	RMB'000 or %			
Revenue	48,072	52,900	34,315	36,977
Gross profit	6,408	6,967	4,083	9,710
Gross profit margins	13.3%	13.2%	11.9%	26.3%
Net loss/profit	(1,766)	(1,124)	(1,147)	4,245
Net loss/profit margins	3.7% net loss margin	2.1% net loss margin	3.3% net loss margin	11.5% net profit margin

Since the acquisition of Zhongneng Group in August 2020, Zhongneng Group contributed RMB21.7 million or 17.0% of our revenue, RMB4.8 million or 7.7% of our gross profit and RMB2.4 million or 5.6% of our net profits for us for the four months ended 31 December 2020. Zhongneng Group contributed RMB27.5 million or 30.8% of our revenue, RMB5.0 million or 14.3% of our gross profit and RMB1.4 million or 14.0% of our net profit for 5M2021. Despite the pre-acquisition loss of Zhongneng Group, we believe Zhongneng Group will make a positive contribution to our net profit going forward in light of synergy brought by Zhongneng Group. Our net profit margin in FY2018, FY2019 and FY2020 was 49.1%, 44.9% and 33.5%, respectively. The decrease in our overall gross profit margin and net profit margin from the FY2019 to the same period in FY2020 was primarily due to the dilution of the overall gross profit margin after the acquisition of Zhongneng Group, the increase in administrative expenses mainly due to increase in the number of management employees and listing expenses of RMB5.2 million incurred in FY2020. We believe the dilution effect is temporary mainly because (i) the profitability of Zhongneng improved as seen from its 11.5% net profit margin for 8M2020; and (ii) we believe the acquisition of Zhongneng Group can bring synergies with economies of scale, given the number of projects and GFA under management contributed by Zhongneng Group.

Zhongneng Group recorded net loss in FY2018 and FY2019 mainly because (i) low chargeable GFA due to low delivery rate in certain projects because those projects were still in the early stage of tenant sourcing; and (ii) inefficient cost control measures and relatively high manpower costs in the property management services industry.

Zhongneng improved its financial performance in 8M2020 mainly due to (i) there was a considerable delivery of GFA from mid of 2019 to early 2020 which increased the chargeable GFA. For example, a commercial property project was delivered by stages starting from July 2019 which increased the chargeable GFA by approximately 99,000 sq.m., and a residential property project was delivered in January 2020 which increased the chargeable GFA by approximately 148,000 sq.m.; and (ii) one-off and non-recurring deduction on social security payment from the local government, and (iii) improvement on cost control.

After the acquisition of Zhongneng Group, we have implemented measures to improve the profitability of projects under management by Zhongneng Group, for example, (i) we adopted our Group's operational procedures for properties under the management of Zhongneng Group; (ii) we established a centralized system to improve the standardization of our operational procedures. Based on our management experience and knowledge, we formulated procedures to ensure that our service quality is regularly monitored and reviewed; and (iii) we improved our cost management and control capabilities by taking various measures to reduce costs while satisfying the conditions and requirements of each project, including, among other things, human resources, utility and material use; and (iv) we will continue to use our brand recognition and integrate with the synergies brought by Zhongneng Group.

The following table sets forth a breakdown of the total assets, total current assets, total liabilities, total current liabilities and net liabilities of Zhongneng Group as at the dates indicated.

	As at 31 December		**As at 31 August**
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total current asset	16,441	20,916	31,089
Total current liabilities	19,568	25,045	32,168
Net current liabilities	(3,127)	(4,129)	(1,079)
Net liabilities	(3,760)	(4,884)	(639)

The following table sets forth the number of properties and GFA under management by Zhongneng Group as well as the number of properties Zhongneng Group were contracted to manage and corresponding contracted GFA as at the dates indicated.

	As at 31 December		
	2018	**2019**	**2020**
Number of properties under management[(1)]	14	16	21
Number of properties Zhongneng Group were contracted to manage[(2)]	15	19	25
GFA under management *(sq.m. in thousands)*	2,043.0	2,350.0	2,461.8
Contracted GFA *(sq.m. in thousands)*	2,459.8	3,258.6	3,316.3

Notes:

(1) Refers to properties that have been delivered to Zhongneng Group for property management purposes.

(2) Refers to all properties which Zhongneng Group have entered into the relevant operating property management service agreements, which may include properties that have not been delivered to Zhongneng Group for property management purposes in addition to properties under management.

The table below sets forth breakdown of the revenue, gross profit and gross profit margin of Zhongneng Group by types of services:

	FY2018			FY2019			8M2019			8M2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Property management services	36,114	2,843	7.9%	41,708	3,988	9.6%	27,011	2,126	7.9%	30,960	7,896	25.5%
Residential property management services	8,580	1,185	13.8%	9,954	266	2.7%	6,509	-92	-1.4%	8,436	1,926	22.8%
Non-residential property management services	27,534	1,658	6.0%	31,754	3,722	11.7%	20,502	2,218	10.8%	22,524	5,970	26.5%
Value-added services	11,958	3,565	29.8%	11,192	2,979	26.6%	7,304	1,957	26.8%	6,017	1,814	30.1%
– for non-property owners	4,689	1,291	27.5%	4,655	513	11.0%	3,188	456	14.3%	2,367	76	3.2%
– for property owners	7,269	2,274	31.3%	6,537	2,466	37.7%	4,116	1,501	36.5%	3,650	1,738	47.6%
Total	48,072	6,408	13.3%	52,900	6,967	13.2%	34,315	4,083	11.9%	36,977	9,710	26.3%

EFFECTS OF THE COVID-19 PANDEMIC

Effects of the COVID-19 Pandemic on Our Business Operations

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and continues to spread globally. In March 2020, the World Health Organization characterised the outbreak of COVID-19 a pandemic. The virus had spread to over 200 countries and territories globally. To contain the COVID-19 pandemic, the PRC Government has imposed strict measures across the PRC since late January 2020, including lock-down measures across various cities in the PRC, the extended shutdown of business operations, and mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. Lockdown measures in most regions of the PRC have been substantially lifted.

According to Frost and Sullivan, the PRC property management industry is under pressure in the short term as property management companies are required to suspend certain services and incur additional costs to comply with additional regulations and government measures. In particular, our following services have experienced certain short-term impacts.

- *Property management services.* To comply with government regulations and measures to combat the COVID-19 pandemic, we assigned additional staff and incurred additional medical material costs, which affected the short-term financial performance of our property management services.

- *Sales office management services*. Certain of the sales offices and display units we managed suspended operations after the outbreak of the COVID-19 pandemic as a result of government requirements, decrease in demand, and changes in property developers' business plans. None of the sales offices and display units we manage were suspended as at the Latest Practicable Date.

- *Commercial operational services.* Certain shops of the shopping street and other commercial properties we manage and operate were closed after the COVID-19 pandemic for approximately one to two months.

As at the Latest Practicable Date, there were not any confirmed and suspected cases of COVID-19 among our staff members. Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers.

To the best knowledge of our Directors after consulting with Desun Group, we do not anticipate there will be any material delay in the sales, construction and delivery of the properties developed by Desun Group for our management as scheduled.

In the long term, however, we do not expect the COVID-19 pandemic to have a significant adverse impact on our business operation and financial position. During the fight against the COVID-19 pandemic, property management companies played a significant role, serving as a bridge among the government, community workers and residents. We believe our efforts to control the outbreak has earned us higher degrees of trust and reliance from property owners and residents at properties under our management, which we believe will lead to higher collection rate of property management fees and higher degrees of cooperation with our various management services. The lockdown measures imposed in many regions have also led to residents' increasing reliance on community value-added services to address their daily household needs, which presents us significant opportunities to expand our related service offerings. We also expect that new government regulations on property management industry may be promulgated from time to time, which will offer us a higher degree of regulatory certainty in our long-term business operations. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 pandemic.

While we expect to capitalise on the above-mentioned industry tailwind, we also expect to experience certain risks. For example, many pandemic control measures may become a regular part of our property management services, such as strict visitor and vehicle control and routine common area disinfection, which could lead to a permanent increase in staff costs and costs for cleaning supplies. In addition, we may need to provide property management services in a manner required by local governments, which could potentially expose us to more liabilities and higher costs and expenses.

The above-mentioned extreme situation may or may not occur and is for illustrative purpose only. Our Directors consider that the likelihood of such situation is remote. The actual impact caused by the outbreak of the COVID-19 pandemic will depend on its subsequent development; therefore, it is a possibility that such impact to our Group may be out of our Director's control and beyond our estimation and assessment.

Our Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, we have adopted the following hygiene and precautionary measures across the properties under our management since late January 2020.

- *Entrance management.* We in principle leave a maximum of two entrances open for each property under our management, which enables us to better monitor each person and vehicle that enters and exits these properties.

- *Visitor management.* We implement visitor and vehicle controls to verify their identities seeking to enter properties under our management.

- *Courier services.* We set up courier storage points at the property gates in order to avoid gathering and face-to-face interaction and reduce risk of infection. For the takeout deliveries staffs, we allow entrance only after we have registered their information and confirmed with the property owners.

- *Returning resident management.* For property owners and residents who return from out of town, especially from regions that were most heavily affected by the COVID-19 pandemic, we record their information in collaboration with local governments and assist in the implementation of quarantine measures where necessary.

- *Disinfection.* We routinely disinfect and maintain cleanliness of common areas of properties under our management.

The additional costs associated with the enhanced measures primarily arise from the spending on masks, hand wash, disinfectants and infrared thermometers. After taking into account the medical and cleaning supplies distributed by local government and the relevant regulatory policies such as deduction of social insurance contributions, our Directors are of the view that such additional costs had no significant impact on our financial position for FY2020 and FY2021.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategies, conducting market research, coordinating our sales and marketing activities to acquire new customers and strengthen our relationships with existing customers. With regards to our property management services, in addition to maintaining long-term and stable cooperation with Desun Group, we also endeavour to expand our cooperation with other third-party property developers by providing customised, diversified and quality services.

For shopping street and other commercial properties, we formulate yearly marketing plan and our headquarter will be responsible for promotional events during the holiday seasons while our regional offices will launch various marketing activities based on local needs. Our purpose is to increase consumer traffic and facilitate interaction among property owners, tenants, retail consumers and us.

QUALITY CONTROL

As a provider of high quality property management services, we believe that quality control is crucial to our success. Our operation and management system has been recognised by authoritative organisations and passed the ISO9001-2015 international quality management system certification in 2019.

We have established a system to monitor the quality of our services, which includes a comprehensive set of standardised internal policies and procedures. For example, we require our employees and subcontractors to complete inspection checklists after each round of scheduled inspections, to record their observations and to update as to the property's conditions. We also provide written protocol to our staff on janitorial services and operation of different facilities such as elevator systems and fire-extinguishing equipment.

In order to ensure consumer satisfaction, we engage third-party surveyors to conduct property management service quality reviews at properties under our management on an annual basis. In addition, we also conduct internal reviews on consumer satisfaction at all properties under our management on a monthly basis.

We keep track of our customers' feedbacks on our service quality. We have designated a hotline and customer service personnel to ensure not only that our customers have easy and convenient access via the hotline to our customer service personnel, but also that such personnel can tackle with customers' concerns and complaints in a timely and effective manner. Further, we also adopt standardized procedures to manage customers' complaints. Our customer service personnel are required to respond to the customer's complaints in a timely manner. They need to discuss the problem with the customer to understand the relevant background of the issue and propose a preliminary solution to the extent possible. On an as-needed basis, the personnel may also contact other departments, such as repair and maintenance, to arrange assistance to resolve the issue. Our Group did not receive any material complaints on our services during the Track Record Period.

CUSTOMERS

Our Directors believe that we have a large, growing and loyal customer base. Our customers are mainly property owners, property developers and tenants. The credit terms granted to our five largest customers generally range from 30 to 180 days. During the Track Record Period, our five largest customers generally paid us through bank transfers. Except for Desun Group, our Group is unable to obtain consent to disclose the name of other top five customers during the Track Record Period. The following tables set forth our top five customers during the Track Record Period.

5M2021

Customer	**Background**	**Business relationship since**	**Services provided by us**	**Revenue**	**Percentage of total revenue**
				RMB'000 (approximately)	*(approximately)*
Desun Group	A group of companies engaging in, among others, (i) property development; (ii) property investment; and (iii) construction and other related services	2010	Property management and value-added services	34,621	38.8
Customer F	A telecommunication service company, which is a state-owned	2020	Property management and value-added services	7,485	8.4
Customer G	A business service company principally engaged in infrastructure construction	2020	Property management and value-added services	3,664	4.1
Customer I	A property management company principally engaged in property management and property rental	2020	Property management and value-added services	1,133	1.3
Customer H	A property developer principally engaged in property development and property management	2020	Property management and value-added services	1,111	1.2
			Subtotal	**48,014**	**53.8**

FY2020

Customer	**Background**	**Business relationship since**	**Services provided by us**	**Revenue** *RMB'000 (approximately)*	**Percentage of total revenue** *(approximately)*
Desun Group	A group of companies engaging in, among others, (i) property development; (ii) property investment; and (iii) construction and other related services	2010	Property management and value-added services	60,511	47.3
Customer F	A telecommunication service company, which is a state-owned company	2020	Mainly property management services	5,372	4.2
Customer G	A business service company principally engaged in infrastructure construction	2020	Mainly property management services	2,685	2.1
Customer H	A property developer principally engaged in property development and property management	2020	Mainly property management services	814	0.6
Customer B	A textile and garment distributor	2012	Mainly property management services	544	0.4
			Subtotal	**69,926**	**54.6**

FY2019

Customer	**Background**	**Business relationship since**	**Services provided by us**	**Revenue** *RMB'000 (approximately)*	**Percentage of total revenue** *(approximately)*
Desun Group	A group of companies engaging in, among others, (i) property development; (ii) property investment; and (iii) construction and other related services	2010	Property management and value-added services	35,236	51.0
Customer B	A textile and garment distributor	2012	Mainly property management services	547	0.8
Customer C	A web platform service provider, which is a wholly-owned subsidiary of a listed company on the Shenzhen Stock Exchange	2015	Mainly property management services	541	0.8
Customer D	A pharmaceutical software company	2015	Mainly property management services	505	0.7
Customer E	A logistics and storage service company	2012	Mainly property management services	465	0.7
			Subtotal	**37,294**	**54.0**

FY2018

Customer	Background	Business relationship since	Services provided by us	Revenue *RMB'000* *(approximately)*	Percentage of total revenue *(approximately)*
Desun Group	A group of companies engaging in, among others, (i) property development; (ii) property investment; and (iii) construction and other related services	2010	Property management and value-added services	34,139	53.4
Customer A	A agricultural land developer, which is a controlling subsidiary of a stated-owned company	2012	Mainly property management services	567	0.9
Customer B	A textile and garment distributor	2012	Mainly property management services	552	0.9
Customer C	A web platform service provider, which is a wholly-owned subsidiary of a listed company on the Shenzhen Stock Exchange	2015	Mainly property management services	544	0.9
Customer D	A pharmaceutical software company	2015	Mainly property management services	483	0.8
			Subtotal	**36,285**	**56.9**

Desun Group was our largest customer in each year during the Track Record Period to whom we provided property management services and value-added services. In FY2018, FY2019, FY2020 and 5M2021, revenue generated from our services provided to Desun Group amounted to approximately RMB34.1 million, RMB35.2 million, RMB60.5 million and RMB34.6 million, respectively, accounted for approximately 53.4%, 51.0%, 47.3% and 38.8% of our total revenue, respective. The gross profit generated from property management services and value-added services provided to Desun Group were approximately RMB25.3 million, RMB20.8 million, RMB35.6 million and RMB18.4 million for FY2018, FY2019, FY2020 and 5M2021, respectively.

We have a long-standing, synergetic and on-going relationship with Desun Group since 2010. As confirmed by Frost and Sullivan, such business relationship between our Group and Desun Group is common among PRC property management companies and their related companies and has been mutually beneficial and complementary. In light of (i) the mutual and complementary relationship between Desun Group and our Group; (ii) the time costs and expenses that would otherwise be occurred by Desun Group to identify suitable property management services providers with similar expertise and familiarity to its requirements and quality standard as us if it elects to replace us; and (iii) our proven track record in providing satisfactory services and securing residential property management service contracts from Desun Group, our Directors believe that there will not be any material adverse change in the relationship between our Group and Desun Group, and we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from Desun Group upon Listing. Please refer to the paragraph headed "Relationship with Controlling Shareholders – Our controlling shareholders – Mutual and complementary relationship" in this prospectus for details.

As at the Latest Practicable Date, save for Desun Group, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued shares of our Company, had any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS

During the Track Record Period, our major suppliers are sub-contractors for our property management services and utilities companies. Our suppliers generally grant us a credit term of 30-90 days. We generally pay our suppliers through bank transfer during Track Record Period. The following tables set forth our top five suppliers during the Track Record Period.

5M2021

Supplier	Background	Business relationship since	Good/services provided to us	Fee incurred	Percentage of total cost of services
				RMB'000 *(approximately)*	*(approximately)*
Supplier L	A security services company principally engaged in providing security services and labour dispatch services	2021	Security services	5,221	9.6
Supplier K	A construction company principally engaged in providing construction, cleaning and greening services	2020	Cleaning services	2,055	3.8
Supplier A	A state-owned utility company	2016	Utility	2,018	3.7
Supplier H	A cleaning services company	2020	Cleaning services	1,826	3.4
Supplier I	An agricultural technology services company principally engages in providing agricultural products	2019	Fresh produce	1,452	2.7
			Subtotal	12,572	23.2

FY2020

Supplier	Background	Business relationship since	Good/services provided to us	Fee incurred *RMB'000* *(approximately)*	Percentage of total cost of services *(approximately)*
Supplier H	A cleaning services company	2020	Cleaning services	3,156	4.8
Supplier A	A state-owned utility company	2016	Utility	3,011	4.6
Supplier I	An agricultural technology services company principally engages in providing agricultural products	2019	Fresh produce	2,915	4.5
Supplier J	A cleaning services company	2020	Cleaning services	1,184	1.8
Supplier K	A construction company principally engaged in providing construction, cleaning and greening services	2020	Cleaning services	1,016	1.6
			Subtotal	11,282	17.3

FY2019

Supplier	Background	Business relationship since	Good/services provided to us	Fee incurred *RMB'000* *(approximately)*	Percentage of total cost of services *(approximately)*
Supplier A	A state-owned utility company	2016	Utility	2,103	6.3
Supplier C	A cleaning services company	2018	Cleaning services	936	2.8
Supplier F	A cleaning services company	2018	Cleaning services	924	2.8
Chengdu Caiyu Technology Services Co. Ltd. (成都彩寓科技服務有限公司) ("**Caiyu Technology**")	A renovation services company	2019	One-off renovation of our office	921	2.8
Supplier G	A cleaning services company	2019	Cleaning services	747	2.2
			Subtotal	5,631	16.9

FY2018

Supplier	Background	Business relationship since	Good/ services provided to us	Fee incurred	Percentage of total cost of services
				RMB'000	
				(approximately)	*(approximately)*
Supplier A	A state-owned electricity company	2016	Utility	2,190	8.5
Supplier B	A logistics service Company principally engaged in security, cleaning and greening services	2017	Cleaning services	1,212	4.7
Supplier C	A cleaning services company	2018	Cleaning services	652	2.5
Supplier D	An individually-owned business principally engaged in providing agricultural products	2017	Fresh produce	565	2.2
Supplier E	A business service company principally engaged in providing agricultural products	2018	Fresh produce	455	1.8
			Subtotal	5,074	19.7

Supplier A was our largest supplier for FY2018 and FY2019, accounted for approximately 8.5% and 6.3% of the total cost of services, whereas for FY2020 and 5M2021, Supplier H and Supplier L became our largest supplier with the total cost of services for 4.8% and 9.6%, respectively.

Caiyu Technology was a then fellow subsidiary controlled by Mr. Zou Kang, which was disposed to Independent Third Parties in February 2021. In FY2019, we purchased a one-off renovation service from Caiyu Technology. The transaction amount was RMB0.9 million, represented 2.8% of our total cost of services of FY2019.

Save for Caiyu Technology, all of our five largest suppliers during the Track Record Period were Independent Third Parties and we did not experience any material delay, supply shortages or disruptions in our operations relating our suppliers, or any material product claims attributable to our suppliers. As at the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. We do not have any long-term agreements with our top five suppliers. We typically enter into one-year agreements with our suppliers and renew them on an annual basis. Payments to suppliers are typically settled by month via bank transfer.

SUBCONTRACTING

We outsource certain labour-intensive services and specialised services, primarily including security, cleaning, greening and gardening, and repair and maintenance services, to subcontractors, which enable us to reduce our operating and labour costs, improve service quality and dedicate more resources to management and other value-added services. We believe that such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, and enhance the overall profitability of our operations. In FY2018, FY2019, FY2020 and 5M2021, subcontracting costs amounted to RMB3.0 million, RMB4.5 million, RMB10.1 million and RMB13.0 million, respectively, which accounted for approximately 11.4%, 13.4%, 15.5% and 23.9%, respectively, of our total cost of sales.

As at the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital had any interest in any of our five largest subcontractors.

Selection and Management of Subcontractors

We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain an approved list of subcontractors based on a series of assessment standards, including, among others, the amount of registered capital, years of experience, size of overall operations, industry credentials and our previous working relationship. After initial evaluation of subcontractors, we also regularly review the performance of subcontractors and assign grades to subcontractors.

Key Terms of Our Subcontracting Agreement

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

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

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

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

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

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

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

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

INTELLECTUAL PROPERTY

We consider our intellectual property rights crucial to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As at the Latest Practicable Date, we had six trademarks, three software copyrights of our management system and one domain name registered in China.

As at the Latest Practicable Date, we were not aware of any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group, or any disputes with third parties with respect to intellectual property rights.

AWARDS

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period.

Awarding year	Award/recognition	Awarding entity
2018	2018 Top 50 Integrated Strength Property Management Services Companies of Chengdu	Chengdu Property Management Association
2019	2019 Top 10 Chengdu Property Management Enterprises	China Index Academy
2019	Desun – Yufutianjiao 德商–御府天驕 – Innovative Smart Service Community	Huaxi Daily
2019	2019 Top 100 Property Management Enterprises in China	China Index Academy
2019	2019 Top 50 western China Property Management Enterprises	China Index Academy
2020	Community Build Brand Influential Model Property 社區共建品牌影響力榜樣物業	Huaxi Daily, Huaxi Community Media
2020	2020 Top 50 Integrated Strength Property Management Services Companies of western China	China Index Academy
2020	2020 Top 10 Integrated Strength Property Management Services Companies of Chengdu	China Index Academy
2020	2020 High-end Properties Services Model Enterprise in western China	China Index Academy
2020	2020 Sales Offices Services Model Enterprise in western China	China Index Academy
2020	2020 Commercial Properties Services Model Enterprise in western China	China Index Academy
2021	Top 100 China Property Management Enterprises	China Index Academy
2021	Leading High-end Property Management Enterprise in China	China Index Academy

COMPETITION

The property management industry in China is highly competitive and fragmented with numerous market participants according to Frost and Sullivan. We believe that we are able to continue competing with other industry players due to our competitive strengths. Moreover, according to Frost and Sullivan, new market entrants are faced with entry barriers such as brand value, capital requirements, quality of management and availability of talent and technical expertise, all of which we believe we have and will continue to overcome. For more information on the industry and the markets that we operate in, see the section headed "Industry Overview" and the paragraph headed "Risk Factors – Risks relating to our business and industry – We may fail to compete effectively" in this prospectus.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labour, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues.

During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties due to violation of environmental laws in China.

We are committed to social responsibilities, and consider environmental, social and governance ("**ESG**") essential to our continuous development. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, partner responsibility, environment responsibility and public responsibility. We have worked intensely in the following aspects to promote health, safety and environmental aspects of our operations: (i) carefully sanitise the properties under management to create a good working and living environment; (ii) effectively manage the sewage and pipelines; (iii) control air, water, solid, noise and electromagnetic wave pollution; (iv) promote recycling and energy conserving activities; (v) carefully prevent and remove illegal constructions; and (vi) manage parking and repair and maintenance.

Governance

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, therefore we have not established any ESG Committee under our Board. Instead, our Board of Directors takes up the responsibility of monitoring and managing material ESG issues, with the assistance from the management.

Our Board of Directors is principally responsible for setting up our Group's overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances and whether we fulfill the Board of Directors' ESG vision. Furthermore, our Board of Directors closely follows and monitors the latest ESG-related laws and regulations, keeping the Board informed of any changes in such laws and regulations and updating own ESG measures to make sure that we comply with the latest regulatory updates. To ensure the effectiveness of our ESG measures and compliance with requirements, our Board is responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks.

We have implemented ESG measures that provide guidelines to the management of our Group's environmental, social and climate-related issues. With respect to the management of environmental, social and climate-related issues, we constantly monitor the local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with such volatile changes during our routine business operation. For instance, we have adopted policies in response to severe weather conditions. In particular, to deal with the increasing rate of extreme weather conditions such as typhoons and flooding due to climate change, we closely follow the latest weather news and advice released by the local government to ensure employee safety.

Furthermore, our Board of Directors closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Stock Exchange's ESG requirements, and in order to ensure compliance with said requirements, our Board of Directors and our chief executive officer will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after we are officially listed. After the Listing, we will publish an ESG report each year pursuant to Appendix 27 of the Listing Rules to analyse and disclose important environmental, social and governance matters, risk management and the accomplishment of performance and objectives.

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

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. We may potentially be impacted by an increased operation and maintenance cost, as well as increased investment in insurance for protection. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emission. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices. For example, we may need to switch to energy efficient lighting or increase greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

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

Based on our management's judgment, we have identified the material ESG issues highly related to our business.

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

Material Topics	Potential Risks, Opportunities and Impacts
Transition to green building	Facilities and equipment of our operation sites may provide space for us to enhance our environmental performance through selecting more energy efficient equipment. While this may potentially incur a cost for new equipment and facilities in the short term and increased operational cost, our environmental performance may be enhanced.
Human capital development	The health and safety of employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Meanwhile, strong human capital development may lead to a stronger employee base and a lower turnover rate.
Product design and lifecycle management	The maintenance of facilities and equipment at operation sites may incur additional costs if said facilities are not properly maintained.
Business ethics	Regulatory risks in failing to maintain good business ethics may cause compliance-based impacts. However, outstanding business ethics may help us yield a positive business image.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. We also regularly perform maintenance of our facilities and equipment to minimize the risk of unmaintained facilities and equipment causing damage to our properties and the health and safety of employees and staff.

To mitigate climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures. To ensure that all personnel are well prepared for such extreme weather conditions, regular evacuation drills are conducted.

Furthermore, we are willing to consult professional entities to improve its compliance and quality on emission disclosures, and regularly communicates with different stakeholders on their views on climate-related issues.

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

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes greenhouse gas emissions and resource consumption. We have taken into account all of our properties under management in 2020 into consideration for quantitative information calculation. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from stationary combustion sources and vehicles. We do not emit in Scope 1 since we do not have stationary combustion sources and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity.

Emission	**2020**
Greenhouse gas emissions (tonnes CO_2 equivalent)	7,001.6
Scope 1 (direct emissions) (tonnes CO_2 equivalent)	0
Scope 2 (indirect emissions) (tonnes CO_2 equivalent)	7,001.6
Intensity (tonnes CO_2 equivalent/'000 m^2 GFA)	1.8

Resource Consumption	**2020**
Water consumption (m^3)	132,209.6
Intensity (m^3/'000 m^2 GFA)	34.8
Energy Consumption (MWh)	11,476.1
Direct consumption (MWh)	0
Indirect consumption (MWh)	11,476.1
Intensity (MWh/'000 m^2 GFA)	3.0

In the upcoming future, our administrative expenses regarding environmental, social, and climate-related issues are estimated to increase along with our overall business development, however, the proportion of such administrative expenses against our total revenue is estimated to trend downwards.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contribute to our growth. Our human resources department manages, trains and hires our employees.

The following table sets forth the number and breakdown of our full-time employees by functions as at the Latest Practicable Date.

Functions	**Number of employees**
Property services staff *(Note 1)*	815
Project operation staff *(Note 2)*	74
Human resources, administration and internal control	25
Financial management	16
Information technology	7
Investment and marketing	16
Total	**953**

Notes:

1. Includes onsite staff in property management projects.

2. Includes operation staff in residential and non-residential projects.

Recruiting

We endeavour to recruit talented employees by offering competitive wages and benefits, systematic training and promotion opportunities. Our recruiting processes primarily comprise the following stages:

- *Confirming recruitment requests.* Our human resource department receives recruitment requests from relevant business department and confirms such requests are in compliance with the annual recruitment plan of our Group typically established by the beginning of each fiscal year;

- *Screening and selection.* Our screening and selection processes primarily include (i) review and screening of resumes by the human resources department and the relevant recruiting department, (ii) video interviews or face-to-face interviews by the human resources department and the relevant recruiting department, and (iii) we may also arrange additional tests or interview, such as leadership assessment, according to our internal policies; and

- *Recruitment decision.* We evaluate and select outstanding candidates base on a variety of factors, including technical knowledge, industry experience, professional skills, soft skills, work ethics and personalities. We aim to find the best fit for each position and typically will do a background search of potential candidates before sending offers.

Training

We provide various systematic and extensive training programmes to our employees. Our employee training programmes primarily cover key areas in our business operations, which provide continuous training to our existing employees at different levels to specialise and strengthen their skill sets. Our employee training programmes are primarily classified into the following categories:

– *New Employees Orientation Programmes.* We provide orientation programmes for our new employees, typically within two months when the new employee is on board. Our new employees orientation programmes typically include, among others, corporate culture trainings, internal policies trainings, professional skills trainings and mentorship programmes. We have established various internal guidelines, including "Guidance Procedures for New Employees" (《員工上崗引導管理細則》) to standardise the orientation programmes in order to help the new employees to quickly adapt to our working environment.

– *On-going Training Programmes*. We regularly provide training opportunities for our employees to learn. We have established internal guidelines including "Training Management System" (《培訓管理制度》) to organise structured training for our employees in various levels and job functions.

CASH MANAGEMENT AND TREASURY POLICY

We established cash management policy to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business. Generally, we encourage our subsidiaries and branch offices to settle their transactions through bank transfers to lower the risks relating to cash management. Our employees are expressly forbidden from removing and/or using our cash for private or other purposes not in line with our ordinary course of business. The use of cash by our subsidiaries and branches shall be pre-approved by our headquarters.

We consistently comply with our treasury policy during the procedures managing the relevant departments, as well as in conducting business, accounting and filing. We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. To maintain a strong financial position, we have established a long-term, medium-term and short-term fund management system. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, we have established disciplined fund management principal, which allows us to efficiently manage market risks. If new funding needs arise due to factors such as strategic expansion, external financing will be arranged in time to make up for it.

For budget management, we have established a monthly, quarterly and annual budget management system. Our finance departments in project companies will submit the capital budget report to our finance management department. Finance management department will review, summarize, and adjust the budget reports, then seek approval from our directors. The capital budget plans should be made based on the objective basis of our Group's business plans to ensure that the plan accurately matches the actual business needs. Any significant future changes to our treasury policies must be approved by our Board.

INSURANCE

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injuries suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damages to both movable and immovable properties owned by us or in our custody. We require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with agreements between subcontractors and us, the subcontractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We believe that our insurance coverage is in line with the industry practice in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, see the paragraph headed "Risk Factors – Risks relating to our business and industry – Our insurance may not sufficiently cover losses and liabilities we may encounter" in this prospectus.

CERTIFICATES, LICENCES AND PERMITS

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had obtained all licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licences, permits, approvals and certificates remained in full effect. We are required to renew such licences, permits, approvals and certificates from time to time. As advised by our PRC Legal Advisers, we do not expect any legal obstacles in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations.

PROPERTIES

As at the Latest Practicable Date, we owned two properties in China with an aggregate GFA of approximately 136 sq.m., which we occupied mainly for capital appreciation. We have obtained the building title certificates for all the properties we own.

As at the Latest Practicable Date, we also leased 13 properties in various locations in the PRC with an aggregated GFA of approximately 1,741 sq.m. for use primarily as offices and staff dormitories. The landlords of such properties are Independent Third Parties.

Apart from the investment properties, our properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our offices. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of our property activities because the carrying amount of each property interest is less than 1% of our total assets and exempt from the requirement to include valuation on property interests of our non-property activities because the carrying amount of a property interest is less than 15% of our total assets.

A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

As at the Latest Practicable Date, the lessors of eight of our leased properties could not provide relevant title certificates or proof of property rights. As advised by our PRC Legal Advisers, if third parties are able to prove that they have valid titles to or valid leasehold interests in these properties and refuse to acknowledge our lease of such properties, we may not be able to enforce the lease agreements in relation to these properties. In the event that we are required to relocate from any of these leased properties as a result of the foregoing, given the nature of our operation, we do not believe that any relocation would result in material disruptions to our business. Moreover, replacement premises for the leased properties without title certificates and proofs of property rights, which we are using primarily as staff dormitories and offices, are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

As at the Latest Practicable Date, we or the lessors had not filed the lease agreements for 12 of our leased properties with the local housing administration authorities as required under PRC law primarily due to a lack of cooperation from the landlords in registering the relevant lease agreements, which was beyond our control. Our PRC Legal Advisers have advised us that we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, an administrative penalty may be imposed on us as a result of such non-filing, and according to the relevant properties lease administration regulations, we may be imposed a maximum penalty of RMB10,000 for each incident of non-compliance of lease registration for our leased properties, therefore the estimated total maximum penalty is RMB120,000 for the aforementioned non-filing issue. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties as a result of failure to file the lease agreements described above.

We have conducted regular legal compliance training to our business personnel and self-inspection on our subsidiaries and branch offices, and as the registration and filing of such leases will require cooperation of our lessors, we will take all practicable and reasonable steps to cooperate with relevant local governmental authorities to meet their requirement for registration. According to the Civil Code of the PRC, the parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract. Therefore, our PRC Legal Advisers have advised us that the failure to file the lease agreements would not affect the validity of the lease agreements, and based on the maximum penalty, the effectiveness on the validity of the contract and our rectification measures. Our Directors are of the view that such failure to file the lease contracts would not have a material adverse effect on our business operations.

For details, see the paragraph headed "Risk Factors – Risks relating to our business and industry – Some lessors have not provided us the title certificates with respect to some of our leased properties in the PRC and some of our lease agreements were not registered with the relevant government authorities" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, such as contract disputes with our customers or disputes with other third parties at properties under our management. As at the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

Decision Letter received when we were quoted on the NEEQ

In 2018 while Chengdu Desun was quoted on the NEEQ, Chengdu Desun carried out certain non-recurring related party transactions with Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司) ("**Chengdu Huacheng**") and Chengdu Miyou Technology Co., Ltd. (成都米友科技股份有限公司) ("**Chengdu Miyou**"), both of which were controlled by Mr. Zou Kang (the "**NEEQ Incident**"). Chengdu Desun provided (i) an one-off advance of RMB43 million with an interest rate of 1% per annum to Chengdu Huacheng for the repayment of bank loans to meet its short term funding need; and (ii) an one-off advance of RMB5.8 million with an interest rate of 1% per annum to Chengdu Miyou for the purchase of bank wealth management products (the "**Transactions**"). The advance to Chengdu Huacheng was provided on 12 June 2018 and returned on 14 June 2018, whereas the advance to Chengdu Miyou was provided on 30 November 2018 and returned on 25 December 2018. The Transactions were retrospectively approved and ratified by the board and the shareholders of Chengdu Desun.

The compliance adviser (持續督導顧問) of Chengdu Desun for the NEEQ quotation (the "**NEEQ Compliance Adviser**") noted the Transactions during the preparation of the 2018 Annual Report by Chengdu Desun in March 2019, and informed our directors of Chengdu Desun accordingly. The NEEQ Compliance Adviser subsequently conducted an on-site due diligence exercise on Chengdu Desun in early April 2019, whereby the NEEQ Compliance Adviser reviewed the internal control policies and compliance records of Chengdu Desun, and conducted interviews on the relevant directors and responsible staff of Chengdu Desun with respect to the NEEQ Incident. At the conclusion of the due diligence investigation, the NEEQ Compliance Adviser provided a list of recommendations to Chengdu Desun including, among others: (i) further enhancing the internal control measures to prevent further instances of occupation of fund; (ii) providing internal training to the responsible staff; (iii) strengthening the supervising power of the internal audit department to closely monitor and audit the fund flow with related parties; (iv) for any further historical instances of occupation of fund identified, it shall be disclosed forthwith in accordance with the relevant rules and measures; and (v) Chengdu Desun and its ultimate controlling shareholder shall each give an undertaking to observe and comply with the relevant laws and regulations on occupation of fund going forward.

Furthermore, an investigation report was subsequently prepared and submitted by NEEQ Compliance Adviser to NEEQCL in August 2019. The investigation report concluded that (i) the Transactions had been duly approved and ratified by the board and shareholders of Chengdu Desun; (ii) Chengdu Desun had adequate internal control policies in place; and (iii) the non-compliance was mainly due to the relevant directors and staff of Chengdu Desun being unfamiliar with the relevant requirements of the rules of NEEQ and the lack of adequate legal advice at the material time.

As a result of the NEEQ Incident, the NEEQCL issued a decision letter for self-disciplinary regulatory measure (自律監管措施決定書) (the "**Decision Letter**") on 7 February 2020 to Chengdu Desun, Mr. Zou Kang, Ms. Xiong Jianqiu and Ms. Wan Hong which stated that: (i) Chengdu Desun's controller violated the "Business Rules for the National Small and Medium-sized Enterprise Share Transfer System (Trial)" 《全國中小企業股份轉讓系統業務規則(試行)》 ("**Business Rules**") for making the above-mentioned non-recurring related-party transactions; and (ii) Chengdu Desun and the relevant personnel failed to make timely disclosure which violated the Business Rules. More specifically, according to the Decision Letter, the company, Mr. Zou Kang, Ms. Xiong Jianqiu and Ms. Wan Hong breached the following requirements of NEEQ:

(1) Paragraph 3 of Article 73 of the Governance Rules for Companies Listed on the National Equities Exchange and Quotations (《全國中小企業股份轉讓系統掛牌公司治理規則》, the "**Governance Rules**") stipulates that the controlling shareholder, the actual controller of the NEEQ-quoted company and the enterprises controlled thereby shall not occupy the company's funds in any of the following ways:… (iii) to borrow funds from the company, with or without compensation, directly or indirectly, to the controlling shareholder, the actual controller of the company and enterprises controlled thereby.

(2) Article 4.1.4 of the Business Rules stipulates that the controlling shareholder, the actual controller and the enterprises controlled thereby shall effectively guarantee the independence of the NEEQ-quoted company, and shall not make use of their shareholder rights or controlling rights to, directly or indirectly occupy the funds and assets of the NEEQ-quoted company and infringe the interests of the NEEQ-quoted company and other shareholders through related-party transactions, disbursements, guarantees and other ways.

(3) Article 1.4 of the Business Rules stipulates that the NEEQ-quoted company and its directors, supervisors, senior management, shareholders and actual controller… shall abide by laws, administrative regulations, departmental rules, the Business Rules and other business provisions of NEEQ.

(4) Article 1.5 of the Business Rules stipulates that the NEEQ-quoted company and other information disclosure obligors… shall disclose the information in an authentic, accurate, complete and timely manner, and shall not make any false record, misleading statement or material omission. Our directors, supervisors and senior management of the NEEQ-quoted company shall faithfully and diligently perform their duties to ensure that the information are disclosed in an authentic, accurate, complete, timely and fair manner.

(5) Article 14 of the Measures for the Supervision and Administration of Unlisted Public Companies (《非上市公眾公司監督管理辦法》, the "**Measures of Unlisted Public Companies**") stipulates that a public company shall take effective measures to prevent shareholders and their related parties from occupying or transferring the company's funds, assets or other resources in various forms.

(6) Paragraph 3 of Article 57 of Information Disclosure Rules of Companies Listed on the National Equities Exchange and Quotations (《全國中小企業股份轉讓系統掛牌公司信息披露規則》, the "**Information Disclosure Rules**") stipulates that a NEEQ-quoted company shall disclose promptly from the date of occurrence of the fact or resolution of the board if one of the following circumstances occurs: … (iii) the controlling shareholder, the actual controller of the NEEQ-quoted and the enterprises controlled thereby occupies the funds of the NEEQ-quoted.

According to the Decision Letter, the Transactions made by the enterprises controlled by the actual controller (i.e. Chengdu Huacheng and Chengdu Miyou) breached Paragraph 3 of Article 73 of the Governance Rules and Article 4.1.4 of the Business Rules. Moreover, the Company failed to take effective measures to prevent the occurrence of the Transactions and failed to disclose in a timely manner, breaching Article 14 of the Measures of Unlisted Public Companies and Article 1.4 of the Business Rules and Paragraph 3 of Article 57 of the Information Disclosure Rules respectively. In addition, the relevant personnel failed to perform their duties faithfully and diligently, breaching Article 1.4 and Article 1.5 of the Business Rules. As a result, the NEEQCL required Chengdu Desun and the relevant personnel to enhance its corporate governance according to the relevant rules to avoid the recurrence of the incident ("**Warning Measures**").

Save for the Decision Letter issued to Chengdu Desun and the relevant personnel, (i) no other disciplinary measure was ordered by the NEEQCL; and (ii) other than the request from NEEQCL to publish an announcement regarding the Decision Letter, no further correspondences or requests from the NEEQCL with respect to the NEEQ Incident have been received by Chengdu Desun or the relevant personnel.

The NEEQ Incident occurred primarily because we were not fully aware of the relevant NEEQ requirements. As advised by our PRC Legal Advisers (i) the Decision Letter and the Warning Measures therein were not administrative penalties; (ii) the Decision Letter mainly serves to require Chengdu Desun and the relevant personnel to enhance its corporate governance in accordance with the relevant rules to avoid recurrence of the incident; (iii) save for the Decision Letter, no other disciplinary measure was ordered by the NEEQCL in relation to the NEEQ Incident; and (iv) the NEEQCL did not challenge the capabilities nor the qualifications of the relevant personnel to act as director or senior management of a listed company.

Save as the foregoing, as at the Latest Practicable Date, we were not aware of any ongoing investigation or any penalty or punishment by the relevant regulatory bodies.

Remedies and rectification measures taken

All outstanding balances due from Chengdu Huacheng and Chengdu Miyou resulted from the aforesaid advances have been fully settled. Chengdu Desun had made an announcement in relation to the Decision Letter on 13 February 2020. Since April 2019, Chengdu Desun had implemented and followed the enhanced internal control measures recommended by the NEEQ compliance adviser (持續督導顧問) of Chengdu Desun (the "**NEEQ Compliance Adviser**") with respect to the NEEQ Incident, including among others: (i) further enhancing the internal control measures to prevent further instances of occupation of fund; (ii) providing internal training to the responsible staff; (iii) strengthening the supervising power of the internal audit department to closely monitor and audit the fund flow with related parties; (iv) for any further historical instances of occupation of fund identified, it shall be disclosed forthwith in accordance with the relevant rules and measures; and (v) Chengdu Desun and its ultimate controlling shareholder shall each give an undertaking to observe and comply with the relevant laws and regulations on occupation of fund going forward. As confirmed by our Directors, no similar non-compliance incident had occurred since then. Furthermore on 14 February 2020, the ultimate controlling shareholder, directors and senior management of Chengdu Desun attended a training session hosted by NEEQ Compliance Adviser on the relevant laws and regulations on occupation of fund and its legal consequences.

In preparation for the Listing, we have engaged an independent internal control consultant in October 2020 (the "**Internal Control Consultant**") to perform a detailed review of our Group's system of internal control procedures. The Internal Control Consultant provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up review in April 2021 on our system of internal control with regard to those actions taken by our Group and reported the follow-up review findings. Based on the results of the follow-up review, our Directors confirmed that our Group had adopted all the applicable internal control measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies internal control system as at the Latest Practicable Date. These applicable internal control measures include the following.

Our Group has formulated policies and manuals on connected transactions and notifiable transactions which will be effective after the Listing of our Group. The policies include (i) the definitions and categories of connected persons and connected transactions; (ii) identification of connected transactions (our joint company secretary, Ms. Wan Hong, will be responsible for collecting signed declarations of independence and information on connected transactions); (iii) procedures to approve new connected transactions; (iv) procedures to manage information disclosure of connected transactions; (v) the roles of responsible persons in monitoring and disclosing notifiable transactions; (vi) classification of notifiable transactions and method of publications; and (vii) procedures of the announcement of discloseable transactions (including reporting procedures, procedures for issuing announcements and circulars, and suspension of trading arrangements).

In particular, we have established an internal control and compliance department which comprises five staff members, and is headed by Ms. Wan Hong (who is also our joint company secretary). Our finance department is required to present all potential transactions with our related parties and other material transactions to the internal control and compliance department for review. The internal control and compliance department shall assess whether such potential transactions will constitute any disclosure and approval requirements in accordance with the Listing Rules and reviewed before passing to Board for approval. Where necessary, we will seek advices from external legal advisers and our compliance adviser on the compliance implications of the aforesaid potential transactions. Our Directors (including the independent non-executive Directors) will review the terms of the connected transactions before we enter into such transactions. Further, Directors who have material interests in the transactions are required to abstain from voting on the relevant resolutions approving the transactions in the board meeting.

Ms. Wan Hong will be responsible for handling secretarial matters and day-to-day compliance matters of our Group on a full time basis, including compliance on internal control and compliance with the Listing Rules (including the relevant disclosure and approval requirements). For further details on Ms. Wan Hong's background and qualification, please refer to the section headed "Directors and Senior Management" of this prospectus.

In addition to the abovementioned enhancements of our management team and internal control policies, we have also engaged (i) external legal advisers on Hong Kong law to advise us on legal compliance matters in Hong Kong, (ii) a compliance adviser to advise us on the Listing Rules after the Listing, and (iii) Ms. Ng Ka Man, who possesses the qualifications required under Rule 3.28 to act as our joint company secretary to work closely with Ms. Wan Hong to discharge duties and responsibilities.

Based on the above, taking into account that (i) we have followed through with the recommendations of the Internal Control Consultant and established policies and measures which would be, among others, effective on monitoring and governing related parties transactions going forward; (ii) our Directors have attended training provided by our legal adviser before the Listing, including on topics in relation to connected transactions under the Listing Rules; (iii) we will be assisted by professional parties, including external legal advisers and compliance adviser on legal and Listing Rules compliance matters; (iv) no material non-compliance in relation to connected transactions had been identified since the establishment of the enhanced internal control measures and there had been no recurrence of incidents similar to the NEEQ Incident, our Directors are of the view that our enhanced internal control measures as discussed above are adequate and effective. Based on the discussion with the internal control consultant on the work done in the internal control review and the follow-up review, nothing has come to the Sole Sponsor's attention that would lead it to cast doubts on the views of our Directors above.

Our Directors are satisfied, and the Sole Sponsor concurs, that the NEEQ Incident do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules having taken into account that (i) the NEEQ Incident did not involve any dishonesty or fraudulent act on the part of our Directors; (ii) our Group has taken measures to rectify the NEEQ Incident to the extent practicable; (iii) our Group has implemented the measures described above to avoid recurrence of similar incidents; (iv) there were no recurrence of similar incidents since the implementation of such measures; and (v) each of our Directors is aware of the requirements and obligations as a director of a listing issuer pursuant to the Listing Rules and has undertaken to observe and comply with all the relevant rules and regulations.

Our Directors are of the view that the NEEQ Incident does not involve any dishonesty or fraudulent act on the part of our Directors after considering the following factors: (i) the NEEQ Incident was mainly caused by the unfamiliarity of the relevant management personnel with the NEEQ requirement and the lack of adequate legal advice at the material time; (ii) Chengdu Desun confirmed that its operation and the financial performance were not materially affected as a result of such advances; (iii) the interests of the shareholders of Chengdu Desun were not materially prejudiced as the advancements were duly approved and ratified by the board and shareholders of Chengdu Desun; (iv) the advancements were disclosed voluntarily by Chengdu Desun by way of announcement in March 2019 and in its 2018 annual report which was published in April 2019; (v) upon receiving the Decision Letter, our directors of Chengdu Desun had worked closely and cooperated fully with the NEEQCL on the possible remedial measures; and (vi) the NEEQCL did not challenge the capabilities nor the qualifications of the relevant personnel to act as director or senior management of a listed company.

Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to indemnify our Group jointly and severally for all incidents of non-compliance, violation or breach related to the Decision Letter.

Taking into consideration that (i) we have not been subject to any action, penalty (including monetary penalty) or punishment by relevant regulatory bodies in relation to the NEEQ Incident other than the Decision Letter, (ii) we have already delisted from NEEQ, our Directors are of the view, and our PRC Legal Advisers further confirm, that the risk of further penalties (including monetary penalty) or other disciplinary actions for the NEEQ Incident is remote.

Historical Non-compliance Incidents

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
During the Track Record Period, we failed to make full contribution to the social insurance and housing provident funds for some of our employees as required under the relevant PRC laws and regulations. As at 31 May 2021, the aggregate outstanding amount of our social insurance and housing provident fund contributions was approximately RMB9.5 million and RMB3.9 million, respectively.	These non-compliance incidents were primarily due to the staff who were in charge of these matters in our relevant PRC subsidiaries and branch companies did not fully understand the different regulatory requirements in areas where we operated. In addition, to the best knowledge of our Directors having made reasonable enquiries, some of our employees did not want to participate in the social insurance and housing provident fund schemes as they do not want to bear their portion of contribution.	In respect of our failure to make full contribution to the social insurance and housing provident funds, according to the relevant PRC laws and regulations, the relevant PRC authorities may (i) demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions; and (ii) order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People's Court for compulsory enforcement. Our potential maximum liabilities equal to the sum of the aggregate outstanding amount of our social insurance and housing provident fund contributions and the late payment fee on the outstanding amount of our social insurance contribution. Based on the outstanding amount of our social insurance contribution of RMB9.5 million as at 31 May 2021, the potential maximum penalty which may be imposed on us if we fail to make required payment within the prescribed period equals to three times of the outstanding amount of our social insurance contribution.	Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) the risk that we would be subject to risk of actual economic loss is low; (ii) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iv) we were not aware of any material employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and housing provident funds; (v) we have made provisions of RMB1.3 million, RMB1.4 million, RMB2.6 million and RMB4.8 million for the social insurance and housing provident fund contribution shortfall in FY2018, FY2019, FY2020 and 5M2021, respectively; (vi) we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances.

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
			We have established an internal control policy that requires full compliance with the relevant laws and regulations on social security insurance and housing provident fund and will enforce the policy and avoid future non-compliance. We have enhanced internal policies pursuant to which our legal department and human resource department will regularly check the compliance status of social insurance and housing provident fund contributions. We have arranged the payment of social insurance and housing provident funds contributions for our employees in accordance to local practice and policies. According to the interviews and written confirmations with the Human Resources and Social Security Bureau of Chengdu, Housing Provident Fund Management Center of the relevant districts of Chengdu in July 2021, all of which are the competent governmental authorities to provide such confirmations, (i) in respect of the relevant periods stated therein, no administrative penalties had been imposed; and (ii) we would not receive administrative penalties for outstanding contribution amount if the relevant authorities demanded us to pay such contribution and we can contribute within its demanded time period. In addition, MOHRSS issued the Emergency Notice on Implementing the Spirit of the Executive Meeting of the State Council and Effectively Stabilizing the Collection of Social Insurance Premiums (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) on 21 September 2018, which strictly forbids local human resource and social insurance authorities from initiating the settlement of historical arrears by themselves. As advised by our PRC Legal Advisers, based on the foregoing, as long as we pay the unpaid amount for social insurance and housing provident funds in full amount in a timely manner after receiving notices to rectify the non-compliance from the relevant PRC authorities, the risk of us being imposed of any penalty is remote. In light of the above, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period would not have any material adverse effect on our business operations or results of operations. Taking into consideration of the above and the internal policies where adopted and implemented effectively, after consultation with our internal control consultant, our Directors are of the view that our Internal Control measures are adequate and effective.

To continuously improve our corporate governance and internal control and to prevent recurrence of non-compliance in the future, we have adopted the following measures:

- as mentioned above, we have formulated policies and manuals on connected transactions and notifiable transactions, as well as an internal control manual on our internal control functions and compliance with the Listing Rules;

- we have provided and plan to continue to provide senior management and legal staff with training regarding the legal and regulatory requirements applicable to our operations from time to time;

- we have engaged our PRC Legal Advisers to provide legal advice on compliance with PRC laws and regulations, and provide trainings to our senior management and legal staff;

- we have arranged for our Directors and senior management to attend training programmes on applicable laws and regulations, including the Listing Rules, provided by our legal advisers on Hong Kong law prior to Listing;

- we will continue to arrange various training programmes to be provided by the PRC Legal Advisers engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;

- we have engaged Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser to advise our Directors and management on matters relating to the Listing Rules for the term commencing on the Listing Date and ending on the date of dispatch of the annual report of our Company in respect of our financial results for the first full financial year commencing after the Listing Date;

- our Board has established an audit committee to oversee our internal control, including, among others, reviewing and making recommendation to our Board in respect of our Group's policies and practices on internal control, reviewing and monitoring our Group's policies and practices on compliance with any requirement and regulation that may be prescribed by the Board, contained in any constitutional documents of our Group, or imposed by the Listing Rules and other applicable laws, regulations, rules and codes, and ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and monitoring the implementation of our Group's plan to maintain compliance with own risk management standards;

- we have engaged an independent external consulting firm as our independent internal control consultant to review our internal controls for certain areas of some of our entities based on a pre-agreed scope and approach, and have implemented the recommendations made by the independent internal control consultant;

- we have adopted a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;

- we have strengthened training for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance awareness and responsibility;

- we have appointed our joint company secretaries, to handle the secretarial matters and day-to-day compliance matters of our Group, including compliance on internal control and compliance with the Listing Rules (including the relevant disclosure and approval requirements); and

- when necessary, we will engage external professionals, including auditors, internal control consultants and other advisers to render professional advice in relation to compliance with other statutory and regulatory requirements and matters relating to internal control, as applicable to our Group from time to time.

Views of our Directors and the Sole Sponsor

Having considered the nature and reasons for the historical non-compliance incidents identified above and the advice from our PRC Legal Advisers, the corrective actions taken and the internal control measures adopted by our Company, our Directors are of the view and the Sole Sponsor concurs that (i) our Group's internal control measures are adequate and effective to prevent recurrence of future non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place under the Listing Rules; and (iii) the past non-compliance incident does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business. See the paragraph headed "Financial Information – Quantitative and qualitative analysis about market risk" in this prospectus for details.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will adopt, among others, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See the paragraph headed "Directors and Senior Management – Board committees – Audit committee" in this prospectus for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

- our human resources department is responsible for monitoring and examining the compliance with our internal rules and manuals by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws to reduce our legal risks;

- the appointment of Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and

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

Finally, we adopt before the Global Offering, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

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

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

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

RECENT REGULATORY DEVELOPMENT

The PRC government promulgated a series of regulatory notices to regulate the real estate market as well as property management industry, aiming to promote the stable and healthy development of the property management industry. These regulatory notices include the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (Jian Fang Gui [2020] No. 10) (the "**Notice 10**") and the Notice on Continued Regulation and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) (Jian Fang [2021] No. 55) (the "**Notice 55**") issued by the Ministry of Housing and Urban-Rural Development and other competent departments. These notices aim to rectify existing problems in the real estate market and to standardise the currently in place regulations in order to improve the market order. The notices cover the fields of real estate development, property sale and purchase, housing leasing and property management services.

The Notice 10 clarifies the price forming mechanism for property management services as well as imposing requirements on the areas of integrating grassroots in the social governance system; improving governance structure of property owners' associations; promoting property management service quality; promoting and developing living services; regulating the use and management of repair fund and reinforcing supervision and management of property management services.

The Notice 55 points out that it will strive to improve the real estate market order in three years, including the areas of real estate development, housing sales, housing leasing, and property services. For property management services companies, the key problems that the notice points out and require standardization measures include (i) failure to provide services in accordance with contractual terms, (ii) failure to disclose information regarding standards for the property service fee items, the common area's operation and income and maintenance funds related information, (iii) collection of fees beyond service contracts, (iv) unauthorized use of common area to carry out business activities, and (v) refusal to exit the property services project without a proper reason upon rescission or termination of the property services contract pursuant to the law.

As confirmed by our Directors and our PRC Legal Advisers, the laws and regulations of property development and property management industries have been reflected in other valid regulations such as the Property Management Regulations and Regulations of Sichuan Province on Property Management. With respect to Notice 10 and Notice 55, our PRC Legal Advisors advised that it primarily refines or reiterates certain general requirements, but does not impose new compliance requirements, on the property development and property management service industries. Our Directors confirm that (i) we have been substantially in compliance with the requirements of Notice 10 and Notice 55 in relation to property management services; and (ii) as of the Latest Practicable Date, we had not been subject to any material legal proceedings or arbitrations against us in relation to the services that we provide in our ordinary course of business. According to the confirmation letters dated July 2021 received by our Group from the competent property management service authorities and the search by our PRC Legal Advisers on the competent authority website, our Group had not received penalties from the relevant authorities for violating Notice 10 and Notice 55. Based on the foregoing, our PRC Legal Advisors are of the view that we have been in compliance with the relevant requirements of Notice 10 and Notice 55 in relation to property management services in all material respects. We have also enhanced our internal control measures to ensure our ongoing compliance with Notice 10 and Notice 55, which primarily include (i) providing on-the-job training and lectures to our employees regarding the requirements of Notice 10 and Notice 55 to help facilitate bottom-up compliance thereto in our daily operation; and (ii) designating legal staff to closely monitor and oversee our compliance status with the requirements of Notice 10 and Notice 55.

Based on the above, our Directors believe, and the Sponsor and the PRC Legal Advisers concur, that we did not violate the Notice 10 and Notice 55 in any material aspect and Notice 10 and Notice 55 will not have a material impact to our Group's business operation and financial performance.

In August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers, namely, the Three Red Lines. As at the Latest Practicable Date, no such new regulations had been officially proposed.

Our Directors believe, and the Sole Sponsor and the PRC Legal Advisers concur that our business operations and financial position would not experience any material adverse change in the event that the proposed regulations of the Three Red Lines officially come into effect, considering that (i) the liability asset ratio, net gearing ratio and cash to short-term borrowing ratio of Desun Property Group comply with the proposed PBOC standards as at 30 September 2021; (ii) to the best knowledge and information of our Directors, Desun Property Group had not experienced any difficulties in renewing existing bank loans or obtaining new bank loans; and (iii) we are well-positioned to obtain projects from Independent Third Parties.

The PBOC and China Banking and Insurance Regulatory Commission also issued a notice (the "**Mortgage Notice**") on 28 December 2020 imposing a limitation on the proportion of balance of real estate loans and personal housing loans to the total loan balance of the financial institutions. In light of this notice, some banks and financial institutions are more cautious in providing financing to real estate business and personal housing mortgages. The Mortgage Notice is introduced to curb overheating or speculation in the real estate industry, and promote the healthy and steady development of the industry. In light of the Mortgage Notice, the short-term property price and transaction volume is expected to decrease, but in the long run, the real estate market is expected to become more healthy and stable. In addition to residential properties on which the Mortgage Notice mainly impact, our property management portfolio include non-residential properties such as shopping streets, industrial parks and offices. We also offer a wide scope of value-added services to non-property owners and property owners. Therefore, our Directors believe that there will be no material impact on Desun Group in the long run. As at the Latest Practicable Date, to the best knowledge and information of our

Directors, there was no material delay of delivery and pre-sale activities of property projects under development or to be developed by Desun Group, which would have a material negative impact on the operation and financial performance of our Group.

On 23 October 2021, the 31st Session of the Standing Committee of the 13th National People's Congress adopted the Decision of the Standing Committee of the National People's Congress on Authorizing the State Council to Carry out a Pilot Program of Real Estate Tax Reform in Certain Areas (the "**Decision**"), authorizing the State Council to carry out a pilot program of real estate tax reform in certain areas. The Decision authorizes the State Council to formulate specific measures for the real estate tax pilot program, and determine the list of cities for the pilot program and file the record with the Standing Committee of the National People's Congress. The Decision also authorizes the people's governments of pilot areas to formulate specific implementing rules. The purpose of the real estate tax is to levy real estate tax on land use right owners and property owners for different types of properties in urban area.

As advised by our PRC Legal Advisers, except for Shanghai and Chongqing, which have been pilot cities for the real estate tax, the list of other pilot cities has not been determined. As at the Latest Practicable Date, our Group did not have any projects under management in Shanghai and Chongqing. We primarily operate in Chengdu, Sichuan Province, which has not been listed as a pilot city for real estate tax as at the Latest Practicable Date. According to the Decision, the period for the real estate tax pilot program shall be five years from the date when the measures for the pilot program are officially issued by the State Council and laws shall be enacted when conditions permit after the end of the pilot program. As at the Latest Practicable Date, no detailed measures of the real estate tax had been officially promulgated. The impact of the Decision on our Group need to be further assessed after the scope of pilot cities is determined and the implementation rules in each pilot city come out. According to information from public media, it is speculated that the pilot program may be launched in certain first- and new first-tier cities with relatively vibrant real estate markets. Based on the information available in the public domain, we expect that Chengdu may fall into the ambit of the regions where the pilot program would be launched.

Based on public news and our observations of the countries that have enacted real estate tax and as concurred by Frost and Sullivan, real estate tax generally affects the volume of real estate transactions only in the short run. From the long-term perspective, the new pilot real estate tax rules is proposed to guide rational consumption of housing and economical use of land resources to promote the steady and sound development of China's real estate market. In the long run, the real estate market is primarily affected by factors such as population, the supply and demand of land and financial policies instead of real estate tax. As such, from a property management service provider's perspective, the future implementation and enactment of real estate tax might have a temporary impact on the sale of properties developed, but would not have a material adverse impact on projects. Based on the property management agreements that we had entered into, our Directors are of the view that it is unlikely that our contracted GFA, GFA under management or revenue would experience a significant decrease in the near future. As we do not expect real estate tax to have a material adverse impact on property management service providers, our Directors are of the view that the implementation of real estate tax will not have a material adverse impact on our business operation or financial performance and we will continue to expand in the city of Chengdu. There was no material delay in delivery of properties developed by Desun Group as at the Latest Practicable Date as a result of the Decision.

As at the Latest Practicable Date, no detailed measures of the real estate tax had been officially promulgated. The impact of the Decision on our Group need to be further assessed after the scope of pilot cities is determined and the implementation rules in each pilot city come out. Due to the complexity and uncertainty of the regulatory environment we operate, we cannot ascertain that subsequent laws and regulations would not have impact our business operations in the future. As of the date of this prospectus, it was unclear when the detailed measures for the real estate tax pilot program and the list of the real estate tax pilot cities would be formally introduced. Our Directors also confirm that we will (i) continue to communicate with relevant authorities to monitor the latest changes; and (ii) comply with the relevant real estate tax regulations and requirements when they are implemented. Based on the above, as at the Latest Practicable Date, our Directors believe, and the Sponsor and the PRC Legal Advisers concur, that the aforesaid Decision would not have any material adverse impact on our operation and financial performance. However, it is still unclear when the detailed measures for the real estate tax reform will be formally introduced, the real estate tax, when implemented, might have an impact of our business operation and financial performance.

Please refer to the paragraphs headed "Summary – Recent development and material adverse change", "Regulatory Overview – Legal Supervision over Property Management Services – Enforcement of the Regulations on Property Management Services" and "Risk Factors – We are susceptible to changes in the regulatory landscape of the PRC property management industry" in this prospectus for details.

Upon Listing, transactions between members of our Group and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon the Listing and the nature of their relationship with our Group.

Name	Connected relationship
Mr. Zou Kang	Our Controlling Shareholder
Ms. Zou Jian	Our Controlling Shareholder
Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司) ("**Chengdu Huacheng**")	A company which Mr. Zou Kang directly and/or indirectly held in aggregate more than 30% of equity interests

SUMMARY OF OUR CONNECTED TRANSACTIONS

The table below sets out a summary of transactions which constituted an one-off connected transaction or will constitute a continuing connected transaction upon Listing:

No.	Connected transactions	Applicable rules	Waivers sought	Annual caps for the three years ending 31 December 2021, 2022 and 2023 *(RMB in thousands)*
One-off connected transaction				
1.	Property leasing agreement	14A.34	N/A	N/A
Non-exempt continuing connected transaction				
2.	Property Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.51, 14A.52, 14A.53, 14A.71 and 14A.105	Announcement and independent shareholders' approval requirements	2021: 115,000 2022: 147,500 2023: 192,500

ONE-OFF CONNECTED TRANSACTION

1. Property leasing agreement

As at the Latest Practicable Date, our Group has entered into a property leasing agreement with Chengdu Huacheng (the "**Property Leasing Agreement**"), pursuant to which our Group has rented a premises for office use from Chengdu Huacheng at the monthly rent of RMB20,735.

In accordance with IFRS 16 "Leases" (which became effective from 1 January 2019), the lease under the Property Leasing Agreement is recognised as right-of-use assets on our consolidated statements of finance position. Therefore, the entering into of the Property Leasing Agreement will be regarded as the acquisition of capital assets and one-off connected transaction, rather than continuing connected transaction. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Property Services Framework Agreement

Our Group has been providing certain property management services to Desun Group during the Track Record Period and up to the Latest Practicable Date. In contemplation of Listing, on 15 November 2021, our Company entered into a property services framework agreement (the "**Property Services Framework Agreement**") with Mr. Zou Kang and Ms. Zou Jian (our Controlling Shareholders, with Mr. Zou Kang also being our non-executive Director), pursuant to which we agreed to provide a range of property management services and other related services to companies in which Mr. Zou Kang and/or Ms. Zou Jian can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries ("**Ultimate Controlling Shareholders' Associated Companies**") for the term of three years, commencing from the Listing Date and up to 31 December 2023. The services our Group may provide to Ultimate Controlling Shareholders' Associated Companies includes but not limited to:

- ***Property management services***: including but not limited to security, cleaning, greening and gardening services, and repair and maintenance services to residential properties and non-residential properties of Ultimate Controlling Shareholders' Associated Companies.

- ***Pre-delivery and sales assistance services***: including (i) sales assistance services; (ii) sales agency services; (iii) pre-delivery routine quality inspection of properties after the completion of construction; (iv) decoration for sales offices; and (v) canteen services for sales offices.

- ***Commercial operational services and assets management services***: including the provision of (i) tenant sourcing services such as identifying and attracting tenants for commercial properties assigned to us and coordinating the signing of tenancy agreement, etc; (ii) services during operation stage such as tenant management and rent collection services, etc; and (iii) sales agency services for unsold carpark space and residential properties.

- ***Other value-added services***: including but not limited to canteen logistics support services, equipment maintenance services, and other value-added services to property owners.

The initial term of the Property Services Framework Agreement will commence on the Listing Date and end on 31 December 2023. The parties and their respective subsidiaries and associates will enter into separate subsidiary agreements setting out the specific terms and conditions (including the fees of the products and/or services and payment methods) in respect of the relevant services based on the principles under the Property Services Framework Agreement.

Reasons for and benefits of the transaction

Our Group principally engages in providing property management services and value-added services, whereas Ultimate Controlling Shareholders' Associated Companies which require our services were mainly property development companies which require property management services for their properties. Through the continuous cooperation between Ultimate Controlling Shareholders' Associated Companies and us in respect of the provision of property management services and value-added services, our Directors believe that we have built a long-standing, synergistic and on-going relationship with Ultimate Controlling Shareholders' Associated Companies which support the growth between both parties. For further details of our relationship with Ultimate Controlling Shareholders' Associated Companies, please refer to the paragraph headed "Relationship with Controlling Shareholders – Mutual and complementary relationship" in this prospectus.

Pricing policy

The prices/rates of the provision of services charged by our Group will be determined on the basis of arm's length negotiations between the relevant parties, taking into account:

- ***In respect of the property management services***: (i) the types and locations of the properties; (ii) the scope and quality of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties;

- ***In respect of pre-delivery and sales assistance services***: (i) the different service and standards required; (ii) the anticipated costs to be incurred for rendering the services, including but not limited to labour, consumables, management fees, administrative costs; and (iii) the prevailing market price for rendering similar services.

- ***In respect of commercial operational services and assets management services***: (i) the anticipated costs including labour costs and administrative costs; and (ii) the prevailing market price for similar services.

- ***In respect of other value-added services***: (i) nature and location of the properties; (ii) brand, size and location of the properties; (iii) GFA of the properties; (iv) the operation costs, such as cost of raw materials and labour and administration expenses; and (v) the prevailing market price of similar services.

In determining the prevailing market price/rate, our Group will consider quotes offered to the Independent Third Parties for services of the same or similar quality for comparison from time to time.

Historical transaction amounts

The historical amounts paid by Ultimate Controlling Shareholders' Associated Companies to our Group for the three years ended 31 December 2020 and the five months ended 31 May 2021 are set out as below:

	For the year ended 31 December			For the five months ended 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The aggregate amounts of the fees paid by Ultimate Controlling Shareholders' Associated Companies to our Group in respect of:				
The provision of property management services	4,596	4,593	5,495	1,666
The provision of pre-delivery and sales assistance services	20,319	27,666	47,563	28,890
The provision of commercial operational services and assets management services	8,640	2,058	5,405	3,517
The provision of other value-added services	584	913	1,988	448
Total	34,139	35,230	60,451	34,521

During the Track Record Period, the aforesaid historical transaction amounts derived from Ultimate Controlling Shareholders' Associated Companies by our Group represented approximately 53.4%, 51.0%, 47.3% and 38.8% of our total revenue for each of the three years ended 31 December 2020 and the five months ended 31 May 2021, respectively. As confirmed by our Directors, the increase in the transaction amount during the Track Record Period was mainly due to the business growth of Ultimate Controlling Shareholders' Associated Companies, resulting in an increase in the demand of property management services and other services from our Group.

In respect of the major components of pre-delivery and sales assistance services provided to our Ultimate Controlling Shareholders, we engaged an independent tax adviser to conduct a transfer pricing study. After consultation with the independent tax adviser, our Directors are of the view that the transfer pricing arrangement in respect of the major components of pre-delivery and sales assistance services provided to our Ultimate Controlling Shareholders is fair and reasonable.

Annual caps and basis of determination

The annual caps of the fees payable to our Group by Ultimate Controlling Shareholders' Associated Companies for the three years ending 31 December 2023 shall not exceed the caps as set out in the table below:

	For the year ending 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
The aggregate amounts of the fees payable by Ultimate Controlling Shareholders' Associated Companies to our Group in respect of:			
The provision of property management services	7,000	11,000	18,500
The provision of pre-delivery and sales assistance services	94,500	121,500	157,500
The provision of commercial operational services and assets management services	11,000	12,500	14,000
The provision of other value-added services	2,500	2,500	2,500
Total	115,000	147,500	192,500

The above annual caps of the fees payable to our Group were determined with reference to:

- ***In respect of the provision of property management services*** : (i) the historical transaction amount of the property management services provided to the residential properties and non-residential properties of Ultimate Controlling Shareholders' Associated Companies; (ii) the expected increase of costs of labour and administration expenses; (iii) the number of residential properties and non-residential properties currently managed by us as engaged by Ultimate Controlling Shareholders' Associated Companies pursuant to existing contracts; and (iv) the existing and future property development projects and plans of Ultimate Controlling Shareholders' Associated Companies, the expected total GFA of the properties to be sold and delivered by Ultimate Controlling Shareholders' Associated Companies which require property management services and the estimated time of pre-sales and delivery.

- ***In respect of pre-delivery and sales assistance services***: (i) the historical transaction amount of the pre-delivery and sales assistance services provided to Ultimate Controlling Shareholders' Associated Companies; and (ii) the existing and future property development projects and plans of Ultimate Controlling Shareholders' Associated Companies and the estimated time of pre-sale and delivery of the properties.

- ***In respect of commercial operational services and assets management services***: (i) the historical transaction amount of the commercial operational services provided to Ultimate Controlling Shareholders' Associated Companies; (ii) the estimated occupancy rate of the properties based on historical trend; (iii) the GFA of the properties which we are engaged to manage; (iv) the estimated rental and management fees with respect to the properties which we were engaged to manage; and (v) the portfolio of properties of Ultimate Controlling Shareholders' Associated Companies which require assets entrusted operation management services.

- ***In respect of the other value-added services***: (i) the historical transaction amount of the various types of value-added services provided to Ultimate Controlling Shareholders' Associated Companies; and (ii) the expected increase of cost of raw materials and labour and administration expenses.

The expected increase of service fees to be paid by Ultimate Controlling Shareholders' Associated Companies to our Group for the three years ending 31 December 2023 as compared to the Track Record Period is mainly due to:

(i) a growing number of sales office to be managed by our Group. For the years ending 31 December 2021, 2022 and 2023, it is anticipated our Group will be engaged by Desun Group for the provision of pre-delivery and sales assistance services to a total of 22, 25 and 33 sales office during the period, which were estimated based on the number of existing contracts, the number of projects under constructions of Desun Group, and the development plan of Desun Group; and

(ii) the expected increase in GFA under management of properties developed by Desun Group, which has been estimated based on the GFA of properties delivered and scheduled to be delivered by Desun Group and available for management by our Group. For the three years ending 31 December 2021, 2022 and 2023, it is anticipated that Desun Group will engage our Group for the provision of property management services for a total GFA of approximately 1.31 million sq.m., 2.49 million sq.m. and 3.12 million sq.m., respectively, which were estimated with reference to the properties developed by Desun Group currently managed by our Group, the delivery schedule and development plan of Desun Group.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps for the transactions under the Property Services Framework Agreement is or are expected to be more than 5% on an annual basis, the transactions under the Property Services Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the Property Services Framework Agreement for the continuing connected transactions contemplated thereunder are fair and reasonable, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of our Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee under the Board, the Board and various other internal departments of our Company also regularly monitor the fulfilment status and the transaction updates under the Property Services Framework Agreement. In addition, the management of our Company also regularly reviews the pricing policies of the Property Services Framework Agreement;

- prior to entering into any separate subsidiary agreements, the personnel of various departments including the legal department, finance department and operation department of our Company will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Property Services Framework Agreement. During such internal review process, the relevant personnel will examine, among others, (a) information of the parties; (b) the term of the agreement; (c) the type and scope of services to be provided by our Group thereunder; and (d) whether the contract price is in line with the aforesaid pricing policy, in order to ensure comment (if any) from various departments of our Group will be properly addressed;

- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Property Services Framework Agreement and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

- our finance department will maintain and update the list of connected persons of our Group. Such list will be circulated to members and relevant departments of our Group on a quarterly basis; and

- when considering service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered to the above connected persons from mutual commercial negotiations are fair, reasonable and are no less favourable than those to be offered to Independent Third Parties.

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transaction set out above have been and will continue to be carried out in the ordinary and usual course of business of our Company and are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor is of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of our Company and are on normal commercial terms or better, fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As we expect such non-exempt continuing connected transaction under the Property Services Framework Agreement will continue on a recurring and continuing basis, our Directors (including the independent non-executive Directors) consider that strict compliance with the above announcement and independent shareholders' approval requirements would add unnecessary administrative costs and would be unduly burdensome. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted our Company, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements in respect of the non-exempt continuing connected transactions under the Property Services Framework Agreement. Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed caps set out above are exceeded, or when there is a material change in the terms of these transactions. Apart from the announcement and independent shareholders' approval requirements for which waiver have been sought, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the abovementioned agreements are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised), by virtue of the Concert Parties Confirmatory Deed, Mr. Zou Kang, Ms. Zou Jian, Sky Donna (a wholly-owned company of Mr. Zou Kang) and Pengna Holding (a wholly-owned company of Ms. Zou Jian) will be together interested in approximately 64.95% of the issued share capital of our Company. As they will together continue to control more than 30% of the issued share capital of our Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

Concert Parties Confirmatory Deed

On 17 December 2015, Mr. Zou Kang and Ms. Zou Jian (Mr. Zou Kang's sister) entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Chengdu Desun before entering into the agreement, and agreed to continue the same going forward. On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For details, please refer to the paragraphs headed "History, Reorganisation and Corporate Structure – Acting-in-concert arrangement" in this prospectus.

DELINEATION OF THE BUSINESS OF OUR GROUP AND THE COMPANIES OF THE CONTROLLING SHAREHOLDERS

Save and except for the interest in our Group, Mr. Zou Kang and Ms. Zou Jian, our Ultimate Controlling Shareholders, had a range of other investments in the PRC as at the Latest Practicable Date. The said investments of the Ultimate Controlling Shareholders were made through a series of companies comprising Desun Group, in which their shareholding interests varied. The scope of business of these companies, which differed from that of our Group, covered multiple industries which include but not limited to property development, property construction, consultation service in the information industry and investment management.

Business delineation between our Group and the Desun Property Group

Among the companies comprising Desun Group, the Desun Property Group consists of Chengdu Desun Property Co., Ltd (成都德商置業有限公司) and its subsidiaries, joint ventures and associated companies. Chengdu Desun Property Co., Ltd is owned as to 80% by Chengdu Desun Yuanmou Holding (Group) Co., Ltd. (成都德商淵謀控股(集團)有限公司) and 20% by Mr. Zou Kang. Chengdu Desun Yuanmou Holding (Group) Co., Ltd. is in turn owned as to approximately 91.9% by Mr. Zou Kang and Ms. Zou Jian collectively.

The table below sets forth the principal businesses of our Group and Desun Property Group as at the Latest Practicable Date:

Name of Company	Principal business operations
Our Group	Provision of (i) residential property management services; (ii) non-residential property management services; (iii) value-added services for non-property owners; and (iv) value-added services for property owners
Desun Property Group	Property development, property investment and construction and other related services

Notwithstanding both the Desun Property Group and our Group are engaged in the property industry in the PRC, they are engaged in different segments of the property industry chain. The property developer companies under the Desun Property Group are engaged in property development and property construction in the PRC and do not provide the property management services and value added services similar to our Group. The nature of the Desun Property Group is a property developer while the nature of our Group is an integrated property management services and commercial operational services provider.

As demonstrated above, given the clear differences between the principal business operation of our Group and those of Desun Property Group, and the differences in segments within the property industry in which the Desun Property Group and our Group are operating, our Directors consider that there is a clear delineation between our Group and the Desun Property Group and our Directors are of the view that there is no overlap or competition of the businesses of our Group and those of the Desun Property Group.

Other businesses of the Ultimate Controlling Shareholders

As at the Latest Practicable Date, the Ultimate Controlling Shareholders were also involved in the business of corporate investment consultancy services and consultancy in the information industry through various companies owned by them within Desun Group other than the Desun Property Group and our Group ("**Other Excluded Companies**"). As at the Latest Practicable Date, the principal activities of these Other Excluded Companies include:

Name of company	Principal business operations
Sichuan Desun Wealth Investment Management Group Co., Ltd. (四川德商財富投資管理集團有限公司), its joint ventures and subsidiaries	Investment management and ancillary corporate consultancy services
Chengdu Digital Entertainment Software Park Management Investment Co., Ltd. (成都數字娛樂軟件園管理投資有限公司), its joint ventures and subsidiaries	Development, consultation, technology transfer and technology service in the information industry

Our Directors are of the view that such businesses do not overlap with and therefore would not compete or are not expected to compete, directly or indirectly with our businesses.

Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying out its business independently from our Controlling Shareholders and their close associates for the reasons set out below.

Management Independence

Our Board consists of five executive Directors, one non-executive Director, and three independent non-executive Directors. Save as disclosed below, as at the Latest Practicable Date, none of our Directors serves as a director or is a member of senior management in companies of Desun Group which are engaged in, among others, property development and property construction business but not property management services or value added services similar to that of our Group.

Name	Position in our Group	Role and responsibilities in Desun Group
Mr. Zou Kang	Non-executive Director, without involvement in the daily operation of our Group. For further details, please refer to the paragraph headed "Directors and Senior Management – Directors" in this prospectus.	Chairman of the board and senior management positions

Our Directors are of the view that our Company will function independently from our Controlling Shareholders for the following reasons:

(i) while Mr. Zou Kang is a Controlling Shareholder of our Group and he holds directorships and/or senior management positions in the companies in Desun Group, he only serves as a non-executive Director of our Company and is not responsible for the day-to-day operation of our Group;

(ii) none of our executive Directors holds any role as directors or members of senior management in Desun Group;

(iii) we have appointed three independent non-executive Directors, none of them being a director or member of the senior management in any close associate of the Controlling Shareholders, to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

(iv) each of our Directors is aware of his/her fiduciary duties and responsibilities under the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In the event of any actual or potential conflict of interest between our Group and Desun Group, Mr. Zou Kang, who has ongoing roles with Desun Group, will abstain from participating and voting at the relevant board meetings at our Group; and

(v) where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

Mutual and Complementary Relationship

Given our long and close relationship with the Desun Property Group since 2010, we are familiar with its specific requirements and expected deliverables. As a property developer, Desun Property Group requires our property management services for its business development and daily operations. We have always provided quality services, which help enhance the brand image of the Desun Property Group and the value of their property development projects. Our Directors are of the view that our relationship with the Desun Property Group is mutually beneficial. Desun Property Group has been active in property development in Chengdu.

Our Directors confirm that, to the best of their knowledge and belief, the Desun Property Group engaged our Group to provide property management services for all the residential property projects it developed during the Track Record Period. The properties developed by the Desun Property Group under our management constituted a total GFA of approximately 0.5 million sq.m., 0.8 million sq.m., 1.0 million sq.m. and 1.2 million sq.m., as at 31 December 2018, 2019, 2020 and 30 May 2021, respectively, representing approximately 100%, 100%, 26.5% and 28.3% of our total GFA under management as at the same dates. During the Track Record Period, revenue from value-added services to Desun Group increased from RMB29.5 million in FY2018 to RMB30.6 million in FY2019 and RMB55.0 million in FY2020, primarily attributable to the stable growth of Desun Group and increased number of projects delivered by Desun Group. As shown above, despite the total GFA under our management which was from Desun Property Group was on a steady rising trend, the proportion contributed to our total GFA dropped significantly. The reason for such trend was mainly due to our successful efforts to include other third-party property developers, with a view to building additional revenue sources and diversifying our property management portfolio. Our Directors consider the above decreasing trend will continue going forward given our continuous efforts to procure projects from third-party property developers. Having said that, going forward, we aim to continue to obtain property projects for the remaining and any new properties in the pipeline of Desun Property Group and strive to obtain projects from other third-party property developers. On the other hand, we had one office building from Desun Property Group under our management during the Track Record Period. The requirement of tender and bidding process does not applicable to non-residential property under the relevant PRC laws. The office building project from Desun Property Group was obtained by way of giving quotation and that was the only quotation for obtaining non-residential property projects and our managed to succeed in it. The reason why we submitted quotation for this office building project was because we wanted to step into the non-residential property management services area to expand our business scope.

Furthermore, the revenue generated from property management services and value-added services provided to Desun Group amounted to approximately 53.4%, 51.0%, 47.3% and 38.8% of our total revenue for FY2018, FY2019, FY2020 and 5M2021, respectively. According to unaudited management accounts, all property management expenses incurred by Chengdu Desun Property Co., Ltd (成都德商置業有限公司) and its subsidiaries during the Track Record Period were all attributable to us. As confirmed by F&S, such business relationship between our Group and Desun Group is common among PRC property management companies and their related companies and has been mutually beneficial and complementary. We believe our long and close business relationship with Desun Group has enabled us to gain a deep understanding of the real estate value chain, and such knowledge and skills accumulated over the years can be readily transferrable to serve our other independent customers.

In light of (i) the mutual and complementary relationship between Desun Group and our Group; (ii) the time costs and expenses that would otherwise be occurred by Desun Group to identify suitable property management services providers with similar expertise and familiarity to its requirements and quality standard as us if it elects to replace us; (iii) our proven track record in providing satisfactory services and securing residential property management service contracts from Desun Group; (iv) our familiarity with Desun Group's requirements and our Group's capability to provide services with quality, which helped to enhance the Desun Property Group's brand image, thereby attracting more customers to purchase properties from Desun Property Group; and (v) the mutual benefits for both our Group and Desun Group to maintain such complementary relationship, our Directors believe that there will not be any material adverse change in the relationship between our Group and Desun Group, and we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from Desun Group upon Listing. Further, although Desun Group is able to find similar service providers in the market, our Directors believe that it would not be the best interest of Desun Group to select and engage other property management service providers considering the above factors. Our provision of property management services and value-added service to Desun Group will constitute continuing connected transactions for our Company upon Listing. For details of our connected transactions with Desun Group, please refer to the section headed "Connected Transactions – Non-exempt continuing connected transaction" in this prospectus.

As a continuous effort to further diversify our revenue source, we have actively participated in the tendering process of third party developers. We established a team supervised by Mr. Zhou Youbo (周尤波先生) who is a member of our senior management and had experience in business development with third party developers to actively explore opportunities from properties developed by Independent Third Party developers located in different geographical locations. Furthermore, we intend to allocate 60% of the net proceeds from the Global Offering on the acquisition of property management and commercial operational service providers, with preference on potential targets with (i) GFA under management of at least one million sq.m.; (ii) generate revenue of at least RMB30 million for the most recent fiscal year; or (iii) have a net profit margin of at least 8%. For further details, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of proceeds" in this prospectus.

In FY2018, FY2019, FY2020 and 5M2021, revenue generated from our services provided to Desun Group amounted to RMB34.1 million, RMB35.2 million, RMB60.5 million and RMB34.6 million, respectively, accounting for 53.4%, 51.0%, 47.3% and 38.8% of our total revenue for the same periods, respectively. Our provision of services to Desun Group was conducted on normal commercial terms and arose from genuine business needs as illustrated below:

Tender procedures

We primarily procured residential property management service agreements from Desun Group through standard public tender procedures regulated by applicable PRC laws and regulations, whereby the tenders would be evaluated by a tender evaluation committee established by Desun Group in accordance with the Interim Measures for the Administration of Tendering and Bidding for Preliminary Property Management (前期物業管理招標投標管理暫行辦法). In evaluating the candidates, the tender evaluation committee would consider a range of factors, such as reputation, quality of service, management system, human resources management and the proposed management plan. Our Group had achieved 100% success rate in all of the tenders bids submitted for properties developed by the Desun Property Group. For details, see "Business – Property Management Services – Property management service agreements". For non-residential properties, although not required by law, the developers or owners generally select property management service providers through public tender or quotation invitation. For value-added services, public tender is not required by law, the developers generally select value-added service providers through quotation invitation.

Pricing policy

We adopt the same pricing policy, in particular, taking into account of local government's guidance price on property management fees, with respect to property management and value-added services provided to Desun Group and services provided to independent third parties. We adopt a standard property management services fee for users of our services. We generally price our services based on a number of factors, including (i) the types and locations of the properties; (ii) the scope of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties. For details of pricing policy of our different types of services, see "Business – Property Management Services – Our Pricing Policy", "Business – Value-added services – Our pricing policy for commercial operational services" and "Connected transaction – Pricing policy".

Business needs of Desun Group

Desun Property Group within Desun Group principally engages in property development and requires property management services and value-added services for the properties they developed. The development of our Group matches that of the development of the property development business of the Desun Property Group, which comprises primarily of residential properties across the PRC. Taking into account of the property development projects on hand and their progress, Desun Property Group expects the demand for high quality property management services will continue to increase. Benefiting from our expertise on mid- to high-end residential property management services and our long-term relationship with Desun Property Group, we were able to provide property management services with quality and a wide range of ancillary services which we believe will enhance the brand image of Desun Property Group. In particular, as set out in "Business – Our Competitive Strengths", we have the flexibility and capacity to customise service offerings based on specific needs of our customers and establish a unique integrated platform in the real estate service industry. At the same time, due to our long term relationship with Desun Group and proven success in the past, our Directors consider that we understand better and are more familiar with the requirements and quality standards of Desun Group than our competitors, thus enabling us to secure all of Desun Property Group's property management service contracts.

Operational Independence

We engage in our operations, make and implement operational decisions independent from our Controlling Shareholders. We have obtained all material licences and qualifications in our own names and are not dependent upon our Controlling Shareholders or their close associates for any such licences and qualifications. We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates.

After the relevant properties are delivered to the property owners, and property owners' associations have been established by the property owners' general meeting, the property owners' associations can be authorised by the property owners' general meeting to enter into contracts with the property management service providers selected by the property owners' general meeting. Upon such time, the preliminary property management service agreement that we previously entered into with the property developer, e.g. the Desun Property Group, for the rendering of management services prior to the delivery of the property will be terminated. Under the relevant PRC laws, the appointment of property management service provider by the property owners' association is subject to a tender and bidding process. If we are selected by the property owners' association to continue providing property management services, we will enter into a separate agreement with the association. The property developer, including the Desun Property Group, does not have any decisive influence over the selection (or replacement) of the property management service provider by individual property owners.

Although a majority of the properties managed by our Group during the Track Record Period were developed by Desun Group, we have diversified our property management service portfolio through the acquisition of Zhongneng Group in August 2020. Through our organic growth and following the acquisition, for FY2020, our Group's aggregate GFA under management from properties developed by Independent Third Party developers was approximately 2.8 million sq.m., representing 73.5% of our total GFA under management as compared to nil for FY2019. For the three years ended 31 December 2020, the revenue derived from property management services we provided for these properties developed by Independent Third Party developers amounted to approximately nil, nil and RMB19.2 million, respectively, accounting for approximately nil, nil and 31.2% of our total revenue.

We strive to continue to diversify our property management service portfolio going forward. Our Directors believe that our established track record and our expanded property management service portfolio following the acquisition of Zhongneng Group will give both our existing and prospective customers confidence on our service quality and capability, which we believe will increase our chances of securing further property management contracts from Independent Third Parties. Furthermore, we intend to allocate 60% of the net proceeds from the Global Offering on the acquisition of property management and commercial operational service providers, with preference on potential targets with (i) GFA under management of at least one million sq.m.; (ii) generate revenue of at least RMB30 million for the most recent fiscal year; or (iii) have a net profit margin of at least 8%. For further details, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of proceeds" in this prospectus. Taking into consideration of the above, our Directors believe that our Group will be able to effectively mitigate our exposure to any material adverse changes to our business operations in the unlikely event that our relationship with Desun Group is terminated.

Access to customers and suppliers

As mentioned in the paragraph above, with respect to the properties developed by Desun Group which we were engaged to render pre-delivery services, the relevant agreement will be terminated and replaced by a separate agreement entered into with the property owners (which are independent to Desun Group or our Controlling Shareholders) if we are selected. Furthermore, after the acquisition of Zhongneng Group in August 2020, our customer base is further diversified.

During the Track Record Period, we had independent access to the suppliers, which were mostly sub-contractors for our property management services independent to Desun Group and the Controlling Shareholders.

Employees

As at the Latest Practicable Date, save for Mr. Zou Kang, our non-executive Director, which also held positions in Desun Group, all of our full-time employees were recruited independently and did not work for any companies outside our Group or any other companies which were controlled by the Controlling Shareholders.

Connected transactions with our Controlling Shareholders

The section entitled "Connected Transactions" in this prospectus sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associated companies which will continue after the completion of the Global Offering. All such transactions are determined after arm's-length negotiations and on normal commercial terms. In determining the fees for services between our Group and our Controlling Shareholders or their respective associated companies, factors such as historical transaction amount, estimated costs of labour and administrative costs, and prevailing market price are taken into consideration where applicable. The fees are then determined with reference to prevailing market rates.

As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders and their associated companies at a reasonable percentage to our total revenues after the Listing. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independent from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources to support our daily operations. As at the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or their close associates to us and no guarantees provided for our benefit by our Controlling Shareholders or any of their close associates. There was also no outstanding loan due from the Controlling Shareholder to our Group as at the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing property management services and commercial operational services for mid- to high-end residential properties and commercial properties (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except (a) where our Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company listed on the Stock Exchange or any other stock exchange which has or may have competing business; and (b) they do not control 10% or more of the composition of the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their respective close associate cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us that he/she/it will provide and procure his/her/its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-Competition:

(i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective associates on their existing or future competing businesses;

(ii) the Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-Competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-Competition and make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company;

(iii) our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company and/or by way of announcements to the public;

(iv) any Competing Business Opportunities under the Deed of Non-Competition and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the Independent Board for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any Competing Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-Competition, our Company will disclose the decision, as well as the basis for such decision in the annual report of our Company. The annual report of our Company will include the views and decisions, with basis, of the Independent Board on whether to take up any Competing Business Opportunities under the Deed of Non-Competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the Independent Board; and

(v) further, if a Controlling Shareholder or a Director has conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding abstain from voting on such matter.

OVERVIEW

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general power over the management and conduct of our business.

Our senior management team consists of three individuals. Our senior management, together with our executive Directors, are responsible for the day-to-day management of our business.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the members of our Board:

Members of our Board

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of our senior management
Non-executive Director						
Mr. Zou Kang (鄒康)	51	Non-executive Director	March 2010	18 March 2021	Providing guidance and advice on corporate strategy to our Group	Nil
Executive Directors						
Mr. Zhang Zhicheng (張志成)	51	Chairman and executive Director	September 2020	10 December 2020	Responsible for providing strategic and directional guidance and advising on corporate governance to our Group and the Board	Nil

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Zhang Qiang (張強)	48	Executive Director	December 2011	18 March 2021	Responsible for formulating and implementing the overall corporate strategies of our Group, overseeing our Group's budget cost, monitoring the quality of service provided by our Group, and handling the daily operation of our Group	Nil
Ms. Xiong Jianqiu (熊建秋)	50	Executive Director	January 2016	18 March 2021	Involved in formulating the development strategies, supervising the financial management and internal control of our Group, and handling the daily operation of our Group	Nil
Ms. Wan Hong (萬虹)	35	Executive Director	March 2012	18 March 2021	Responsible for overseeing the overall administrative affairs of our Group, supervising our Group's investor relations, financing and securities affairs, and listing compliance management	Nil

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Wu Da (吳達)	52	Executive Director	April 2014	18 March 2021	Responsible for formulating the business development strategies of our Group, overseeing the implementation of the business plans of our Group, formulating internal control policies of our Group, and handling the daily operation of our Group	Nil
Independent non-executive Directors						
Mr. Fang Liqiang (方利強)	53	Independent non-executive Director	22 November 2021	22 November 2021	Providing independent advice and judgement to the Board	Nil
Mr. Chen Di (陳滌)	45	Independent non-executive Director	22 November 2021	22 November 2021	Providing independent advice and judgement to the Board	Nil
Mr. Yan Hong (嚴洪)	47	Independent non-executive Director	22 November 2021	22 November 2021	Providing independent advice and judgement to the Board	Nil

The following table sets forth certain information in respect of the members of our senior management who are not our Directors:

Members of our senior management

Name	Age	Position	Date of joining our Group	Date of appointment as a member of our senior management	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Zhou Youbo (周尤波)	49	Chief executive officer of our Company and president of Chengdu Desun	January 2020	January 2020	Responsible for overseeing the daily management and business operation of our Group	Nil
Mr. Zhou Hongbo (周洪波)	48	Vice president of Chengdu Desun	February 2016	April 2020	Responsible for overseeing the overall administrative management and information technology development of our Group, including formulating recruitment and staff training strategies, employee welfare policies, and managing the development and application of information technology of our Group	Nil
Ms. Zhang Shujuan (張書娟)	37	Director of sales office of Chengdu Desun	August 2018	August 2018	Responsible for managing the property sales offices management services of our Group	Nil

Directors

Non-executive Director

Mr. Zou Kang (鄒康), aged 51, is one of the founders of our Group, our non-executive Director and one of our Controlling Shareholders. He was appointed as the non-executive Director on 18 March 2021. Mr. Zou Kang is responsible for providing guidance and advice on corporate strategy to our Group.

Mr. Zou Kang has more than 10 years of experience in real estate development and property management. Mr. Zou Kang is one of the founders of Chengdu Desun and was appointed as its supervisor at the time of its incorporation. He was subsequently appointed as the executive director and chairman of the board of Chengdu Desun in February 2016. Mr. Zou Kang temporarily retired from his directorship in Chengdu Desun when his term as executive director and chairman of the board as aforementioned expired in February 2019, before joining us back again in November 2020 as the non-executive Director.

From August 1998 to December 2015, he served as an executive director of Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司). Mr. Zou Kang also has a range of other investments in the PRC, including the Desun Property Group which carried on property development and property construction business in the PRC. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

Mr. Zou Kang obtained his postgraduate degree of corporate management from Sichuan University in the PRC in August 1999. Mr. Zou Kang completed the Tsinghua PBC Financial CEO Training Programme from Tsinghua PBC School of Finance on 10 November 2019.

Mr. Zou Kang is or was also a director or supervisor or manager of the following companies, which were all established in the PRC, which had its business licence revoked during the period when he was the director of the relevant companies:

Name of company	Date of revocation	Reason for revocation
Sichuan Huana Zhongcheng Electric Commerce Co Ltd (四川華納眾誠電子商務有限公司)	20 March 2006	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Beijing Zhangtongbao Technology Co Ltd (北京掌通寶科技有限公司)	9 December 2008	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Kunming Huatian Technology Development Co Ltd (昆明華天科技開發有限公司)	15 April 2008	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Chengdu Langqiao Bar (成都市廊橋酒廊)	28 September 2002	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Chengdu Huacheng Electronics Co Ltd (成都華誠電子有限責任公司)	25 December 2003	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Chengdu Dejia Property Co Ltd (成都德嘉置業有限公司)	2009	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)

Note: Mr. Zou Kang confirmed that (i) the above companies did not have substantial business operation and were solvent at the time of the revocation of business licence; (ii) the revocation of business licenses of the above companies did not result in any claim or liability against him; and (iii) the revocation did not have any negative effect on our Group.

During 2018 while Chengdu Desun was quoted on the NEEQ, Mr. Zou Kang received a decision letter with respect to certain non-recurring related party transactions. For further details, please refer to the paragraphs headed "Business – Legal proceedings and compliance" in this prospectus.

Executive Directors

Mr. Zhang Zhicheng (張志成), aged 51, is our chairman and executive Director. He was appointed as a Director on 10 December 2020 and was re-designated as executive Director on 18 March 2021. He was also appointed as the chairman of the Board on the same day. Mr. Zhang Zhicheng is responsible for providing strategic and directional guidance and advising on corporate governance to our Group and the Board.

Mr. Zhang Zhicheng joined our Group in September 2020 as a director and chairman of the board of Chengdu Desun.

Mr. Zhang Zhicheng has more than 20 years of experience in real estate and property management industry. Prior to joining our Group, Mr. Zhang Zhicheng worked at the Housing Management Bureau of Qingbaijiang District from July 1999 to July 2002. From July 2002 to August 2010, Mr. Zhang Zhicheng served as a department head, vice president, president and chairman of the board of directors of Chengdu Jiabao Management Consulting Co., Ltd* (成都市嘉寶管理顧問有限公司), a company engaged in real estate management and consultancy business, where he was responsible for managing the operation of the company. From August 2010 to June 2014, Mr. Zhang Zhicheng served as a vice chairman of the board and president of Sichuan Languang Industrial Group Co., Ltd* (四川藍光實業集團有限公司) (subsequently known as Languang Investment Holding Group Limited Co., Ltd (藍光投資控股集團有限公司)), a company engaged in corporate investment services, where he was responsible for managing the operation of the company. From June 2014 to April 2015, Mr. Zhang Zhicheng served as vice chairman of the board and president of Sichuan Languang Hejin Industrial Co., Ltd* (四川藍光和駿實業股份有限公司), a company engaged in real estate investment, where he was responsible for managing the operation of the company. From April 2015 to May 2017, Mr. Zhang Zhicheng served as the vice chairman and the president of Sichuan Languang Development Co., Ltd. (四川藍光發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600466.SH) and engaged in real estate development business, where he was mainly responsible for managing the business operation of the company. From August 2017 to October 2019, Mr. Zhang Zhicheng served as the president of Chengdu Chengming Construction Project Management Co., Ltd (成都城銘建設項目管理有限公司), a company engaging in construction consultation, but Mr. Zhang Zhicheng was not involved in the daily operation. From November 2019 to September 2020, Mr. Zhang Zhicheng served as the president of Tongxin Real Estate Group Co., Ltd., a company whose scope of business include real estate development and operation, where he was responsible for formulating and implementing business development strategies of the company.

Mr. Zhang Zhicheng obtained his bachelor's degree in economics management from Southwest Mingzu University (西南民族大學) in the PRC in July 2004. He subsequently obtained a master's degree in business administration management from the Peking University in January 2018.

Mr. Zhang Qiang (張強), aged 48, is our executive Director. He was appointed as an executive Director on 18 March 2021. Mr. Zhang Qiang is responsible for formulating and implementing the overall corporate strategies of our Group, overseeing our Group's budget cost, monitoring the quality of service provided by our Group, and handling the daily operation of our Group.

Mr. Zhang Qiang has more than 15 years of experience in corporate and business management. Mr. Zhang Qiang joined our Group in December 2011 as a manager of Chengdu Desun, and was subsequently appointed as an executive director and manager of Chengdu Desun in February 2016. As at the Latest Practicable Date, Mr. Zhang Qiang also held directorships in our subsidiaries and joint venture, being Kunming Jiebo, Chengdu Dexin, Chengdu Fulang, Chengdu Yujingge and Chengdu Dezheng.

Prior to joining our Group, Mr. Zhang Qiang served as the financial officer and accountant of Chengdu Urban Passenger Transport Administration Office (成都市城市客運管理處) (subsequently known as Chengdu Taxi Management Administration Office) from July 1994 to October 2004. From October 2004 to March 2005, Mr. Zhang Qiang served as an accountant of Chengdu Zhongxin Property Management Co., Ltd. (成都忠信物業管理有限公司), a company whose scope of business includes property management, where Mr. Zhang Qiang was responsible for reviewing the contracts, formulating the monthly budgeting and handling other financial affairs. From March 2005 to December 2009, Mr. Zhang Qiang served as the deputy general manager of Chengdu Digital Entertainment Software Park Investment Management Co., Ltd. (成都數字娛樂軟件園管理投資有限公司), a company whose scope of business include internet technology support, where he was responsible for, inter alia, assisting in formulating plans for the company's core technology, business operation management, and industry research. From January 2010 to December 2011, Mr. Zhang Qiang served as the deputy general manager of Sichuan Huacheng Communications Information Technology Co., Ltd (四川華誠訊通信息技術有限公司), a company whose scope of business included computer service and software, where he was responsible for assisting in managing the daily operation of the company.

Mr. Zhang Qiang obtained a diploma from Chengdu University (成都大學) in the PRC majoring in accounting and statistics in July 1994.

Ms. Xiong Jianqiu (熊建秋), aged 50, is our executive Director and chief financial officer. She was appointed as an executive Director on 18 March 2021. Ms. Xiong Jianqiu is involved in formulating the development strategies, supervising the financial management and internal control of our Group, and handling the daily operation of our Group.

Ms. Xiong Jianqiu has extensive experience in financial support and management. Ms. Xiong Jianqiu joined our Group in January 2016 as the chief financial officer of Chengdu Desun and was subsequently appointed as executive director of Chengdu Desun in February 2016. As at the Latest Practicable Date, Ms. Xiong Jianqiu also served as a director of our subsidiaries, Chongqing Funiu and Hunan Desun.

Prior to joining our Group, Ms. Xiong Jianqiu served as an accountant at the financial department of Sichuan Academy of Agricultural Sciences from August 1992 to February 1993. From March 2001 to September 2005, Ms. Xiong Jianqiu served as the chief financial officer at the financial department of Sichuan Xindu Technology Co., Ltd. (四川信都科技有限責任公司). From October 2005 to December 2012, Ms. Xiong Jianqiu served as the financial manager at the financial department of Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司). Between January 2013 and January 2016, Ms. Xiong Jianqiu served as the financial manager in Chengdu Desun Property Co., Ltd. (成都德商置業有限公司), a company in the Desun Property Group whose scope of business includes real estate development.

Ms. Xiong Jianqiu obtained a diploma from Sichuan Radio and Television University (四川廣播電視大學) in the PRC majoring in financial accounting in July 1993.

During 2018 while Chengdu Desun was quoted on the NEEQ, Ms. Xiong Jianqiu received a decision letter with respect to certain non-recurring related party transactions. For further details, please refer to the paragraphs headed "Business – Legal proceedings and compliance" in this prospectus.

Ms. Wan Hong (萬虹), aged 35, is our executive Director and one of the joint company secretaries of our Company. She was appointed as an executive Director and one of our joint company secretaries on 18 March 2021. Ms. Wan Hong is responsible for overseeing the overall administrative affairs of our Group, operation management of our Group and supervising our Group's investor relations, financing and securities affairs, and listing compliance management.

Ms. Wan Hong has over 11 years of experience in human resources and administrative management. Prior to joining our Group in March 2012, Ms. Wan Hong was the human resources supervisor of Chengdu Chuanghe Property Services Co., Ltd. (成都市創和物業服務有限公司) between February 2009 and March 2012, a company whose scope of business includes property management, where she was responsible for staff recruitment, training and welfare. Ms. Wan Hong then joined our Group and served as the human resources supervisor of Chengdu Desun between March 2012 and May 2013, and then served Chengdu Deshangtai Property Co., Ltd. (成都德商泰置業有限公司), a company in the Desun Property Group, as the human resources supervisor until January 2016. Afterwards, she was appointed as the secretary to the board and executive director of Chengdu Desun in February 2016 and February 2019 respectively.

Ms. Wan Hong obtained her bachelor's degree in human resources management from Sichuan University (四川大學) in the PRC in June 2012.

During 2018 while Chengdu Desun was quoted on the NEEQ, Ms. Wan Hong received a decision letter with respect to certain non-recurring related party transactions. For further details, please refer to the paragraphs headed "Business – Legal proceedings and compliance" in this prospectus.

Mr. Wu Da (吳達), aged 52, is our executive Director and deputy general manager of Chengdu Desun. He was appointed as an executive Director on 18 March 2021. Mr. Wu Da is responsible for formulating the business development strategies of our Group, overseeing the implementation of the business plans of our Group, formulating internal control policies of our Group, and handling the daily operation of our Group.

Mr. Wu Da has extensive experience in business management. Mr. Wu Da joined our Group in April 2014 as the project manager of Chengdu Desun, and was subsequently appointed as the deputy general manager in February 2016. As at the Latest Practicable Date, Mr. Wu Da also held senior management positions in our subsidiaries and joint venture, including Chengdu Dexin, Chengdu Fulang and Chengdu Dezheng.

Prior to joining our Group, Mr. Wu Da was responsible for service management works at Sichuan Jinjiang Hotel (四川錦江賓館) from January 1987 to April 2008. From April 2008 to April 2014, Mr. Wu Da served as a manager of Chengdu Ruidi Corporate Management Co., Ltd. (成都瑞地企業管理有限公司), a company whose scope of business includes property management, where Mr. Wu Da was responsible for leading his team to follow the company policies and achieve the targets of operation.

Mr. Wu Da obtained a diploma from Central Radio and Television University (中央廣播電視大學) in the PRC majoring in commercial English in July 2007. He subsequently graduated from Sichuan University (四川大學) in the PRC with a bachelor's degree of business administration management through online learning in June 2015.

Independent Non-executive Directors

Mr. Fang Liqiang (方利強), aged 53, is the independent non-executive Director of our Company. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Fang Liqiang is responsible for providing independent advice and judgement to the Board.

Mr. Fang Liqiang has more than 20 years of experience in corporate and business management. From April 1996 to September 2012, Mr. Fang Liqiang served as the chairman and general manager of Zhejiang Orient Municipal Landscape Engineering Co. Ltd. (浙江東方市政園林工程有限公司), currently known as Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司), a company whose scope of business includes landscape engineering construction, where he was responsible for the daily operations of the company. From September 2012 to February 2019, Mr. Fang Liqiang served as the chairman and general manager of Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 603316.SH). Since February 2019, Mr. Fang Liqiang has been serving as the chairman of the board of Chengbang Ecological Environment Co., Ltd (誠邦生態環境股份有限公司) (Stock code: 603316.SH).

Mr. Fang Liqiang obtained a diploma from Zhejiang School of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance and Economics (浙江財經大學)) in the PRC majoring in accounting in July 1990. He subsequently obtained a master's degree in business administration from Peking University in the PRC in July 2016. Mr. Fang Liqiang was accredited by Zhejiang Province Personnel Department (浙江省人事廳) (currently known as Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳)) as (i) a senior economist in December 2007, and (ii) a senior engineer in the field of landscape engineering in December 2008.

Mr. Fang Liqiang is or was also a director or responsible person of the following company or branch, which were all established in the PRC, which had its business licence revoked during the period when he was the director or responsible person of the relevant company or branch:

Name of company	Date of revocation	Reason for revocation
Shaanxi Fanghe Business Co Ltd (陝西方和商貿有限責任公司)	8 January 2013	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)
Jilin Zhenyuan Medicine Health Product Co Ltd Xi'an Branch (吉林真元醫藥保健品有限公司西安分公司)	2 September 2003	Did not conduct annual inspection as required under the relevant PRC laws and regulations (*Note*)

Note: Mr. Fang Liqiang confirmed that (i) the above companies did not have substantial business operation and were solvent at the time of the revocation of business licence; (ii) the revocation of business licenses of the above companies did not result in any claim or liability against him; and (iii) the revocation did not have any negative effect on our Group.

Mr. Chen Di (陳滌), aged 45, is the independent non-executive Director of our Company. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Chen Di is responsible for providing independent advice and judgement to the Board.

Mr. Chen Di has over 20 years of extensive experience in the finance industry and 15 years of which were spent in senior management teams. Since May 2020, Mr. Chen Di has been serving as a non-executive director of China Shandong Hi-Speed Financial Group Limited, a company listed on the Stock Exchange (Stock code: 00412.HK).

Mr. Chen Di joined Harvest Global Capital Investments Limited (嘉實國際投資有限公司) since May 2005, and had over the years served as the general manager of the Guangzhou office between May 2005 and September 2008; the South China regional head and director of wealth management operation between September 2008 and December 2010; the director of channel development and director of wealth management operation between January 2011 and May 2014; and the chief marketing officer between May 2014 and January 2016. Since February 2016, Mr. Chen Di has served as the chief executive officer of Harvest Global Capital Investments Limited.

Mr. Chen Di received his bachelor's degree in finance from Jinan University (暨南大學) in the PRC in June 1998 and subsequently obtained an executive master of business administration (EMBA) degree from PBCSF Tsinghua University (清華五道口金融學院) in the PRC in July 2019.

Mr. Yan Hong (嚴洪), aged 47, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director on 22 November 2021. Mr. Yan Hong is responsible for providing independent advice and judgement to the Board.

Mr. Yan Hong has extensive finance and accounting experience. For instance, from August 2001 to September 2010, Mr. Yan Hong had during the period served various positions in Huaxia Bank (Chengdu Branch) (華夏銀行成都分行), including the head of finance division of the finance office of the Chengdu Branch, the vice president of Chengdu Jinniu Sub-branch (成都金牛支行), the deputy general manager and subsequently the general manager of the finance department, member of the party committee and vice president of the Chengdu Branch, and member of party committee and vice president of the Nanning Branch. From June 2014 to April 2020, he served as the Sichuan regional senior managing director of Ping An Trust Co., Ltd. (平安信託有限責任公司).

Mr. Yan Hong had also served as an independent non-executive director in a number of listed companies in the PRC in the past. From May 2016 to June 2019, he served as an independent non-executive director of Chengdu Hongqi Chain Co., Ltd. (成都紅旗連鎖股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 002697.SZ). From July 2016 to June 2019, he served as an independent non-executive director of D&O Home Collection Co., Ltd. (帝歐家居股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 002798.SZ).

In addition, Mr. Yan Hong is currently an independent non-executive director in a number of listed companies in the PRC. Since July 2016, he has been serving as an independent director of Pangang Group Vanadium & Titanium Resources Co., Ltd. (攀鋼集團釩鈦資源股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000629.SZ), where he was also the chairman of the audit committee. Since September 2017, he has been serving as an independent non-executive director of Chengdu Fusen Noble-House Industrial Co., Ltd. (成都富森美家居股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 002818.SZ). Since November 2017, he has been serving as an independent non-executive director of Chengdu Gas Group Corporation Ltd. (成都燃氣集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 603053.SH), where he was also the convener of the audit committee. Since March 2021, Mr. Yan Hong has been serving as an independent non-executive director of Tibet Mineral Development Co. Ltd (西藏礦業發展股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000762.SZ).

Mr. Yan Hong received his bachelor's degree in economics and his master's degree in applied economics from the School of Accounting of Southwestern University of Finance and Economics in the PRC in June 1997 and December 2002 respectively, and subsequently obtained his doctorate degree in financial management from the School of Accounting of Southwestern University of Finance and Economics in the PRC in June 2011.

Save as disclosed herein, none of our Directors held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors with other Directors, Supervisors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

Senior Management

Mr. Zhou Youbo (周尤波), aged 49, is the chief executive officer of our Company and the president of Chengdu Desun. He joined our Group in January 2020 when he was appointed president of Chengdu Desun. Mr. Zhou Youbo is responsible for overseeing the daily management and business operation of our Group.

Prior to joining our Group, between June 2006 and June 2016, Mr. Zhou Youbo served various roles, including, among others, the vice president, president and director of Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a joint stock company incorporated in the PRC with limited liability listed on the Stock Exchange (Stock Code: 02606.HK), whose scope of business included property management. Afterwards, between August 2016 and January 2020, Mr. Zhou Youbo served as the vice president and general manager of property of Chengdu Heneng Group (成都合能集團), which is engaged in real estate development, commercial operation and management services and property management.

Mr. Zhou Youbo obtained a diploma from National University of Defence Technology (中國人民解放軍國防科學技術大學, currently known as 中國人民解放軍國防科技大學) in the PRC majoring in economic administration in June 2002. He subsequently obtained a master's degree in business administrative management from the Hong Kong Finance and Economics College.

Mr. Zhou Hongbo (周洪波), aged 48, is the vice president of Chengdu Desun and one of our Shareholders. He was appointed as the chairman of the supervisory committee of Chengdu Desun in February 2016, and he was further appointed as the vice president of Chengdu Desun in April 2020. Mr. Zhou Hongbo is responsible for overseeing the overall administrative management and information technology development of our Group, including formulating recruitment and staff training strategies, employee welfare policies, and managing the development and application of information technology of our Group.

Prior to joining our Group, Mr. Zhou Hongbo served as a manager of Chengdu Huacheng Information Industry Co., Ltd. (成都華誠信息產業有限公司) from February 1999 to September 2010. He later served as the manager at the president's office of Chengdu Desun Property Co., Ltd. (成都德商置業有限公司) from October 2010 to April 2015. From May 2015 to October 2020, Mr. Zhou Hongbo served as the vice president of Sichuan Desun Wealth Investment Management Group Co. Ltd (四川德商財富投資管理集團有限公司).

Mr. Zhou Hongbo obtained a diploma from Sichuan Union University (四川聯合大學) (currently known as Sichuan University (四川大學) in the PRC majoring in computer application in 1995. He subsequently obtained a postgraduate degree in business administrative management from the Sichuan University (四川大學) in the PRC in 2003.

Ms. Zhang Shujuan (張書娟), aged 37, has been the director of sales office of Chengdu Desun since August 2018. Ms. Zhang Shunjuan is responsible for managing the property sales offices management services of our Group.

Prior to joining our Group, Ms. Zhang Shunjuan served as the sales secretary of Chengdu Desun Property Co., Ltd (成都德商置業有限公司) from February 2009 to August 2015. From August 2015 to August 2016, Ms. Zhang Shunjuan served as the customer service manager of Chengdu Desunda Property Co., Ltd. (成都德商達置業有限公司).

Ms. Zhang Shunjuan obtained a diploma from Sichuan Neijiang Normal University in the PRC majoring in Chinese language and literature education in 2005.

Save as disclosed herein, none of the senior management of our Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. Wan Hong (萬虹) is one of our joint company secretaries. For biographical details of Ms. Wan Hong, please refer to the paragraph headed "– Executive Directors" in this section.

Ms. Ng Ka Man (吳嘉雯) is a manager of TMF Hong Kong Limited, a global corporate services provider. She has over 15 years of working experience in the corporate secretarial field. Ms. Ng obtained a master's degree in corporate governance from The Open University of Hong Kong in 2011, and was qualified as an associate member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom in 2012.

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, namely, Mr. Yan Hong, Mr. Chen Di and Mr. Fang Liqiang. Mr. Yan Hong, who is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, namely Mr. Fang Liqiang, Mr. Yan Hong and Ms. Wan Hong. Mr. Fang Liqiang currently serves as the chairman of the Remuneration Committee.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)' ability to devote sufficient time to fulfil the duties of our Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, namely Mr. Zhang Zhicheng, Mr. Fang Liqiang and Mr. Chen Di. Mr. Zhang Zhicheng currently serves as the chairman of the Nomination Committee.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board is of the view that our current Board composition satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management Presence

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules in relation to management presence in Hong Kong. For details of the waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualifications of one of our joint company secretaries, Ms. Wan Hong. For details of the waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus, contributions to pension schemes, allowances and benefits in kind.

The aggregate amount of salaries, allowances, benefits in kind, performance related bonuses and pension scheme contributions payable to our Directors in respect of FY2018, FY2019, FY2020 and 5M2021 were approximately RMB1,558,000, RMB1,508,000, RMB3,354,000 and RMB2,976,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant's Report in Appendix IA to this prospectus.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending 31 December 2021 is expected to be approximately RMB4.2 million.

The five highest paid individuals of our Group for FY2018, FY2019, FY2020 and 5M2021 included 3, 3, 5 and 3 Directors, respectively, whose remuneration is included in the aggregate amount of salaries, allowances, benefits in kind, performance related bonuses and pension scheme contributions payable to the relevant Directors as set out above. For FY2018, FY2019, FY2020 and 5M2021, the aggregate amount of salaries, allowances, benefits in kind, performance related bonuses and pension scheme contributions payable to the remaining 2, 2, nil and 2 individuals were RMB522,000, RMB579,000, nil and RMB772,000, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix IA to this prospectus.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

COMPLIANCE ADVISER

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon the proposed Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use proceeds of the Global Offering in a manner different from that detailed in this prospectus;
- where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 regarding unusual movements in the price regarding volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to mutual agreement.

CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

		Nominal Value *(US$)*
Authorised share capital		
2,000,000,000	Shares of US$0.0001 each	200,000
Issued and to be issued, fully paid or credited to be fully paid		
50,000	Shares in issue	5
449,950,000	Shares to be issued pursuant to the Capitalisation Issue	44,995
150,000,000	Shares to be issued pursuant to the Global Offering	15,000
600,000,000	**Total**	60,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above table does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25.0% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders' special resolution. For more details, please refer to the section headed "Summary of the constitution of our Company and Cayman Companies Act" in Appendix III to this prospectus.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme on 27 April 2021. The principal terms of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in "Structure of the Global Offering", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to:

(i) a rights issue;

(ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(i) 20.0% of the total nominal value of the share capital of our Company in issue upon completion of the Global Offering; and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Statutory and General Information – A. Further information about our Group – 4. Written resolutions of the Shareholders passed on 22 November 2021" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering", our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase the Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in the issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange of this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Statutory and General Information – A. Further information about our Group – 5. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme), the following persons will have interests or a short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	**Nature of interest**	**Shares held a at the Latest Practicable Date(1)**		**Shares held upon completion of the Global Offering**	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Mr. Zou Kang (*Notes 2 & 3*)	Interest in controlled corporation; interest held jointly with another person	43,297	86.59%	389,673,000	64.95%
Sky Donna	Beneficial owner; interest held jointly with another person	43,297	86.59%	389,673,000	64.95%
Ms. Zou Jian (*Notes 2 & 4*)	Interest in controlled corporation; Interest held jointly with another person	43,297	86.59%	389,673,000	64.95%
Pengna Holding (*Notes 2 & 4*)	Beneficial owner; Interest held jointly with another person	43,297	86.59%	389,673,000	64.95%

Notes:

(1) All interests are held in long positions.

(2) On 11 May 2021, Mr. Zou Kang and Ms. Zou Jian entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Acting-in-concert arrangement" in this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Sky Donna (being wholly owned by Mr. Zou Kang), Mr. Zou Kang, Pengna Holding (being wholly owned by Ms. Zou Jian) and Ms. Zou Jian, is deemed to be interested in 64.95% of the issued share capital of our Company after the completion of the Global Offering (assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme).

(3) Shares in which Mr. Zou Kang is interested consist of (i) 372,393,000 Shares held by Sky Donna, a company wholly-owned by Mr. Zou Kang, in which Mr. Zou Kang is deemed to be interested under the SFO; and (ii) 17,280,000 Shares in which Mr. Zou Kang is deemed to be interested as a result of being a party acting-in-concert with Ms. Zou Jian.

(4) Shares in which Ms. Zou Jian is interested consist of (i) 17,280,000 Shares held by Pengna Holding, a company wholly-owned by Ms. Zou Jian, in which Ms. Zou Jian is deemed to be interested under the SFO; and (ii) 372,393,000 Shares in which Ms. Zou Jian is deemed to be interested as a result of being a party acting-in-concert with Mr. Zou Kang.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and Global Offering (assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

You should read the following discussion and analysis in conjunction with the consolidated financial information of our Group and the notes thereto included in Appendix IA to this prospectus, the consolidated financial information of Zhongneng Group and the notes thereto included in Appendix IB to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. Our consolidated financial information of our Group and the consolidated financial information of Zhongneng Group have been prepared in accordance with IFRSs.

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

OVERVIEW

We are an integrated property management services and commercial operational services providers in Chengdu. We serve our customers through management and operation of their properties across four sectors – (i) residential property management services, (ii) non-residential property management services; (iii) value-added services for non-property owners and (iv) value-added services for property owners.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2020. Pursuant to the Reorganisation as more fully explained in the paragraph headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus, our Company became the holding company of the companies now constituting our Group upon completion of the Reorganisation. As the Reorganisation did not result in any change of economic substances, the financial statements have been presented as a continuation of the existing company as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). For more information on the basis of presentation and preparation of our financial information included herein, see the Accountants' Reports in Appendix IA and Appendix IB to this prospectus.

ACQUISITION OF ZHONGNENG GROUP

On 31 August 2020, we acquired 100% equity interest in Zhongneng Group from independent individuals. Zhongneng engages in the provision of property management and value-added services. The acquisition was made as part of our strategy to expand our market share of property management operation in the PRC. The acquisition has been accounted for using the acquisition method. The purchase consideration was RMB15 million, of which approximately RMB8.0 million was paid in 2020 by a related party on behalf of our Group and the remainder of approximately RMB7.0 million has been paid in February 2021. See the paragraph headed "History, Reorganisation and Corporate Structure – Acquisition during the Track Record Period – Acquisition of Zhongneng Group" for details of the acquisition.

Zhongneng Group is a property management group located in the Sichuan Province providing property management and operational services for both residential and non-residential properties.

In early 2020, we were exploring opportunities to diversify our customer base through acquisition of third party property management companies. We took into account of the following factors when considering all potential acquisition targets: (i) we planned to grow by acquiring independent third-party property management companies with geographical influence and similar market positioning to maximize potential synergies with our existing business operations; (ii) the acquisition would enrich our service offerings and help us achieve a sustainable growth in the future. Our key criteria for assessment of potential targets before acquisition, among other things, include (i) have a total annual operating revenue of over RMB30 million; (ii) are located in Sichuan Province in the PRC; (iii) have a property portfolio and management expertise that complement ours; (iv) GFA under management of at least one million sq.m.; and (v) diversified property portfolios including residential and non-residential properties.

Based on the above criteria and completion of our due diligence on Zhongneng Group, and notwithstanding that Zhongneng Group was loss making prior to the acquisition, we considered the acquisition of Zhongneng Group as appropriate as it was part of our strategy to look for opportunities to diversify our property portfolio through acquisition of Independent Third Party property management companies. To the best knowledge of our Directors and based on the due diligence results, Zhongneng Group made loss prior to the acquisition was mainly to its (i) low chargeable GFA due to low delivery rate in certain projects because those projects were still in the early stage of tenant solicitation; and (ii) inefficient cost control measures and relatively high manpower costs in the property management services industry. Despite that, the size, the property portfolio and track record of Zhongneng Group satisfied our acquisition criteria as part of our business diversification plan. After the acquisition, Mr. Liu Jun retained his position in Zhongneng Group. We considered his experience and knowledge in the market are valuable to the development of our business both for residential and non-residential property management services. In addition to the retention of Mr. Liu, we also retained a team of existing personnel from Zhongneng Group. With their experience in non-residential property management, it has substantially enhanced our business development in this area.

As at 31 August 2020, Zhongneng Group had a GFA under management of approximately 2.5 million sq.m. consisting of approximately 792,000 sq.m. from residential properties and 1.7 million sq.m. from non-residential properties. Prior to the acquisition of Zhongneng Group, all, except for two office buildings, of our property under management were residential properties. After the acquisition of Zhongneng Group, we increased the number of commercial properties and industrial parks under our management. All properties under the management of Zhongneng Group in FY2018, FY2019 and 8M2020 were located in the Sichuan Province. The financial performance of Zhongneng Group turned from loss making of approximately RMB1.1 million in 8M2019 to profit making of approximately RMB4.2 million in 8M2020.

The financial information of Zhongneng Group as at 31 December 2018 and 2019 and 31 August 2020 is set out in Appendix IB to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out in the section headed "Risk Factors" in this prospectus and those set out below:

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

Our business and results of operations are affected by our ability to enter into new property management service agreement with property developers. The number of new property development projects is dependent on the performance of the real estate market in the PRC, which is subject to the general economic conditions in the PRC, the rate of urbanisation and the demand for properties in the PRC. Any economic downturn in the PRC, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position. The regulatory environment in the PRC and policies and measures taken by the PRC Government have also affected the development of the real estate and property management market, which in turn affect our business and results of operations. Please refer to the paragraph headed "Risk Factors – Risks Relating to Conducting Business in the PRC" in this prospectus.

The PRC Government has issued a series of favourable laws and policies to incentivise the development of the property management industry. Such policies include the Measures of Property Management Service Charges (《物業服務收費管理辦法》) and the Opinion of the National Development and Reform Commission on the Opening Fees in Certain Services (《國家發改委關於放開部分服務價格意見的通知》), have been promulgated to regulate and standardise property management services. These policies encourage property management companies like us to expand and modernise their business model and foster growth and development of the industry. However, we cannot guarantee you that the PRC Government will continue to implement such favourable laws, regulations and policies. Moreover, we cannot guarantee you that the PRC Government will not suspend or terminate the current favourable laws, regulations and policies, or that the PRC Government will introduce laws and policies that directly or indirectly discourage the development of the property management industry. Any such changes in the PRC governmental policies may adversely affect our business.

Business Mix

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

The table below sets forth the revenue by business line for the periods indicated.

	FY2018		**FY2019**		**FY2020**		**5M2020**		**5M2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	30,153	47.1	34,184	49.5	61,435	48.0	17,078	46.1	45,989	51.6
– Residential property management services	11,303	17.6	15,530	22.5	27,794	21.7	8,989	24.3	17,766	19.9
– Non-residential property management services	18,850	29.5	18,654	27.0	33,641	26.3	8,089	21.8	28,223	31.7
Value-added services	33,811	52.9	34,932	50.5	66,487	52.0	19,975	53.9	43,170	48.4
– for non-property owners	28,959	45.3	29,724	43.0	55,766	43.6	17,750	47.9	35,464	39.8
– for property owners	4,852	7.6	5,208	7.5	10,721	8.4	2,225	6.0	7,706	8.6
Total	**63,964**	**100.0**	**69,116**	**100.0**	**127,922**	**100.0**	**37,053**	**100.0**	**89,159**	**100.0**

The table below sets forth the gross profit margin by business line for the periods indicated.

	FY2018	FY2019	FY2020	5M2020	5M2021
	%	%	%	%	%
Property management services	**46.9**	**46.6**	**39.4**	**54.9**	**31.7**
– Residential property management services	25.9	33.5	36.0	45.7	35.3
– Non-residential property management services	59.4	57.5	42.2	65.1	29.5
Value-added Services	**71.1**	**57.1**	**57.9**	**59.0**	**47.1**
– for non-property owners	79.7	60.7	58.1	58.4	50.8
– for property owners	19.6	36.4	56.4	64.2	29.7
Total	**59.7**	**51.9**	**49.0**	**57.1**	**39.1**

In general, the gross profit margins of our value-added services are higher than those of our property management services during the Track Record Period. It was because the property management services business line was more labour-intensive than value-added services. The decrease in our overall gross profit margin from the FY2019 to the same period in FY2020 was primarily due to the dilution of the overall gross profit margin after the acquisition of Zhongneng Group. Please refer to the paragraph headed "Financial Information – Financial information of Zhongneng Group" for detailed discussion of Zhongneng Group's gross profit.

Brand Positioning and Pricing Ability

As we operate in a highly competitive and fragmented industry, our results of operations and financial condition are affected by our ability to maintain or increase our fees. We generally price our services by taking into account a number of factors, including (i) locations of the residential properties, (ii) profiles of property owners and residents, scope of our services and service standards, (iii) estimated costs and our budget, (iv) our target profit margins, (v) local pricing regulations, and (vi) management fees charged in nearby and comparable communities. Failure to balance various factors in determining our pricing could materially and adversely affect our financial condition and results of operations. To strengthen our pricing power, we make efforts to diversify our services by offering more value-added services and further improving our service quality.

Ability to manage staff and sub-contracting costs

Staff and subcontracting costs account for most of the cost of sales. In FY2018, FY2019, FY2020 and 5M2021, staff costs were RMB13.3 million, RMB18.8 million, RMB37.5 million and RMB27.9 million, accounting for 51.7%, 56.4%, 57.4% and 51.5% of our total cost of sales, respectively, while sub-contracting costs were RMB3.0 million, RMB4.5 million, RMB10.1 million and RMB13.0 million, accounted for 11.4%, 13.4%, 15.5% and 23.9% of our cost of sales, respectively. During the Track Record Period, our staff and sub-contracting costs increased as a result of our business expansion, increase in the average salary, and the expansion of our sub-contractors' services scope. Increase in staff and sub-contracting costs may cause negative impact on our profit margins and reduce our profitability. Our ability to maintain or increase profitability is determined by our ability to manage other operating expenses. During the Track Record Period, we had implemented several cost control measures, including better manpower management, utilizing technology and automation tools to replace manpower.

GFA under Management

During the Track Record Period, property management services contributed 47.1%, 49.5%, 48.0% and 51.6% of our total revenue in FY2018, FY2019, FY2020 and 5M2021 respectively. Accordingly, our business and results of operations depend on our ability to maintain or increase our GFA under property management, which in turn is affected by our ability to renew existing service contracts and obtain new ones. During the Track Record Period, we experienced growth in our total GFA under property management, which was 0.5 million sq.m., 0.8 million sq.m., 3.8 million sq.m. and 4.2 million sq.m., respectively, as at 31 December 2018, 2019, 2020 and 31 May 2021.

During the Track Record Period, a significant portion of properties we managed were developed by Desun Group. As at 31 December 2018, 2019, 2020 and 31 May 2021, GFA under property management of the properties developed by Desun Group accounted for 100%, 100%, 26.5% and 28.3%, respectively, of our total GFA under property management. We have taken continuous efforts to expand our property management services to cover properties developed by third-party property developers, with a view to expanding revenue sources and diversifying our property management portfolio.

Ability to Implement our Acquisition Strategy

We plan to continue with strategic acquisitions in the future. See paragraph headed "Business – Our business strategies – Continue to scale up our business to increase our market share and strengthen our position in the region and industry" in this prospectus. To implement our acquisition strategy, we need to allocate additional capital and human resources. However, we may not be able to identify suitable opportunities and complete the acquisitions in a timely manner or on terms that allow us to achieve reasonable return. In addition, the acquisitions may not achieve the anticipated synergy and improve our results of operations as expected. See paragraph headed "Risk Factors – Risks relating to our business and industry – Our future acquisitions may not be successful" in this prospectus.

Competition

Our industry is highly competitive and fragmented, and we compete with other property management service providers on a number of aspects, including business scale, brand recognition, profitability, financial resources, price, diversity of services and service quality. See paragraphs headed "Business – Competition" and "Industry Overview – Competitive landscape" in this prospectus. Our ability to compete effectively with our competitors and maintain our market position hinges on our competitive strengths. If we fail to compete and expand our GFA under property management, we may lose market share and our revenue and profitability may decrease.

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies and critical accounting judgements and estimates that are significant to the preparation of our financial statements, which are important for the understanding of our financial condition and results of operations. They are set forth in detail in Note 2.4 of the Accountants' Report in Appendix IA to this prospectus. Our significant accounting policies include, among others:

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled to in the exchange for those goods or services.

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

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

Property management services

Property management services comprise: (i) residential and non-residential property management services; (ii) value-added services for non-property owners; and (iii) value-added services for property owners.

(i) Residential and non-residential property management services

Our Group charges property management fees in respect of the property management services on a lump sum basis and on a commission basis and they are recognized over time because the customer simultaneously receives and consumes the benefits provided by our Group.

On a lump sum basis, we are entitled to retain the full amount of received property management fees and we shall bear the expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads for the maintenance of the common areas. During the term of the contract, if the amount of property management fees our Group collected is not sufficient to cover all the expenses incurred, we are not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, we recognise the gross amount of property management fees charged to the property owners and property developers as revenue.

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that other methods better represent the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

On a commission basis, we are entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The remainder of the management fees is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally repayable to the customer. In the event of a shortfall of working capital to pay for the relevant property management expenses, we may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recover from the residents subsequently.

On a commission basis, we act as an agent of the property owners and property developers and charge a pre-determined percentage at 5% to 10% of the total property management fees received based on commercial negotiation when the property owners are obligated to pay. Any direct cost under the property management service agreement shall be borne by property owners and property developers.

(ii) Value-added services for non-property owners

Value-added services for non-property owners mainly include sales assistance services, pre-delivery services, commercial operational services and brokerage services. Revenue from value-added services other than brokerage services is recognised over time, in the amount to which we have a right to invoice, because the customer simultaneously receives and consumes the benefits provided. Revenue from brokerage services is recognised at the point in time when the services are rendered and accepted by the customers.

(iii) Value-added services for property owners

Community value-added services for property owners include housekeeping services, community management services, home-decoration services, travelling services, commercial operational services and sale of household products. Revenue from community value-added services for property owners is recognised when the related services are rendered, and the customer simultaneously receives and consumes the benefits provided. Payment of the transaction is due immediately when the community value-added services are rendered to the customer. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the acceptance of the goods by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognise such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Devices and equipment	19% to 32%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life of 34 to 63 years.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to us and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

Intangible Assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is internally developed by our Group and is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of ten years, which is based on management's expectation on the technological lives of the systems.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, or the intention to complete and ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of ten years, taking into account the prior experience of the renewal pattern of property management contracts.

Leases

We assess at contract inception whether a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

Our Group applies a single recognition and measurement approach for all leases, except for short-term leases. We recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office building	2-3 years
Exhibition hall	5 years

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects our exercise of the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use an incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

We apply the short-term lease recognition exemption to our short-term leases of staff quarters and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases or sales of financial assets are recognised on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognisation of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from our consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- we have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if, and to what extent, we have retained the risk and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we continue to recognise the transferred asset to the extent of our continuing involvement. In that case, we also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

Impairment of financial assets

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

General approach

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

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, we assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

(i) significant financial difficulties of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) likelihood that the borrower will enter into bankruptcy or other financial reorganisation emerges.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include other trade and other payables, and amounts due to related companies.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

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

	FY2018	FY2019	FY2020	5M2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**63,964**	**69,116**	**127,922**	**37,053**	**89,159**
Cost of sales	(25,805)	(33,256)	(65,252)	(15,885)	(54,260)
Gross profit	**38,159**	**35,860**	**62,670**	**21,168**	**34,899**
Other income and gains	3,846	6,578	7,095	1,991	2,435
Administrative expenses	(4,108)	(5,336)	(18,657)	(3,495)	(23,122)
Other expenses	(247)	(314)	(255)	(101)	(1,782)
Finance costs	(17)	(13)	(24)	(11)	(97)
Profit before tax	**37,633**	**36,775**	**50,829**	**19,552**	**12,333**
Income tax expense	(6,239)	(5,732)	(7,916)	(2,888)	(2,330)
Profit for the year/period	**31,394**	**31,043**	**42,913**	**16,664**	**10,003**

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measures facilitate comparisons of our operating performance from period to period by eliminating the potential financial impacts derived from items that our management do not consider to be related to our ordinary course of business and indicative of our operating performance. We believe that they also provide useful information to investors and others in understanding and evaluating our results of operations. The use of non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table reconciles our adjusted profit and total comprehensive income for the periods indicated presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	FY2018	FY2019	FY2020	5M2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year/period	31,394	31,043	42,913	16,664	10,003
Add: Listing Expenses(1)	–	–	5,233	–	7,317
Equity-settled share option expense(2)	–	–	–	–	1,557
Adjusted profit and total comprehensive income for the year/period	**31,394**	**31,043**	**48,146**	**16,664**	**18,877**

Notes:

(1) Represents expenses in relation to the Global Offering, This item is not directly related to the performance of our operation.

(2) Represents the employee benefit expense incurred in connection with our Pre-IPO Share Option Scheme. This item is not directly related to the performance of our operation.

Revenue

The table below sets forth the revenue by business line for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**34,184**	**49.5**	**61,435**	**48.0**	**17,078**	**46.1**	**45,989**	**51.6**
– Residential property management services	11,303	17.6	15,530	22.5	27,794	21.7	8,989	24.3	17,766	19.9
– Non-residential property management services	18,850	29.5	18,654	27.0	33,641	26.3	8,089	21.8	28,223	31.7

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Value-added services	**33,811**	**52.9**	**34,932**	**50.5**	**66,487**	**52.0**	**19,975**	**53.9**	**43,170**	**48.4**
– for non-property owners	28,959	45.3	29,724	43.0	55,766	43.6	17,750	47.9	35,464	39.8
– for property owners	4,852	7.6	5,208	7.5	10,721	8.4	2,225	6.0	7,706	8.6
Total	**63,964**	**100.0**	**69,116**	**100.0**	**127,922**	**100.0**	**37,053**	**100.0**	**89,159**	**100.0**

During the Track Record Period, we derived our revenue from the following four business lines:

(i) residential property management services, which primarily include order maintenance, cleaning, greening and gardening, repair and maintenance services, represented 17.6%, 22.5%, 21.7%, 24.3% and 19.9% of our total revenue in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively;

(ii) non-residential property management services, which primarily include order maintenance, cleaning, greening and gardening and parking management services, retail and maintenance services provided to shopping street commercial properties, industrial parks and office buildings represented 29.5%, 27.0%, 26.3%, 21.8% and 31.7% of our total revenue in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively;

(iii) value-added services for non-property owners, which primarily include pre-delivery and sales assistance services and other value-added services provided to property developers represented 45.3%, 43.0%, 43.6%, 47.9% and 39.8% of our total revenue in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively;

(iv) value-added services for property owners, which primarily include community-related services provided to property owners and commercial operational services provided to property owners, represented 7.6%, 7.5%, 8.4%, 6.0% and 8.6% of our total revenue in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively.

Revenue from property management services

Revenue from property management services generally increased during the Track Record Period, primarily driven by the increase in the total GFA under property management as a result of our business expansion. Our total GFA under property management as at 31 December 2018, 2019, FY2020 and 5M2021 was 0.5 million sq.m., 0.8 million sq.m., 3.8 million sq.m. and 4.2 million sq.m., respectively. Property management fees may be charged either on a lump sum basis or on a commission basis in the PRC. During the Track Record Period, we charged property management fees on a lump sum basis for most of the properties we managed.

During the Track Record Period, we derived the majority of our revenue from property management services for properties developed by Desun Group, which accounted for 100.0%, 100.0%, 68.8% and 43.4%, respectively, of our total revenue from property management services in FY2018, FY2019, FY2020 and 5M2021. The decrease in its percentage of revenue contribution from property management services for properties developed by Desun Group during the Track Record Period was primarily attributable to our continuous effort to strategically expand our property management portfolio to other third party property developers and through the acquisition of Zhongneng Group.

The following table sets forth our GFA under property management as at the dates and revenue generated from property management services by property developer for the periods indicated.

	As at 31 December 2018		FY2018		As at 31 December 2019		FY2019		As at 31 December 2020		FY2020		As at 31 May 2020		5M2020		As at 31 May 2021		5M2021	
	GFA under management	*% of GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*% of GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*% of GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*% of GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*% of GFA under management*	*Revenue*	*% of revenue*
	sq.m.'000	*%*	*RMB'000*	*%*	*sq.m.'000*	*%*	*RMB'000*	*%*	*sq.m.'000*	*%*	*RMB'000*	*%*	*sq.m.'000*	*%*	*RMB'000*	*%*	*sq.m.'000*	*%*	*RMB'000*	*%*
Properties developed by Desun Group	533.5	100.0	30,153	100.0	792.0	100.0	34,184	100.0	1,014.2	26.5	42,260	68.8	792.0	93.3	16,458	96.4	1,234.1	29.7	19,939	43.4
Properties developed by other property developers	–	–	–	–	–	–	–	–	2,820.4	73.5	19,175	31.2	57.2	6.7	620	3.6	2,920.1	70.3	26,050	56.6
Total	**533.5**	**100.0**	**30,153**	**100.0**	**792.0**	**100.0**	**34,184**	**100.0**	**3,834.6**	**100.0**	**61,435**	**100.0**	**849.2**	**100.0**	**17,078**	**100.0**	**4,154.2**	**100.0**	**45,989**	**100.0**

During the Track Record Period, most of our property management service revenue came from properties developed by Desun Group, accounting for approximately 100%, 100%, 68.8% and 43.4% of our total revenue. After the acquisition of Zhongneng, the proportion of property management service revenue from properties developed by other property developers increased to 31.2% as at 31 December 2020 and 56.6% as at 31 May 2021.

The table below illustrates breakdown of our revenue of value-added services by types of property developers for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Properties developed by Desun Group	29,384	86.9	31,889	91.3	60,479	91.0	19,759	98.9	30,651	71.0
Properties developed by Independent Third Parties	4,427	13.1	3,043	8.7	6,008	9.0	216	1.1	12,519	29.0
Total	**33,811**	**100.0**	**34,932**	**100.0**	**66,487**	**100.0**	**19,975**	**100.0**	**43,170**	**100.0**

The following table sets forth a breakdown of our GFA under our management as at the dates, our revenue generated from property management services by type of properties and their respective percentages of the total revenue generated from property management services for the periods indicated.

	As at 31 December 2018	**FY2018**		**As at 31 December 2019**	**FY2019**		**As at 31 December 2020**	**FY2020**		**As at 31 May 2020**	**5M2020**		**As at 31 May 2021**	**5M2021**	
	GFA under management	*Revenue*	*% of revenue*	*GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*Revenue*	*% of revenue*	*GFA under management*	*Revenue*	*% of revenue*
	sq.m.'000	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*
Residential properties *(Note)*	422.7	11,303	37.5	681.2	15,530	45.4	1,638.6	27,794	45.2	681.2	8,989	52.6	1,858.5	17,766	38.6
Non-residential properties *(Note)*	110.8	18,850	62.5	110.8	18,654	54.6	2,196.0	33,641	54.8	168.0	8,089	47.4	2,295.7	28,223	61.4
Total	**533.5**	**30,153**	**100.0**	**792.0**	**34,184**	**100.0**	**3,834.6**	**61,435**	**100.0**	**849.2**	**17,078**	**100.0**	**4,154.2**	**45,989**	**100.0**

Note: During the Track Record Period, we managed non-residential properties including shopping street and other commercial properties, industrial parks and office buildings. Our residential and non-residential property management services also include car park management.

Please refer to the paragraph headed "Results of operation" in this section for details.

Revenue from value-added services

We generate revenue from two categories of value-added services, including (i) value-added services we provide to non-property owners and (ii) value-added services we provide to property owners and tenants. The following table sets forth the components of our revenue from value-added services for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Value-added services for non-property owners[1]	28,959	85.6	29,724	85.1	55,766	83.9	17,750	88.9	35,464	82.1
Value-added services for property owners[2]	4,852	14.4	5,208	14.9	10,721	16.1	2,225	11.1	7,706	17.9
Total	**33,811**	**100.0**	**34,932**	**100.0**	**66,487**	**100.0**	**19.975**	**100.0**	**43,170**	**100.0**

Notes:

1. Value-added services to non-property owners, which primarily include property developers. These services mainly include pre-delivery and sales assistance services and commercial operational services.

2. Value-added services to property owners primarily consist of (i) owner's asset-related services, including real estate agent services and asset management services; (ii) commercial operational services provided to property owners; (iii) property resources management services, including advertisements in residential communities, commercial properties and industrial parks; (iv) home refurbishment services; and (v) integrated community related services, including community group bulk purchases and travel agency services.

Please refer to the paragraph headed "Results of operation" in this section for details.

The following table sets forth our revenue generated from property management services and value-added services by customer type for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**34,184**	**49.5**	**61,435**	**48.0**	**17,078**	**46.1**	**45,989**	**51.6**
Desun Group	4,596	7.2	4,593	6.7	5,553	4.3	1,628	4.4	1,766	2.0
Independent Third Parties	25,557	39.9	29,591	42.8	55,882	43.7	15,450	41.7	44,223	49.6
Value-added services	**33,811**	**52.9**	**34,932**	**50.5**	**66,487**	**52.0**	**19,975**	**53.9**	**43,170**	**48.4**
Desun Group	29,543	46.2	30,643	44.3	54,958	43.0	17,885	48.3	32,855	36.8
Independent Third Parties	4,268	6.7	4,289	6.2	11,529	9.0	2,090	5.6	10,315	11.6
Total	**63,964**	**100.0**	**69,116**	**100.0**	**127,922**	**100.0**	**37,053**	**100.0**	**89,159**	**100.0**

During the Track Record Period, most of our property management service revenue came from independent third-parties, accounting for approximately 39.9%, 42.8%, 43.7% and 49.6% of our total revenue. The increase was mainly due to increase of GFA delivered which increased revenue received from property owners of residential properties and the impact of the Zhongneng acquisition.

During the Track Record Period, most of our value-added service revenue came from Desun Group, accounting for 46.2%, 44.3%, 43.0% and 36.8% of the total revenue, showing a downward trend, while the proportion of revenue from providing value-added services to independent third parties increased year by year. It is primarily due to the increase of GFA delivered and the acquisition of Zhongneng gave us opportunities to provide value-added services for property owners.

We expect the proportion of revenue from property management services and value-added services from Independent Third Parties will continue to increase because (i) we have actively participated in the tendering process of Independent Third Party developers; and (ii) the increase of GFA delivered will increase revenue received from property owners or tenants of residential and non-residential properties.

Cost of Sales

Our cost of sales mainly consists of (i) staff costs, (ii) subcontracting costs, (iii) utility costs, (iv) depreciation and amortisation, (v) canteen costs, (vi) construction waste disposal fee, (vii) modification work costs, or (viii) rental and (ix) others, which primarily includes insurance premium expenses and consultancy fees. The general increase in cost of sales during the Track Record Period was primarily attributable to the increase in our GFA under property management resulting from the expansion of our property management services business.

The following table sets forth the components of our cost of sales for the periods indicated.

	FY2018		FY2019		FY2020		5M2020		5M2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Staff costs	13,339	51.7	18,763	56.4	37,463	57.4	9,302	58.6	27,934	51.5
Subcontracting costs	2,950	11.4	4,463	13.4	10,137	15.5	2,545	16.0	12,973	23.9
Utility costs	2,616	10.1	2,711	8.2	3,972	6.1	780	4.9	2,383	4.4
Depreciation and amortisation	1,956	7.6	1,253	3.8	661	1.0	344	2.2	331	0.6
Canteen cost	1,414	5.5	2,630	7.9	4,752	7.3	1,264	8.0	3,033	5.6
Construction waste disposal fee	95	0.4	109	0.3	1,246	1.9	371	2.3	195	0.4
Modification work	469	1.8	406	1.2	767	1.2	143	0.9	595	1.1
Rental	628	2.4	626	1.9	721	1.1	258	1.6	426	0.8
Cost of decorating services	–	–	–	–	–	–	–	–	2,920	5.4
Others	2,338	9.1	2,295	6.9	5,533	8.5	878	5.5	3,470	6.4
Total	**25,805**	**100.0**	**33,256**	**100.0**	**65,252**	**100.0**	**15,885**	**100.0**	**54,260**	**100.0**

During the Track Record Period, staff costs and sub-contracting costs contributed a majority of our cost of sales. The increase in staff costs during the Track Record Period was mainly due to (i) an increase in the number of employees as a result of the increase in our GFA under management resulted from our business expansion; (ii) an increase in the number of employees as a result of our organic growth; and (iii) an increase in the average salary. Sub-contracting costs mainly include the cost incurred for sub-contracting professional services such as security, cleaning and greening service. During the Track Record Period, the increase in sub-contracting costs was mainly due to (i) the increase of our GFA under management resulted from business expansion; and (ii) the expansion of professional services scope of our sub-contractors.

For illustration purposes only, we set out below a sensitivity analysis of our profit for the periods indicated with reference to the fluctuation of staff costs during the Track Record Period. The following table demonstrates the impact of the hypothetical increase in cost of sales and administrative expenses on our profit, while all other factors remain unchanged:

	FY2018	FY2019	FY2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total profit for the year/period	31,394	31,043	42,913	10,003
Labour costs recorded in cost of sales and administrative expense for the year/period	16,519	23,070	47,620	41,227
Assuming 5% increase in our staff costs				
Impact on cost of sales and administrative expense	(826)	(1,154)	(2,381)	(2,061)
Impact on profit for the year/period(Note)	(620)	(866)	(1,786)	(1,546)
Assuming 10% increase in our staff costs				
Impact on cost of sales and administrative expense	(1,652)	(2,307)	(4,762)	(4,123)
Impact on profit for the year/period(Note)	(1,239)	(1,730)	(3,572)	(3,092)

Note: Assuming an enterprise income tax of 25%

For illustration purposes only, we set out below a sensitivity analysis of our profits for the periods indicated with reference to the fluctuation of subcontracting costs during the Track Record Period.

	FY2018	FY2019	FY2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total profit for the year/period	31,394	31,043	42,913	10,003
Subcontracting costs	2,950	4,463	10,137	12,973
Assuming 5% increase in our subcontracting costs				
Impact on our cost of sales	(148)	(223)	(507)	(649)
Impact on profit for the year/period(Note)	(111)	(167)	(380)	(487)
Assuming 10% increase in our subcontracting costs				
Impact on our cost of sales	(295)	(446)	(1,014)	(1,297)
Impact on profit for the year/period(Note)	(221)	(335)	(761)	(973)

Note: Assuming an enterprise income tax of 25%

Gross Profit and Gross Profit Margin

Our gross profit margin in FY2018, FY2019, FY2020 and 5M2021 was 59.7%, 51.9%, 49.0% and 39.1%, respectively. Gross profit margin for our property management services is, to a large extent, dependent on the average property management fees per sq.m. per month we charge for our property management services and our cost of sales per sq.m. per month for providing such services. Please refer to the paragraph headed "Results of operation" in this section for details.

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

	FY2018		FY2019		FY2020		5M2020		5M2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**14,133**	**46.9**	**15,921**	**46.6**	**24,195**	**39.4**	**9,374**	**54.9**	**14,586**	**31.7**
– Residential properties	2,927	25.9	5,196	33.5	9,995	36.0	4,110	45.7	6,266	35.3
– Non–residential properties	11,206	59.4	10,725	57.5	14,200	42.2	5,264	65.1	8,320	29.5
Value-added services	**24,026**	**71.1**	**19,939**	**57.1**	**38,475**	**57.9**	**11,794**	**59.0**	**20,313**	**47.1**
– For non-property owners	23,074	79.7	18,045	60.7	32,424	58.1	10,365	58.4	18,025	50.8
– For property owners	952	19.6	1,894	36.4	6,051	56.4	1,429	64.2	2,288	29.7[Note]
Total	**38,159**	**59.7**	**35,860**	**51.9**	**62,670**	**49.0**	**21,168**	**57.1**	**34,899**	**39.1**

Note: Our gross profit margin for value-added services for property owners decreased from 56.4% for FY2020 to 29.7% for 5M2021 primarily because (i) there was no COVID-19 related social insurance reduction policy during the period which increased staff costs; (ii) food costs increased for our canteen services; and (iii) we launched interior design and decorating services and furnishing services in 2021 and incurred more costs on promotion and marketing.

The following table sets forth our revenue, gross profit and gross profit margin generated from property management services and value-added services by customer type for the periods indicated.

	FY2018				FY2019				FY2020				5M2020				5M2021			
	Revenue	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*	*Revenue*	*% of revenue*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**30,153**	**47.1**	**14,133**	**46.9**	**34,184**	**49.5**	**15,921**	**46.6**	**61,435**	**48.0**	**24,195**	**39.4**	**17,078**	**46.1**	**9,374**	**54.9**	**45,989**	**51.6**	**14,586**	**31.7**
Desun Group	4,596	7.2	2,246	48.9	4,593	6.7	2,289	49.8	5,553	4.3	2,901	52.2[3]	1,628	4.4	984	60.4	1,766	2.0	729	41.3[3]
Independent Third Parties	25,557	39.9	11,887	46.5	29,591	42.8	13,632	46.1	55,882	43.7	21,294	38.1[3]	15,450	41.7	8,390	54.3	44,223	49.6	13,857	31.3[3]
Value-added services	**33,811**	**52.9**	**24,026**	**71.1**	**34,932**	**50.5**	**19,939**	**57.1**	**66,487**	**52.0**	**38,475**	**57.9**	**19,975**	**53.9**	**11,794**	**59.0**	**43,170**	**48.4**	**20,313**	**47.1**
Desun Group	29,543	46.2	23,021	77.9[1]	30,643	44.3	18,472	60.3[1]	54,958	43.0	32,743	59.6[1]	17,885	48.3	10,453	58.4	32,855	36.8	17,669	53.8[1]
Independent Third Parties	4,268	6.7	1,005	23.5[1]	4,289	6.2	1,467	34.2[1]	11,529	9.0	5,732	49.7[1]	2,090	5.6	1,341	64.2	10,315	11.6	2,644	25.6[1]
Total	**63,964**	**100.0**	**38,159**	**59.7[2]**	**69,116**	**100.0**	**35,860**	**51.9[2]**	**127,922**	**100.0**	**62,670**	**49.0[2]**	**37,053**	**100.0**	**21,168**	**57.1[2]**	**89,159**	**100.0**	**34,899**	**39.1[2]**

Notes:

1. Our provision of services to Desun Group was conducted on normal commercial terms and arose from genuine business needs. For details, please refer to the section headed "Relationship with Controlling Shareholders". Notwithstanding the same pricing policy, our Group's gross profit margins for value-added services provided to Desun Group were higher than those provided to other independent third parties primarily due to different types of services provided to Desun Group and independent third parties. Substantially all of the value-added services provided to Desun Group were mainly pre-delivery and sales assistance services, and commercial operational and assets management services. The value-added services provided to Independent Third Parties were mainly housekeeping services, community management services, traveling services and sale of household products.

   The value-added services provided to Desun Group largely consisted of sales assistance services and pre-delivery services which had higher gross profit margin as these services usually have higher contract sum and were less labour intensive than the value-added services provided to Independent Third Parties, such as owner's asset-related services, property resources management services, home refurbishment services and community related services. For example, the average contract amount of our pre-delivery and sales assistance services is approximately RMB200,000 per month, the contract sum of pre-delivery and sales assistance services ranged from RMB97,000 to RMB478,000 per month in FY2020, and a small pool of workforce can operate a number of sales offices concurrently.

The value-added services provided to Independent Third Parties generally had lower contract sum. For example, the contract sum of value-added services provided to Independent Third Parties ranged from RMB100 to RMB5,000 per month in FY2020.

We recorded a high gross profit margin of 71.1% from value-added services in FY2018 primarily because we provided brokerage services to unsold units and carparks of a completed residential project. As the original sales office of this residential property was closed after completion, our management office was used to facilitate the property buyers' purchase of the unsold units and carparks. As such, the provision of such brokerage services only involved existing manpower of property management services and did not incur extra costs to manage a sales office. Such brokerage services to unsold units and carparks contributed revenue of RMB8.6 million, RMB2.1 million, RMB1.2 million, nil and RMB1.0 million in FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively, represented 29.8%, 6.9%, 2.1%, nil and 2.8% of our total revenue of value-added services for non-property owners during the same period.

2. We recorded relatively high gross margin from both property management services and value-added services primarily because:

(i) we provided property management and value-added services to mid- to high-end residential properties which contributed a relatively higher gross margin;

(ii) our value-added services for non-property owners largely consisted of pre-delivery and sales assistance services which usually have higher contract sum and are less labour intensive. Revenue from pre-delivery and sales assistance services was RMB20.3 million, RMB27.7 million, RMB48.9 million, RMB15.5 million, RMB29.9 million for FY2018, FY2019, FY2020, 5M2020 and 5M2021, respectively, representing 70.2%, 93.1%, 87.7%, 87.3% and 84.4% of our total revenue of value-added services for non-property owners over the same period; and

(iii) the average property management fee of residential properties in Chengdu developed by Desun Group was generally higher because the selling price of residential properties developed by Desun Group was higher than the average selling price of residential properties in Chengdu according to Frost and Sullivan. Generally, the selling price of a residential property has a positive correlation with its location and quality. Residential properties in Chengdu developed by Desun Group were mainly mid- to high-end residential properties, thus having higher average selling price. According to Frost and Sullivan, the average selling price of residential properties in Chengdu developed by Desun Group was approximately RMB16,656 per sq.m. in 2020 while the average selling price of residential properties in Chengdu was RMB12,142 per sq. m. during the same period. According to Frost and Sullivan, our average property management fee for mid- to high-end residential properties in Chengdu was in line with the market property management fee for mid- to high-end properties in Chengdu.

Notwithstanding the above, our gross profit margins during the Track Record Period were generally in a decreasing trend mainly due to (i) the gross profit margins for Zhongneng Group's residential and non-residential projects acquired in August 2020 were lower than that of ours because Zhongneng Group's residential and non-residential projects are generally located in less prime area and were of lower quality; and (ii) deduction on social security provided by the local government due to COVID-19 reduced our staff costs in 5M2020, but there was no such allowance in 5M2021.

3. Our gross profit margin of property management services to Independent Third Parties had much lower than those provided to Desun Group primarily because the gross profit margins for Zhongneng Group's residential and non-residential projects acquired in August 2020 were lower than that of the residential and non-residential projects we managed prior to the acquisition.

Average property management fee

Average property management fee refers to weighted average property management fee calculated on the basis of GFA of each property for the period in which we are engaged to provide property management services. The following table sets out a breakdown of our average property management fee per sq.m. per month by the types of property and geographical locations for the periods indicated:

	FY2018	FY2019	FY2020	5M2021
	RMB	*RMB*	*RMB*	*RMB*
By types of properties:				
Residential properties	**2.9**	**2.9**	**2.7**	**2.9**
– Developed by Desun Group	2.9(1)	2.9(1)	3.7(1)	3.8(1)
– Developed by other independent property developers	N/A	N/A	1.7(2)	1.7(2)
Non-residential properties	**16.4**	**16.4**	**4.9**	**4.1**
– Developed by Desun Group	16.4(3)	16.4(3)	16.4(3)	16.4(3)
– Developed by other independent property developers	N/A	N/A	4.2(4)	3.5(4)
By geographical locations:				
Chengdu, Sichuan Province	4.7	4.7	3.9	3.7
Other cities in Sichuan Province	–	–	3.8	3.3
Total	**4.7**	**4.7**	**3.9**	**3.6**

The average management fees per sq.m. per month for residential properties developed by Desun Group were higher than that of properties developed by other property developers, primarily because (i) the residential properties developed by Desun Group are mainly mid- to high-end residential properties with a higher management fee rate, and (ii) the residential projects we acquired through the acquisition of Zhongneng Group are developed by other independent property developers which are generally located in less prime area and are of lower quality, hence lower average property management fee.

Notes:

(1) Our average property management fee for the residential properties developed by Desun Group remained stable at 2018 and 2019 while increased in 2020, which was primarily because we managed some newly delivered residential properties developed by Desun Group in 2020. These newly delivered residential properties has an aggregate GFA under management of approximately 349,000 sq.m. and an average property management fee was RMB6.1 per sq.m. per month for 5M2021. The property owners of these newly delivered properties require property management services with better quality and therefore, we can charge a higher property management fee. Further, advised by Frost and Sullivan, different from Hong Kong or other markets, the property management agreements executed in the PRC generally do not have a regular price increase clause. As a result, property management fees charged for the same property may stay stable in the following years subsequent the execution of the initial

management agreement. According to Frost and Sullivan, the property management fee of residential properties in Chengdu ranged from RMB2.5 to RMB6.0 per sq.m. per month. The average property management fee we charged for the residential properties developed by Desun Group in Chengdu was within this range.

(2) The average property management fee we charged for the residential properties developed by third party developers were lower because these properties are mainly located in other cities in Sichuan Province.

Below table sets forth breakdown of average property management fee for residential properties per sq.m. per month by geographical locations and types of developers:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB	*RMB*	*RMB*	*RMB*
Residential properties				
Developed by Desun Group	**2.9**	**2.9**	**3.7**	**3.8**
– Chengdu, Sichuan Province	2.9	2.9	3.7	3.8
– Other cities in Sichuan Province	N/A	N/A	N/A	N/A
Developed by Independent Third Party developers	**N/A**	**N/A**	**1.7**	**1.7**
– Chengdu, Sichuan Province	N/A	N/A	1.7	1.7
– Other cities in Sichuan Province	N/A	N/A	1.5	1.5
Total	**2.9**	**2.9**	**2.7**	**2.9**

As at 31 May 2021, we managed 1.1 million sq.m. of residential properties developed by Desun Group which is located in Cheungdu with an average property management fee was RMB3.8 per sq.m. per month for 5M2021, while we managed 645,000 sq.m. of residential properties developed by independent property developers which is located in Chengdu with an average property management fee was RMB1.7 per sq.m. per month for 5M2021. The average property management fee of residential property in Chengdu developed by Desun Group was higher than that developed by Independent Third Party developers because the selling price of residential properties developed by Desun Group was higher than average. Generally, the selling price of a residential property has a positive correlation with its location and quality. According to Frost and Sullivan, the average selling price of residential properties in Chengdu developed by Desun Group was approximately RMB16,656 per sq.m. in 2020 while the average selling price of residential properties in Chengdu was RMB12,142 per sq. m. during the same period. Residential properties in Chengdu developed by Desun Group were mainly mid-to high-end residential properties, thus having a higher average selling price.

As at 31 May 2021, we did not manage any residential properties developed by Desun Group which is located in other cities in Sichuan Province, while we managed approximately 148,000 sq.m. of residential properties developed by Independent Third Party developers which was located in other cities in Sichuan Province with an average property management fee was RMB1.5 per sq.m. per month for 5M2021.

(3) During the Track Record Period, the non-residential properties developed by Desun Group which we provided services for represented one office building located in High-tech District (高新區) in Chengdu. There was no change in the average monthly management fee for this property during the Track Record Period. According to Frost and Sullivan, the property management fee of office buildings in High-tech District in Chengdu ranged from approximately RMB8.0 to RMB18.0 per sq.m. per month. The average property management fee we charged for this non-residential property developed by Desun Group was within this range.

(4) The non-residential properties developed by other property developers consisted of a pool of offices, shopping streets in Chengdu and other cities in Sichuan Province and industrial parks in Chengdu. According to Frost and Sullivan, the property management fee of offices in Sichuan Province ranged from approximately RMB3.0 to RMB20.0, the property management fee of industrial parks in Chengdu

ranged from approximately RMB1.0 to RMB3.0 per sq.m. per month and the property management fee of shopping streets in Sichuan Province ranged from approximately RMB3.0 to RMB8.0 per sq.m. per month. The average property management fee we charged for the non-residential properties developed by other property developers was within this range.

The following table illustrates breakdown of average property management fee per sq.m. per month by types of non-residential properties developed by other Independent Third Party developers:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB	*RMB*	*RMB*	*RMB*
Office	N/A	N/A	10.3	10.3
Industrial parks	N/A	N/A	2.2	1.7*
Shopping streets in Chengdu	N/A	N/A	4.5	4.5
Shopping streets in other cities in Sichuan Province	N/A	N/A	2.5	2.5
Total	**N/A**	**N/A**	**4.2**	**3.5**

* The average property management fee per sq.m. per month of industrial parks decreased in 5M2021 after the acquisition of Zhongneng Group because the industrial parks projects we acquired through the acquisition of Zhongneng Group are located in less prime area and are of lower quality, hence lower average property management fee.

(5) The decrease of property management fee of industrial parks was mainly attributable to a newly engaged industrial park located at Chengdu, with relatively low property management fee.

Taking into account the types, location, delivery date and quality of properties under our management, Frost and Sullivan is of the view that our property management fees were within the range of the prevailing market rates at similar locations.

Other Income and gains

Our other income and gains mainly consist of government grants, interest income, and fair value gains on financial assets at fair value through profit or loss.

The following table sets forth the components of our other income and gains for the periods indicated.

	FY2018 *RMB'000*	FY2019 *RMB'000*	FY2020 *RMB'000*	5M2020 *RMB'000*	5M2021 *RMB'000*
Other income and gains					
Government grant*(Note 1)*					
– related to assets	1,530	2,097	–	–	–
– related to expenses	180	1,500	108	–	–
Additional input value-added tax deduction	–	74	257	7	249
Bank interest income	25	1,654	2,362	946	1,520
Interest income from loans to related parties*(Note 2)*	7	–	–	–	–
Interest income from loans to an independent party*(Note 2)*	–	198	2,606	510	–
Fair value gains on financial assets at fair value through profit or loss	1,621	501	8	3	–
Reversal of impairment loss	5	–	405	–	–
Others	478	554	1,349	525	666
	3,846	**6,578**	**7,095**	**1,991**	**2,435**

Notes:

(1) The government grants represent subsidies compensated for the incurred operating expenses arising from property management services in an incubation industrial park.

(2) Relevant principal and interests had been fully settled on 31 May 2021 apart from interest-free loans amounted to RMB700,000 and RMB1,259,000 granted to Independent Third Parties which had been past due. For details, please refer to the paragraph headed "Prepayments, Deposits and Other Receivables" in this section.

Our PRC Legal Advisers advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions, and that pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which came into effect on 1 September 2015 and was latest amended on 29 December 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognises the validity loan contracts between non-financial institutions so long as certain requirements, such as no circumstance of invalidity of contracts under the Civil Code of the People's Republic of China (《中華人民共和國民法典》).

We confirm that the loans are made for the purpose of such parties' normal business operation and the source of the loans is the funds legally owned by us. We have no intention to engage in any private lending activity to derive interest income, and our provision of interest-bearing loan to our related party did not involve the circumstances as set forth in the Civil Code of the PRC or Article 13 of the Judicial Interpretations on Private Lending Cases. Based on above, our PRC Legal Advisers are of the view that such loan agreements in relation to the provision of the loans to our related party was valid.

We confirm that we have not been subject to any investigation or penalties in relation to loans to related parties. According to public searches conducted by our PRC Legal Adviser, no administrative penalty imposed by any governmental authority with respect to such loans has been found. We will not enter into loans to related parties after Listing.

Considering the reasons above, our PRC legal counsel is of the opinion that, in connection with such loans, the risk that we would be fined for breach of the Lending General Provisions is remote. Based on the foregoing, we considered that we were not required to make any provision in relation to the potential violation of the General Lending Provision during the Track Record Period.

Administrative Expenses

Our administrative expenses mainly consist of labour costs, business entertainment expenses, office expenses, staff dormitory and office occupancy expenses, promotion expenses, transportation expenses, tax expenses, special service expenses, depreciation and amortisation, lease expenses and others. The general increase in administrative expenses during the Track Record Period was primarily attributable to the increase in the number of management employees as a result of the increase of GFA under management.

The following table sets forth the components of our administrative expenses for the periods indicated.

	FY2018		**FY2019**		**FY2020**		**5M2020**		**5M2021**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Staff costs	3,180	77.4	4,307	80.7	10,157	54.4	3,224	92.2	13,293	57.5
Professional service expenses	400	9.7	510	9.6	5,943	31.9	20	0.6	7,661	33.1
Depreciation and amortisation	343	8.3	304	5.7	261	1.4	99	2.8	276	1.2
Travelling and entertainment expenses	33	0.8	36	0.7	310	1.7	16	0.5	256	1.1
Others	152	3.8	179	3.3	1,986	10.6	136	3.9	1,636	7.1
Total	**4,108**	**100.0**	**5,336**	**100.0**	**18,657**	**100.0**	**3,495**	**100.0**	**23,122**	**100.0**

Finance Costs

Our finance costs represent interest on lease liabilities, which generally decreased upon settlement of relevant lease liabilities during the Track Record Period.

	FY2018		**FY2019**		**FY2020**		**5M2020**		**5M2021**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Interest on lease liabilities	**17**	**100.0**	**13**	**100.0**	**24**	**100.0**	**11**	**100.0**	**97**	**100.0**

Income Tax Expenses

Our income tax expenses mainly comprise our subsidiaries' PRC corporate income tax.

	FY2018	FY2019	FY2020	5M2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current – Mainland China					
Charge for the year/period	5,811	5,525	7,879	2,890	2,787
Overprovision in prior years	–	–	–	–	(179)
Deferred tax	428	207	37	(2)	(278)
Total tax charge for the year/period	6,239	5,732	7,916	2,888	2,330

In FY2018, FY2019, FY2020 and 5M2021, our effective income tax rates remained relatively stable at 16.6%, 15.6%, 15.6% and 18.9%, respectively. During the Track Record Period and up to the Latest Practicable Date, there was no matter in dispute or unresolved with any tax authorities.

RESULTS OF OPERATIONS

5M2020 Compared to 5M2021

Revenue

Our revenue increased by 140.4% to RMB89.2 million in 5M2021 from RMB37.1 million in 5M2020, primarily reflecting the increase in revenue from property management services and value-added services.

- **Revenue from residential property management services.** Revenue from residential property management services increased by 97.8% to RMB17.8 million in 5M2021 from RMB9.0 million in 5M2020, primarily attributable to the increase in the total GFA under property management of residential properties to 1.9 million sq.m. as at 31 May 2021 from approximately 681.2 thousand sq.m. as at 31 May 2020, of which approximately 792.4 thousand sq.m. were contributed by the acquisition of Zhongneng Group and approximately 384.8 thousand sq.m. were contributed by our organic growth.

- **Revenue from non-residential property management services.** Revenue from non-residential property management services increased by 248.1% to RMB28.2 million in 5M2021 from RMB8.1 million in 5M2020, primarily attributable to the increase in the total GFA under property management of non-residential properties to 2.3 million sq.m. as at 31 May 2021 from approximately 168.0 thousand sq.m. as at 31 May 2020, of which approximately 1.7 million sq.m. were contributed by the acquisition of Zhongneng Group and approximately 750.6 thousand sq.m. were contributed by our organic growth, partially offset by GFA of 278.0 thousand sq.m., the management of which was terminated during the period.

- **Revenue from value-added services for non-property owners.** Revenue from value-added services for non-property owners increased by 99.4% to RMB35.5 million in 5M2021 from RMB17.8 million in 5M2020, primarily due to new projects launched by Desun Group in the period, and the resulting increase in revenue from pre-delivery and sales assistance services of RMB14.4 million.

- **Revenue from value-added services for property owners.** Revenue from value-added services for property owners increased by 250.0% to RMB7.7million in 5M2021 from RMB2.2 million in 5M2020 primarily due to the increase of GFA under management.

Cost of sales

Our cost of sales increased by 241.5% to RMB54.3 million in 5M2021 from RMB15.9 million in 5M2020, primarily due to the increase of total GFA under management and the provision of new value-added service offerings. Our staff costs increased from RMB9.3 million in 5M2020 to RMB27.9 million in 5M2021 mainly due to (i) an increase in the number of employees as a result of the increase in our GFA under management resulted from our business expansion; (ii) an increase in the number of employees as a result of our organic growth; and (iii) an increase in the average salary. Our subcontracting cost increased from RMB2.5 million in 5M2020 to RMB13.0 million in 5M2021 primarily because of improvement of service quality and dedicate more resources to management and other value-added services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 64.6% to RMB34.9 million in 5M2021 from RMB21.2 million in 5M2020. Our gross profit margin decrease to 39.1% in 5M2021 from 57.1% in 5M2020.

- **Residential property management services.** Our gross profit margin for residential property management services decreased to 35.3% in 5M2021 from 45.7% in 5M2020 primarily because (i) the COVID-19 related preferential policies reduced the staff costs in 5M2020 and (ii) the gross profit margins for Zhongneng Group's residential projects acquired in August 2020 are lower than that of the residential projects we managed in 5M2020. Our gross profit margin for residential property management services in 5M2021 was similar to our gross profit margin for residential property management services in FY2019 at 33.5%, of which there was no COVID-19 related preferential policies impact.

- **Non-residential property management services.** Our gross profit margin for non-residential property management services decreased to 29.5% in 5M2021 from 65.1% in 5M2020 primarily due to (i) the gross profit margins for Zhongneng Group's non-residential projects acquired in August 2020 are lower than that of the office project we managed in 5M2020; (ii) the COVID-19 related preferential policies reduced the staff costs in 5M2020; and (iii) the lower gross profit margin of a new industrial park project delivered during the period.

- **Value-added services for non-property owners.** Our gross profit margin for value-added services for non-property owners decreased to 50.8% in 5M2021 from 58.4% in 5M2020 primarily due to the gross profit margin of properties we managed from Zhongneng Group since our acquisition in August 2020 is lower than that of the projects developed by Desun Group in 5M2020.

- **Value-added services for property owners.** Our gross profit margin for value-added services for property owners decreased to 29.7% in 5M2021 from 64.2% in 5M2020 primarily because (i) there was no COVID-19 related social insurance reduction policy during the period which increased staff costs; and (ii) increased in food costs for our canteen services.

Other income and gains

Our other income and gains increased to RMB2.4 million in 5M2021 from RMB2.0 million in 5M2020 primarily due to increased bank interest received.

Administrative expenses

Our administrative expenses increased to RMB23.1 million in 5M2021 from RMB3.5 million in 5M2020, primarily due to (i) increase in the number of management employees; (ii) more frequent business trip for business development; and (iii) Listing expenses of RMB7.3 million incurred in 5M2021.

Other expenses

Our other expenses increased to RMB1.8 million in 5M2021 from RMB101,000 in 5M2020, primarily due to credit impairment loss of approximately RMB1.0 million for credit loss provision of Zhongneng Group.

Finance costs

We incurred finance costs of RMB11,000 and RMB97,000 in 5M2020 and 5M2021, respectively. Our finance costs increased in 5M2021 primarily because of new rental agreements in during the period.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 37.2% to RMB12.3 million in 5M2021 from RMB19.6 million in 5M2020.

Income tax expenses

Our income tax expenses decreased to RMB2.3 million in 5M2021 from RMB2.9 million in 5M2020 because of the decreased taxable income.

Profit for the period

As a result of the foregoing, our profit for the period decreased by 40.1% to RMB10.0 million in 5M2021 from RMB16.7 million in 5M2020, and our net profit margin for the period decreased to 11.2% in 5M2021 from 45.0% in 5M2020.

FY2020 Compared to FY2019

Revenue

Our revenue increased by 85.1% to RMB127.9 million in FY2020 from RMB69.1 million in FY2019, primarily reflecting the increase in revenue from property management services and value-added services.

- **Revenue from residential property management services.** Revenue from residential property management services increased by 79.4% to RMB27.8 million in FY2020 from RMB15.5 million in FY2019, primarily attributable to the increase in the total GFA under property management of residential properties to 1.6 million sq.m. as at 31 December 2020 from approximately 681.2 thousand sq.m. as at 31 December 2019, of which approximately 792.4 thousand sq.m. were contributed by the acquisition of Zhongneng Group and approximately 232.0 thousand sq.m. were contributed by our organic growth.

- **Revenue from non-residential property management services.** Revenue from non-residential property management services increased by 79.7% to RMB33.6 million in FY2020 from RMB18.7 million in FY2019, primarily attributable to the increase in the total GFA under property management of non-residential properties to 2.2 million sq.m. as at 31 December 2020 from approximately 110.8 thousand sq.m. as at 31 December 2019, of which approximately 1.7 million sq.m. were contributed by the acquisition of Zhongneng Group and approximately 657.1 thousand sq.m. were contributed by our organic growth, partially offset by GFA of 294.0 thousand sq.m., the management of which was terminated during the year.

- **Revenue from value-added services for non-property owners.** Revenue from value-added services for non-property owners increased by 87.9% to RMB55.8 million in FY2020 from RMB29.7 million in FY2019, primarily due to new projects launched by Desun Group in FY2020, resulting in the increase in pre-delivery and sales assistance services and commercial operational services.

- **Revenue from value-added services for property owners.** Revenue from value-added services for property owners increased by 105.8% to RMB10.7 million in FY2020 from RMB5.2 million in FY2019 primarily due to increase in various service fees from the increase of GFA under management.

Cost of sales

Our cost of sales increased by 96.1% to RMB65.3 million in FY2020 from RMB33.3 million in FY2019, primarily due to the increase of total GFA under management and new value-added service offerings. Our staff costs increased from RMB18.8 million in FY2019 to RMB37.5 million in FY2020, which were partially offset by the decrease in social insurance costs as a result of COVID-19 related preferential policies. Our subcontracting cost increased from RMB4.5 million in FY2019 to RMB10.1 million in FY2020.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 74.7% to RMB62.7 million in FY2020 from RMB35.9 million in FY2019.

Our gross profit margin decrease to 49.0% in FY2020 from 51.9% in FY2019.

- **Residential property management services.** Our gross profit margin for residential property management services increased to 36.0% in FY2020 from 33.5% in FY2019 primarily due to better cost control and decrease in social insurance contributions as a result of COVID-19 related preferential policies.

- **Non-residential property management services.** Our gross profit margin for non-residential property management services decreased to 42.2% in FY2020 from 57.5% in FY2019 primarily due to (i) the lower gross profit margin of two new industrial park projects in FY2020; and (ii) the gross profit margins for Zhongneng Group's non-residential projects acquired in FY2020 are lower than that of the office project we managed in FY2019.

- **Value-added services for non-property owners.** Our gross profit margin for value-added services for non-property owners decreased to 58.1% in FY2020 from 60.7% in FY2019 primarily due to (i) the change in scale and service requirements of new sales assistance services for projects jointly developed by Desun Group and other property developers; and (ii) the gross profit margin of properties we managed from Zhongneng Group since our acquisition in August 2020 is lower than that of the projects developed by Desun Group in FY2019.

- **Value-added services for property owners.** Our gross profit margin for value-added services for property owners increased to 56.4% in FY2020 from 36.4% in FY2019 primarily due to increased scale of operation of value-added services for property owners as a result of the acquisition of Zhongneng Group and new projects developed by Desun Group delivered in FY2020.

Other income and gains

Our other income and gains increased to RMB7.1 million in FY2020 from RMB6.6 million in FY2019 primarily due to increased bank interest received and interest income from loans to an independent party, partially offset by decreased government grant.

Administrative expenses

Our administrative expenses increased by 252.8% to RMB18.7 million in FY2020 from RMB5.3 million in FY2019, primarily due to (i) increase in the number of management employees; (ii) more frequent business trip for business development; and (iii) Listing expenses of RMB5.2 million incurred in FY2020.

Other expenses

Our other expenses decreased to RMB255,000 in FY2020 from RMB314,000 in FY2019, primarily due to a one-off labour expense incurred in FY2019.

Finance costs

We incurred finance costs of RMB13,000 and RMB24,000 in FY2019 and FY2020, respectively. Our finance costs increased in FY2020 primarily because we entered into a new rental agreement in FY2019 with increased monthly rents.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 38.0% to RMB50.8 million in FY2020 from RMB36.8 million in FY2019.

Income tax expenses

Our income tax expenses increased by 38.6% to RMB7.9 million in FY2020 from RMB5.7 million in FY2019, which is in line with the increase in profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 38.4% to RMB42.9 million in FY2020 from RMB31.0 million in FY2019, and our net profit margin for the year decreased to 33.5% in FY2020 from 44.9% in FY2019.

FY2019 Compared to FY2018

Revenue

Our revenue increased by 8.0% to RMB69.1 million in FY2019 from RMB64.0 million in FY2018, primarily reflecting the increase in revenue from property management services and value-added services.

- **Revenue from residential property management services.** Revenue from residential property management services increased by 37.2% to RMB15.5 million in FY2019 from RMB11.3 million in FY2018, primarily attributable to the increase in the total GFA under property management to approximately 681.2 thousand sq.m. as at 31 December 2019 from approximately 422.7 thousand sq.m. as at 31 December 2018.

- **Revenue from non-residential property management services.** Revenue from non-residential property management services was stable in FY2018 at RMB18.9 million and FY2019 at RMB18.7 million.

- **Revenue from value-added services for non-property owners.** Revenue from value-added services for non-property owners increased by 2.4% to RMB29.7 million in FY2019 from RMB29.0 million in FY2018, primarily due to increase in the number of sales offices management projects.

- **Revenue from value-added services for property owners.** Revenue from value-added services for property owners increased by 6.1% to RMB5.2 million from RMB4.9 million primarily due to (i) increase in the variety of value-added services we offered; and (ii) increase in the delivery of projects.

Cost of sales

Our cost of sales increased by 29.1% to RMB33.3 million in FY2019 from RMB25.8 million in FY2018, primarily due to the increase of total GFA under management. As a result, our staff cost increased from RMB13.3 million in FY2018 to RMB18.8 million in FY2019. Our subcontracting cost increased from RMB3.0 million in FY2018 to RMB4.5 million in FY2019.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 6.0% to RMB35.9 million in FY2019 from RMB38.2 million in FY2018.

Our gross profit margin decreased to 51.9% in FY2019 from 59.7% in FY2018. The decrease in gross profit margin was primarily due to the decrease of gross profit margin for value-added services.

- **Residential property management services.** Our gross profit margin for residential property management services increased to 33.5% in FY2019 from 25.9% in FY2018 primarily due to (i) increase in the GFA under management; and (ii) economies of scale of our operation.

- **Non-residential property management services.** Our gross profit margin for non-residential property management services was relatively stable at 59.4% in FY2018 and 57.5% in FY2019.

- **Value-added services for non-property owners.** Our gross profit margin for value-added services for non-property owners decreased to 60.7% in FY2019 from 79.7% in FY2018, primarily attributable to composition in sales assistance services. Gross profit margin for sales assistance services to property developers was relatively high, in light of non-labour intensive nature.

- **Value-added services for property owners.** Our gross profit margin for value-added services for property owners increased to 36.4% in FY2019 from 19.6% in FY2018 primarily due to the increase in the scale of our operation.

Other income and gains

Our other income and gains increased to RMB6.6 million in FY2019 from RMB3.8 million in FY2018, primarily attributable to the increase of (i) bank interest income; and (ii) government grants.

Administrative expenses

Our administrative expenses increased to RMB5.3 million in FY2019 from RMB4.1 million in FY2018, primarily due to increase in the number of management employees as a result of the increase of GFA under management and increase of employee salaries.

Other expenses

Our other expenses increased to RMB314,000 in FY2019 from RMB247,000 in FY2018, primarily due to a one-off labour expense.

Finance costs

We incurred finance costs of RMB17,000 and RMB13,000 in FY2018 and FY2019, respectively.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 2.1% to RMB36.8 million in FY2019 from RMB37.6 million in FY2018.

Income tax expenses

Our income tax expenses were RMB6.2 million and RMB5.7 million in FY2018 and FY2019, respectively.

Profit for the year

As a result of the foregoing, our profit was RMB31.4 million and RMB31.0 million in FY2018 and FY2019, respectively, and our net profit margin decreased to 44.9% in FY2019 from 49.1% in FY2018.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our summary consolidated statement of balance sheet as at the dates indicated.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	580	316	204	183
Investment properties	1,404	1,516	1,427	1,387
Right-of-use assets	209	620	387	5,215
Other intangible assets	–	–	8,075	8,190
Goodwill	–	–	9,179	9,179
Deferred tax assets	210	3	251	482
Total non-current assets	**2,403**	**2,455**	**19,523**	**24,636**
CURRENT ASSETS				
Trade receivables	12,839	7,489	35,699	42,003
Prepayments, deposits and other receivables	1,182	1,167	8,167	15,189
Financial assets at fair value through profit or loss	54,176	200	130	20
Cash and cash equivalents	686	57,563	109,502	106,751
Total current assets	**68,883**	**66,419**	**153,498**	**163,963**
CURRENT LIABILITIES				
Contract liabilities	4,985	6,605	11,841	18,861
Trade payables	1,560	1,788	10,564	10,132
Other payables and accruals	10,572	17,492	58,294	55,197
Deferred income	2,097	–	–	–
Lease liabilities	136	225	236	1,439
Tax payable	4,227	4,428	9,093	3,966
Total current liabilities	**23,577**	**30,538**	**90,028**	**89,595**
NET CURRENT ASSETS	**45,306**	**35,881**	**63,470**	**74,368**
TOTAL ASSETS LESS CURRENT LIABILITIES	**47,709**	**38,336**	**82,993**	**99,004**

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Contract liabilities	336	322	1,200	1,254
Deferred tax liabilities	–	–	1,102	1,055
Lease liabilities	–	358	122	4,217
Total non-current liabilities	**336**	**680**	**2,424**	**6,526**
NET ASSETS	**47,373**	**37,656**	**80,569**	**92,478**
EQUITY				
Equity attributable to owners of the parent				
Issued capital	–	–	–	–
Reserves	47,373	37,656	80,584	92,239
	47,373	**37,656**	**80,584**	**92,239**
Non-controlling interests	–	–	(15)	239
Total equity	**47,373**	**37,656**	**80,569**	**92,478**

Property, Plant and Equipment

Property, plant and equipment mainly consist of electric devices and leasehold improvements, which decreased from RMB0.6 million as at 31 December 2018 to RMB0.3 million as at 31 December 2019 because of depreciation charge for the year. The decrease from RMB0.3 million as at 31 December 2019 to RMB0.2 million as at 31 December 2020 was primarily due to depreciation in FY2020. The decrease from RMB204,000 as at 31 December 2020 to RMB183,000 as at 31 May 2021 was attributable to increased depreciation of approximately RMB29,000.

Investment Properties

Investment properties consist of one residential and one commercial property in the PRC held for sale and were not leased out. Investment property increased from RMB1.4 million as at 31 December 2018 to RMB1.5 million as at 31 December 2019 due to addition in one commercial property in FY2019. The decrease from RMB1.5 million as at 31 December 2019 to RMB1.4 million as at 31 December 2020 was primarily due to a depreciation charge provision in FY2020. The decrease from RMB1,427,000 as at 31 December 2020 to RMB1,387,000 as at 31 May 2021 was attributable to a depreciation charge provision in 5M2021.

Right-of-Use Assets

Right-of-use assets primarily represent offices which we leased for our office use. Right-of-use assets increased from RMB0.2 million as at 31 December 2018 to RMB0.6 million as at 31 December 2019 primarily due to an new office lease contract with longer lease term our Group entered in FY2019. It decreased to RMB0.4 million in FY2020 primarily due to amortisation of the rental property. The increased from RMB0.4 million as at 31 December 2020 to RMB5.2 million as at 31 May 2021 was attributable to a new rental agreement for a display unit.

Other Intangible assets

We recognised other intangible assets of RMB7.6 million upon completion of the acquisition of Zhongneng Group which mainly include customer relationship of RMB7.6 million.

Goodwill

Goodwill arised out of our acquisitions of Zhongneng Group in 2020, which resulted in the recognition of goodwill of RMB9.2 million.

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating unit ("**CGU**") of Zhongneng Group that are expected to benefit from the business combination. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management. The long-term growth rate used to extrapolate the cash flows during the terminal period is 3%.

Assumptions were used in the value-in-use calculation of the CGU for 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The budgeted revenue is based on the existing charge rates and revenue-bearing gross floor area of the properties.

Pre-tax discount rate – The pre-tax discount rate reflects the risks relating to the relevant CGU, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the same industry. The pre-tax discount rate used in the value-in-use calculation for the CGU was 18.52% as at 31 December 2020.

Sensitivity to changes in key assumptions:

The management of our Company has performed sensitivity test by decreasing 3% of budgeted revenue or increasing 5% of pre-tax discount rate, which are the key assumptions for determine the recoverable amount of the CGU, with all other variables held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) as at 31 December 2020 are as below:

	RMB'000
Headroom	3,760
Impact by decreasing budgeted revenue	(3,574)
Impact by increasing pre-tax discount rate	(1,619)

Considering there was still sufficient headroom based on the goodwill impairment assessment, the management believes that a reasonable possible change in the above key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Trade Receivables

Trade receivables mainly arise from property management services and certain value-added services.

	As at 31 December			**As at 31 May**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from:				
Related parties	11,896	5,513	20,872	19,769
Third parties	943	1,999	15,789	23,658
	12,839	7,512	36,661	43,427
Impairment	–	(23)	(962)	(1,424)
	12,839	**7,489**	**35,699**	**42,003**

The decrease in trade receivables from RMB12.8 million as at 31 December 2018 to RMB7.5 million as at 31 December 2019 was due to decrease in trade receivables from related parties as a result of settlement of sales assistance service receivables in FY2019. The increase in trade receivables in FY2020 to RMB35.7 million was primarily due to increase in GFA under management and increase in revenue from value-added services. The increase in trade receivables from RMB35.7 million as at 31 December 2020 to RMB42.0 million as at 31 May 2021 was attributable to the increase in GFA under management and due to delay in settlement of fees of property management services and value-added services by our property owners. which leads to fluctuation of trade receivables as at the respective reporting dates. The reasons for such delay in settlement of fees was mainly due to (i) periodical reason that certain property owners' contracts only started with us before 31 May 2021 and their settlement dates are three months from the dates of their contracts with us, which in turn passed the cut-off date of 31 May 2021; (ii) certain property owners would only settle all outstanding fees over a long period of time, such as every six months or by year end.

We consider that the outstanding balances net of provision as at 31 May 2021 are recoverable and no further impairment is required because (i) as at the Latest Practicable Date, approximately RMB31.8 million, or 75.8% of our total trade receivables as at 31 May 2021 had been settled; (ii) there was no material default record of our customers; and (iii) we use a provision matrix to calculate expected credit losses for trade receivables and our Directors consider such provision matrix reasonable.

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

	FY2018	**FY2019**	**FY2020**	**5M2021**
	(days)	*(days)*	*(days)*	*(days)*
Trade receivable turnover days	41.1	53.7	61.6	65.4
– in relation to trade receivables due from related parties	63.6	90.2	79.6	88.0
– in relation to trade receivables due from Independent Third Parties	15.4	15.7	45.5	51.0

Our trade receivables turnover days are calculated by dividing the average of trade receivables at the beginning and the end of the relevant period by revenue and multiply the resulting value by number of days in the relevant period. Our trade receivable turnover days increased from 41.1 days to 53.7 days from FY2018 to FY2019, to 61.6 days in FY2020 and to 65.4 days in 5M2021. During the Track Record Period, the turnover days of trade receivables of related parties were longer than those of third parties, mainly due to the lower default risk of related parties, and we generally grant longer credit periods to related parties. Thus, to a large extent, the fluctuations in our overall trade receivables turnover days during the Track Record Period also depended on the proportion of trade receivables from related parties and trade receivables from Independent Third Parties.

Notwithstanding the proportion of trade receivables from Independent Third Parties increased from 26.6% as at 31 December 2019 to 43.1% as at 31 December 2020, and the trade receivables turnover days in relation to the related parties decreased from 90.2 days in FY2019 to 79.6 days in FY2020, our overall trade receivables turnover days further increased from 53.7 days in FY2019 to 61.6 days in FY2020. Such increase was primarily attributable to the acquisition of Zhongneng Group, which included trade receivables from Independent Third Parties property developers with longer repayment terms, resulting in the increase in trade receivables turnover days in relation to the from Independent Third Parties 15.7 days in FY2019 to 45.5 days in FY2020.

As at the end of each reporting period, the ageing analysis of trade receivable based on the date of revenue recognition and net of allowance for impairment of trade receivables is as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year				
Related parties	11,896	5,513	20,668	19,769
Independent third parties	826	1,852	13,815	19,664
1-2 years				
Related parties	–	–	204	–
Independent third parties	97	128	1,595	3,508
2-3 years				
Related parties	–	–	–	–
Independent third parties	20	16	317	309
Over 3 years				
Related parties	–	–	–	–
Independent third parties	–	3	62	177
Total	**12,839**	**7,512**	**36,661**	**43,427**

The movements in the loss allowance for impairment

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5	–	23	962
Acquisition of subsidiaries	–	–	1,268	–
Impairment losses, net	(5)	23	(329)	462
At end of year/period	–	23	962	1,424

All of the trade receivables aged one to two years as at 31 December 2018 had been subsequently settled as at 31 May 2021. Trade receivables aged one to two years as at 31 December 2019 and 2020 had been subsequently settled by RMB 80,000 and RMB492,000 as at 31 May 2021, respectively.

We use a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking estimates, such as forecast economic conditions. For further details, please refer to Note 19 of the Accountants' Report in Appendix IA to this prospectus.

We adopt various measure to expedite the recovery of trade receivables, and maintain strict credit control over our outstanding trade receivables to facilitate timely collection of fees. For example, we send extra reminders and demand letters to our property owners. For those who are uncooperative, we would consider taking legal action to collect the outstanding trade receivables from them. We also intend to establish a special team to monitor the collection status, conduct regular assessment and analysis, and closely follow up on collection of outstanding amounts of trade receivables. In particular, we will designate special personnel to track the progress of collecting fees due from related parties, and report to our Directors the collection progress monthly.

As at the Latest Practicable Date, approximately RMB31.8 million, or 75.8%, of our total trade receivables as at 31 May 2021 had been settled, of which RMB19.1 million, or 96.8% was trade receivables for related parties and RMB12.7 million, or 57.2% was trade receivables for third parties.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly comprises of deposits paid for performance and project tendering deposits, advances to staff and payment on behalf of residents relating to utilities.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties[(1)]	–	55	614	2,166
Deposits	180	77	2,359	2,942
Staff advances	67	162	729	608
Payments on behalf of residents	691	668	1,378	1,510
Deferred Listing expenses	–	–	1,594	3,723
Other receivables[(2)]	244	205	2,346	5,650
	1,182	1,167	9,020	16,599
Impairment allowance	–	–	(853)	(1,410)
	1,182	**1,167**	**8,167**	**15,189**

Notes:

(1) Our Directors confirm that non-trade related party balances will be settled before Listing.

(2) Included in other receivables at 31 December 2020 are interest-free loans amounted to RMB700,000 granted to Independent Third Party individuals, which were consolidated to the balance sheet of our Group after the acquisition of Zhongneng Group. Such loans were made in 2017 and 2018 and had a one-year term. Such loans had been past due for more than two years and were considered credit impaired and a full impairment was provided by Zhongneng Group before the acquisition.

Included in other receivables at 31 May 2021 are interest-free loans to the above-mentioned individuals and Chengdu Xiyuejiaju Design Co. Ltd. ("**Xiyuejiaju**") (成都璽悦家居設計有限公司) amounted to RMB700,000 and RMB1,259,000, respectively, which had been past due.

The table below illustrates the identity and background of these Independent Third Party individuals and Xiyuejiaju.

Identity	**Background**	**Loan amount** **As at 31 December 2020** *(RMB)*	**As at 31 May 2021** *(RMB)*
Mr. Lu Shougang (陸壽剛)	Non-managerial employee	100,000	100,000
Mr. Luo Bing (羅兵)	Business partner	400,000	400,000
Mr. Li Rui (李睿)	Business partner	200,000	200,000
Xiyuejiaju	Independent Third Party home decorating company	–	1,259,000

Our PRC legal counsel is of the opinion that, in connection with such loans, the risk that we would be fined for breach of the Lending General Provisions is remote. Based on the foregoing, we considered that we were not required to make any provision in relation to the potential violation of the General Lending Provision during the Track Record Period. Please refer to "Description of certain consolidated statements of profit or loss items – other income and gains" in this section for details.

Our prepayments, deposits and other receivables were relatively stable at RMB1.2 million as at 31 December 2018 and 2019. The significant increase in prepayments, deposits and other receivables from RMB1.2 million as at 31 December 2019 to RMB8.2 million as at 31 December 2020 and RMB15.2 million as at 31 May 2021 was primarily due to (i) increased deposits and payments on behalf of residents due to increased of total GFA under management; (ii) deferred listing expenses incurred in FY2020 and 5M2021 and (iii) increased other receivables.

Trade Payables

Our trade payables primarily represent our obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Our trade payables primarily consist of cleaning fees, material fees, maintenance fees, subcontracting fees and construction fees.

All the trade payables are normally settled on 90-day term.

Our trade payables increased from RMB1.6 million as at 31 December 2018 to RMB1.8 million as at 31 December 2019, to RMB10.6 million as at 31 December 2020 primarily because of the increase in scale of our operation following the acquisition of Zhongneng Group. Subsequently, our trade payables decreased from RMB10.6 million as at 31 December 2020 to RMB10.1 million as at 31 May 2021.

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

	FY2018	**FY2019**	**FY2020**	**5M2021**
	(days)	*(days)*	*(days)*	*(days)*
Trade payables turnover days	20.8	18.4	34.5	28.6

Our trade payables turnover days are calculated by dividing the average of trade payables at the beginning and the end of the relevant period by cost of sales and multiply the resulting value by number of days in the relevant period.

Our trade payables turnover days remained relatively stable at 20.8 days and 18.4 days in FY2018 and FY2019, respectively. It further increased to 34.5 days in FY2020 due to the longer credit period granted by the suppliers as a result of the acquisition of Zhongneng Group. The decrease in trade payables turnover days in 5M2021 was because the settlement period of some trade payables in period has been reduced from 90 days to 30 days.

Our trade payable turnover days are generally in line with our credit term during the Track Record Period.

As at the end of each relevant periods, the ageing analysis of trade payables, based on the invoice date, are as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	1,396	1,673	8,543	8,117
3 to 12 months	56	7	1,677	1,848
Over 1 year	108	108	344	167
	1,560	**1,788**	**10,564**	**10,132**

As at the Latest Practicable Date, approximately RMB8.8 million, or 86.6%, of our total trade payables as at 31 May 2021 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of payables for payroll, utilities and other taxes, receipt of advances on behalf from residents, consideration payables as well as deposits received. Our other payables and accruals increased from RMB10.6 million as at 31 December 2018 to RMB17.5 million as at 31 December 2019, primarily due to increased of receipts on behalf of residents and payroll payable as a result of our expansion of business. Other payables and accruals increased significantly from RMB17.5 million as at 31 December 2019, to RMB58.3 million as at 31 December 2020 primarily due to (i) increase in receipt of advances on behalf of residents resulting from increased number of projects; (ii) increase in payroll payables resulting from increase in the number of staff; and (iii) the consideration payables for acquisition of a subsidiary. Our other payables and accruals as at 31 May 2021 was relatively stable.

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties[(1)]	20	3,601	3,500	1,789
Consideration payables for acquisition of a subsidiary	–	–	7,040	–
Receipts on behalf from community residents	2,020	3,854	10,025	12,449
Payroll payables[(2)]	5,719	6,734	22,541	22,246
Deposits received	1,211	1,787	4,987	5,368
Other tax payable	1,364	1,135	4,306	4,619
Other payables and accrued expenses[(3)]	238	381	5,895	8,726
	10,572	**17,492**	**58,294**	**55,197**

Notes:

(1) Our Directors confirm that non-trade related party balances will be settled before Listing.

(2) The table below illustrates the breakdown of payroll payables as at the respective dates.

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and bonuses	3,116	3,695	11,695	8,872
Social security insurance and housing provident fund	2,603	2,772	10,841	13,370
Miscellaneous	–	267	5	4
Total	**5,719**	**6,734**	**22,541**	**22,246**

The payroll payables increased from RMB6.7 million as at 31 December 2019 to RMB22.5 million as at 31 December 2020 and RMB22.2 million as at 31 May 2021 primarily because of the acquisition of Zhongneng Group.

(3) The other payables and accrued expenses increased from RMB0.4 million as at 31 December 2019 to RMB5.9 million as at 31 December 2020 and RMB8.7 million as at 31 May 2021 primarily because the increase in unpaid listing fees in 2020 and 2021. The table below illustrates the breakdown of other payables and accrued expenses.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Employee advance	–	–	237	230
Project consultation fee	–	–	462	533
Employees' social security insurance	–	–	32	52
Other	238	381	1,593	736
Withholding and payment on behalf income tax	–	–	170	–
Listing expenses	–	–	3,401	7,175
Other payables and accrued expenses	238	381	5,895	8,726

Contract Liabilities

Our contract liabilities arise from the advance payments received from customers of our property management services while the underlying services are yet to be provided by us. Our contract liabilities increased from RMB5.3 million as at 31 December 2018 to RMB6.9 million as at 31 December 2019, primarily due to increase of GFA under management. Our contract liabilities increased from RMB6.9 million as at 31 December 2019, to RMB13.0 million as at 31 December 2020 primarily due to contract liabilities in relation to the acquisition of Zhongneng Group. Our contract liabilities increased from RMB13.0 million as at 31 December 2020 to RMB20.1 million as at 31 May 2021 primarily due to increase of GFA under management and increased fee received from decoration services.

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
– Related parties	137	225	476	4,120
– Independent third parties	5,184	6,702	12,565	15,995
Total	**5,321**	**6,927**	**13,041**	**20,115**

Tax Payables

Our tax payables primarily consist of PRC corporate income tax payable. Our tax payables increased from RMB4.2 million as at 31 December 2018 to RMB4.4 million as at 31 December 2019, and further to RMB9.1 million as at 31 December 2020 primarily due to increase in our revenue. Our tax payables decreased from RMB9.1 million as at 31 December 2020 to RMB4.0 million as at 31 May 2021 primarily due to tax paid during the period.

Deferred Income

Our deferred income primarily consists of government grants received relating to improvement work for certain buildings which was non-recurring in nature. These grants are recognised in profit or loss over the expected useful lives of relevant assets. All deferred income has been recognised in profit or loss in FY2019, resulting nil balance as at 31 December 2019 and 2020.

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,244	2,097	–	–
Grants received	2,383	–	–	–
Recognised in profit and loss account	(1,530)	(2,097)	–	–
At end of year/period	**2,097**	**–**	**–**	**–**

Right-of-use assets

The carrying amounts of our Group's right-of-use assets and the movements during the Track Record Period are as follows:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Office premises				
At beginning of year/period	523	209	620	387
Additions	–	697	–	5,347
Depreciation provided	(314)	(286)	(233)	(519)
At end of year/period	**209**	**620**	**387**	**5,215**

Lease Liabilities

Our current lease liabilities increased from RMB136,000 as at 31 December 2018 to RMB 225,000 as at 31 December 2019, primarily due to new leases. Our current lease liabilities remained relatively stable at RMB236,000 as at 31 December 2020, followed by an increase to RMB1.4 million as at 31 May 2021, primarily because of new rental agreements entered into during the period.

Our non-current lease liabilities decreased from RMB358,000 as at 31 December 2019 to RMB122,000 as at 31 December 2020, primarily because part of the lease liability was categorised as current portion. Our non-current liabilities increased to RMB4,217,000 as at 31 May 2021 primarily because of new rental agreements entered during the period.

The carrying amounts of lease liabilities and the movements during the relevant period are as follows:

	FY2018	**FY2019**	**FY2020**	**5M2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	445	136	583	358
New leases	–	697	–	5,347
Accretion of interest recognised during the year/period	17	13	24	97
Payments	(326)	(263)	(249)	(146)
Carrying amount at end of year/period	136	583	358	5,656
Analysed into:				
Current portion	136	225	236	1,439
Non-current portion	–	358	122	4,217

NET CURRENT ASSETS

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 May 2021	As at 30 September 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS					
Trade receivables	12,839	7,489	35,699	42,003	70,401
Prepayments, deposits and other receivables	1,182	1,167	8,167	15,189	30,219
Financial assets at fair value through profit or loss	54,176	200	130	20	–
Cash and cash equivalents	686	57,563	109,502	106,751	101,815
Total current assets	**68,883**	**66,419**	**153,498**	**163,963**	**202,435**
CURRENT LIABILITIES					
Contract liabilities	4,985	6,605	11,841	18,861	15,325
Trade payables	1,560	1,788	10,564	10,132	12,168
Other payables and accruals	10,572	17,492	58,294	55,197	73,646
Deferred income	2,097	–	–	–	–
Lease liabilities	136	225	236	1,439	181
Tax payable	4,227	4,428	9,093	3,966	6,416
Total current liabilities	**23,577**	**30,538**	**90,028**	**89,595**	**107,736**
NET CURRENT ASSETS	**45,306**	**35,881**	**63,470**	**74,368**	**94,699**

We recorded net current assets of RMB45.3 million, RMB35.9 million and RMB63.5 million as at 31 December 2018, 2019 and 2020 respectively. Our net current assets decreased by RMB9.4 million from 31 December 2018 to 31 December 2019, primarily attributable to the disposal of financial assets at fair value through profit or loss, and increase in other payables and accruals as a result of expansion of our business. Our net current assets increased by RMB27.6 million to RMB63.5 million as at 31 December 2020, primarily due to increase in trade receivables and cash and cash equivalent.

We further recorded net current assets of RMB74.4 million and RMB94.7 million as at 31 May 2021 and as at 30 September 2021, respectively.

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 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.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been for working capital purposes. Our main source of liquidity has been generated from cash flow from operations. In the foreseeable future, we expect it to continue to be our principal source of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital requirements.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated.

	FY2018	FY2019	FY2020	5M2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	36,761	33,918	46,394	18,560	14,432
Movements in working capital	(6,954)	14,096	(4,860)	(8,111)	(3,105)
Interest received	25	1,654	2,439	697	865
Income tax	(3,842)	(5,324)	(4,880)	(3,710)	(7,735)
Net cash flows from operating activities	25,990	44,344	39,093	7,436	4,457
Net cash flows from/(used in) investing activities	1,177	53,556	21,055	370	(7,411)
Net cash flows from/(used in) financing activities	(27,536)	(41,023)	(8,209)	(124)	203
Net (decrease)/increase in cash and cash equivalents	**(369)**	**56,877**	**51,939**	**7,682**	**(2,751)**
Cash and cash equivalents at beginning of year/period	1,055	686	57,563	57,563	109,502
Cash and cash equivalents at end of year/period	**686**	**57,563**	**109,502**	**65,245**	**106,751**

Net cash flows generated from operating activities

Our cash from operating activities primarily consists of fees received from the provision of property management services and value-added services. Cash flow from operating activities reflects: (i) profit before income tax adjusted for non-cash and non-operating items and finance costs, such as depreciation, amortisation and impairment losses; (ii) the effects of movements in working capital; and (iii) income tax paid.

For 5M2021, we had net cash flows from operating activities of RMB4.5 million, which was the result of cash generated from operations of RMB11.3 million and interest received of RMB0.9 million, and cash used in income tax of RMB7.7 million. We had operating cash flows before movements in working capital of RMB14.4 million. The movement of working capital was primarily due to (i) increase in contract liabilities of RMB7.1 million as a result of increase in GFA under management and the provision of new value-added services, (ii) increase in trade receivables of RMB6.8 million as a result of increase in GFA under management, and (iii) increase in prepayments, deposits and other receivables of RMB6.9 million.

For FY2020, we had net cash flows from operating activities of RMB39.1 million, which was the result of cash generated from operations of RMB41.5 million and interest received of RMB2.4 million, and cash used in income tax paid of RMB4.9 million. We had operating cash flows before movements in working capital of RMB46.4 million. The movement of working capital was primarily due to (i) increase in trade receivables of RMB17.7 million as a result of increase in revenue and (ii) increase in other payables and accruals of RMB13.2 million due to increase in staff costs and consideration payable for acquisition of a subsidiary.

For FY2019, we had net cash flows from operating activities of RMB44.3 million, which was the result of cash generated from operations of RMB48.0 million and interest received of RMB1.7 million, and cash used in income tax paid of RMB5.3 million. We had operating cash flows before movements in working capital of RMB33.9 million. The movement in the working capital was primarily due to (i) decrease of trade receivables of RMB5.3 million attributable to trade receivables collected from related parties and (ii) increase in other payables and accruals of RMB6.9 million.

For FY2018, we had net cash flows from operating activities of RMB26.0 million, which was the result of cash generated from operations of RMB29.8 million and interest received of RMB25,000, and cash used in income tax paid of RMB3.8 million. We had operating cash flows before movements in working capital of RMB36.8 million. The movement of the working capital was primarily due to (i) increase in trade receivables of RMB11.8 million attributable to increase in fees due from our property management services and (ii) increase in other payables and accruals of RMB4.0 million due to increase in staff costs.

As stated above, we recorded net operating cash inflows during the Track Record Period. We mainly fund our operating activities through cash generated from our business activities. We believe our working capital will be sufficient in the near future, considering (i) the measures we have been taking to improve our collection of management service fees and advances of management fees from our customers, (ii) full settlement of related party advances non-trade in nature as at the Latest Practicable Date and (iii) the proceeds we expect to receive from the Listing.

Net cash flows generated from or used in investing activities

For 5M2021, net cash flows used in investing activities was RMB7.4 million, primarily reflecting payments for acquisition of subsidiaries of RMB7.0 million and purchase of intangible asset of RMB0.5 million.

For FY2020, net cash flows from investing activities was RMB21.1 million, primarily reflecting acquisition of subsidiaries of RMB18.6 million and interest income received from an independent third party of RMB2.6 million, which were partially offset by purchase of a financial asset at fair value through profit or loss of RMB1.1 million.

For FY2019, net cash flows from investing activities was RMB53.6 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB75.4 million which were partially offset by purchase of financial assets at fair value through profit or loss of RMB20.9 million.

For FY2018, net cash flows from investing activities was RMB1.2 million, primarily reflecting the government grants for property plant and equipment RMB2.4 million; proceeds from disposal of financial assets at fair value through profit or loss of RMB420.0 million; and offset by the payments for purchase of financial assets at fair value through profit or loss of RMB421.2 million.

Net cash flows generated from or used in financing activities

For 5M2021, net cash flows from financing activities was RMB203,000, reflecting capital contributions by a non-controlling shareholder of RMB0.3 million, which was partially offset by the payment of the lease liabilities by of RMB146,000.

For FY2020, net cash flows used in financing activities was RMB249,000, reflecting payment of principal portion of lease liabilities of RMB225,000 and payment of the interest portion of the lease liabilities of RMB24,000.

For FY2019, net cash flows used in financing activities was RMB41.0 million primarily reflecting the dividend paid of RMB40.8 million.

For FY2018, net cash flows used in financing activities was RMB27.5 million primarily reflecting the dividend paid of RMB27.2 million.

INDEBTEDNESS

As at 31 December 2018, 2019, 2020, 31 May 2021 and 30 September 2021, our indebtedness amounted to RMB136,000, RMB583,000, RMB358,000, RMB5.7 million and RMB181,000, respectively. The following table sets forth the components of our lease liabilities as at the dates indicated.

	As at 31 December			As at 31 May	As at 30 September
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current					
Non-current portion of lease liabilities	–	358	122	4,217	–
	–	358	122	4,217	–
Current					
Current portion of lease liabilities	136	225	236	1,439	181
Total	**136**	**583**	**358**	**5,656**	**181**

During the Track Record Period and up to the date of this prospectus, our Directors confirmed that they were not aware of any material defaults in payment of our trade and other payables. Except as disclosed herein, 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 on a consolidated basis or any covenant in connection therewith as at 30 September 2021, being the latest practicable date for the purpose of the indebtedness statement. Our Directors confirmed that there had not been any material change in the indebtedness and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

Contingent Liabilities

As at 31 December 2018, 2019, 2020, 31 May 2021 and 30 September 2021, we did not have any outstanding guarantees or other material contingent liabilities. Our Directors confirmed that there had not been any material change in the indebtedness, capital commitments and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

COMMITMENTS

Capital Commitments

We had the following capital commitments as at the dates indicated below:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Capital contribution payable to a joint venture	–	–	510	–
Total	**–**	**–**	**510**	**–**

Our capital commitment of RMB510,000 as at 31 December 2020 refers to our commitment for capital contribution payable to a joint venture.

Capital Expenditures

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

	FY2018	FY2019	FY2020	5M2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to:				
Property, plant and equipment	32	921	108	8
Investment property	–	198	–	–
Other intangible assets	–	–	753	473
Total	**32**	**1,119**	**861**	**481**

Our principal sources of funds for the capital expenditure for FY2018, FY2019, FY2020 and 5M2021 were our cash generated from operating activities.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as at 31 May 2021, being the date of our most recent financial statement, and as at the Latest Practicable Date.

SUMMARY OF KEY FINANCIAL RATIOS

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

	FY2018 or as at 31 December 2018	FY2019 or as at 31 December 2019	FY2020 or as at 31 December 2020	5M2021 or as at 31 May 2021
Current ratio(1)	2.9 times	2.2 times	1.7 times	1.8 times
Gearing ratio(2)	0.3%	1.5%	0.4%	6.1%
Return on assets(3)	48.3%	44.3%	35.5%	N/A
Return on equity(4)	67.7%	73.0%	72.6%	N/A

Notes:

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

(2) Gearing ratio was calculated based on the sum of lease liabilities as at the respective dates divided by total equity as at the same dates and multiplied by 100%.

(3) Return on total assets ratio was calculated based on our profit for the period divided by the average balance of our total assets at the beginning and the end of the period and multiplied by 100%.

(4) Return on equity ratio was calculated based on our profit for the period divided by the average balance of total equity at the beginning and the end of the period and multiplied by 100%.

Our current ratio decreased from 2.9 times as at 31 December 2018 to 2.2 times as at 31 December 2019, and further decreased to 1.7 times as at 31 December 2020, primarily due to increase in payables, partially offset by increase in cash and cash equivalents and receivables.

Our gearing ratio remained relatively stable at 0.3%, 1.5% and 0.4% respectively as at 31 December 2018, 2019 and 2020, and increased to 6.1% as at 31 May 2021 primarily because of new rental agreements entered into during the period.

Our return on total assets decreased from 48.3% for FY2018 to 44.3% for FY2019, which was primarily attributable to increase in total average assets. Our return on total assets further decreased to 35.5% for FY2020, which was primarily attributable to increase in total assets following the acquisition of Zhongneng Group.

Our return on equity increased from 67.7% for FY2018 to 73.0% for FY2019, primarily due to decrease in equity as a result of the dividend paid in FY2019. The return on equity remained stable at 72.6% for FY2020.

FINANCIAL INFORMATION OF ZHONGNENG GROUP

The financial information of Zhongneng Group is set out in Appendix IB to this prospectus.

Results of Operations of Zhongneng Group

The following table sets forth the selected consolidated statements of profit or loss of Zhongneng Group for FY2018, FY2019, 8M2019 and 8M2020.

	FY2018	**FY2019**	**8M2019**	**8M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**48,072**	**52,900**	**34,315**	**36,977**
Cost of sales	(41,664)	(45,933)	(30,232)	(27,267)
Gross profit	**6,408**	**6,967**	**4,083**	**9,710**
Other income and gains	302	307	153	1,055
Administrative expenses	(7,517)	(6,902)	(4,340)	(4,134)
Impairment loss on financial assets, net	(74)	(202)	(197)	(1,046)
Other expenses	(674)	(266)	(158)	(115)
Finance costs	(3)	(2)	(2)	–
PROFIT/(LOSS) BEFORE TAX	(1,558)	(98)	(461)	5,470
Income tax expense	(208)	(1,026)	(686)	(1,225)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**(1,766)**	**(1,124)**	**(1,147)**	**4,245**

Zhongneng Group's cost of sales mainly consists of (i) staff costs, (ii) subcontracting costs, (iii) utility costs, (iv) canteen costs, (v) construction waste disposal fee, (vi) modification work costs and (vii) others, which primarily includes depreciation and amortisation, rental and insurance premium expenses.

The following table sets forth the components of Zhongneng Group's cost of sales for the periods indicated.

	2018		2019		8M2019		8M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	29,572	71.0	31,480	68.5	20,803	68.8	18,400	67.5
Subcontracting costs	3,504	8.4	5,296	11.5	3,394	11.2	3,585	13.1
Utility cost	2,534	6.1	3,408	7.4	2,157	7.1	2,381	8.7
Canteen cost	2,821	6.8	2,254	4.9	1,628	5.4	1,286	4.7
Construction waste disposal fee	745	1.8	754	1.6	575	1.9	133	0.5
Modification work	–	–	434	1.0	335	1.1	23	0.1
Other	2,488	5.9	2,307	5.1	1,340	4.5	1,459	5.4
Total	41,664	100.0	45,933	100.0	30,232	100.0	27,267	100.0

Please refer to the paragraphs headed "8M2020 Compared to 8M2019" in this section for details.

8M2020 Compared to 8M2019

Revenue

Zhongneng Group's revenue increased to RMB37.0 million in 8M2020 from RMB34.3 million in 8M2019, primarily reflecting the increase in revenue from property management services.

- **Revenue from residential property management services**. Revenue from residential property management services increased to RMB8.4 million in 8M2020 from RMB6.5 million in 8M2019, primarily attributable to the increase in the total GFA under property management for residential properties to 792.4 thousand sq.m. as at 31 August 2020 from 687.4 thousand sq.m. as at 31 August 2019.

- **Revenue from non-residential property management services**. Revenue from non-residential property management services increased to RMB22.5 million in 8M2020 from RMB20.5 million in 8M2019, primarily attributable to increase in the total GFA under property management for non-residential properties to 1.7 million sq.m. as at 31 August 2020 from 1.4 million sq.m. as at 31 August 2019.

  The increase in revenue for residential and non-residential property management services was primarily due to (i) there was a considerable delivery of GFA from mid of 2019 to early 2020 which increased the chargeable GFA. For example, a commercial property project was delivered by stages starting from July 2019 which increased the chargeable GFA by approximately 99,000 sq.m., and a residential property project was delivered in January 2020 which increased the chargeable GFA by approximately 148,000 sq.m.; and (ii) reduction on the social security payment from the local government, and (iii) improvement on cost control.

- **Revenue from value-added services to non-property owners**. Revenue from value-added services to non-property owners decreased to RMB2.4 million in 8M2020 from RMB3.2 million in 8M2019 primarily due to decrease in the number of sales office services as a result of decrease in launch of new property projects by property developers.

- **Revenue from value-added services to property owners**. Revenue from value-added services to property owners decreased to RMB3.7 million in 8M2020 from RMB4.1 million in 8M2019 primarily due to outsource of operation of canteen in one commercial property.

Cost of sales

Zhongneng Group's cost of sales decreased by 9.6% to RMB27.3 million in 8M2020 from RMB30.2 million in 8M2019, primarily due to (i) the decrease in staff costs as there was a reduction in the social security payment from the local government; (ii) one-off costs involved in modification work and in construction waste disposal fee relating to residential properties in 8M2019; and (iii) the decrease in canteen cost as a result of outsource of operation of canteen in one commercial property.

Gross profit and gross profit margin

As a result of the foregoing, Zhongneng Group's gross profit increased to RMB9.7 million in 8M2020 from RMB4.1 million in 8M2019. Zhongneng Group's gross profit margin increased to 26.3% in 8M2020 from 11.9% in 8M2019.

- **Property management services**. Zhongneng Group's gross profit margin for residential property management services increased to 22.8% in 8M2020 from gross loss margin of 1.4% in 8M2019. Zhongneng Group's gross profit margin for non-residential property management services increased to 26.5% in 8M2020 from 10.8% in 8M2019. The increase in gross profit margin was primarily because of (i) decreased staff costs because of a deduction of social security payment from the local government of RMB2.7 million; (ii) increased revenue of RMB3.9 million from property management service and (iii) economies of scale as a result of increased GFA delivered that mainly led to decrease in our staff costs.

  The increase in revenue was primarily due to (i) increased GFA delivered in some of the projects under management which increased the chargeable GFA. For example, a residential property project increased chargeable GFA of approximately 49,000 sq.m.; and (ii) increased number of projects under management which increased the chargeable GFA. For example, a commercial property project was delivered by stages, in July 2019 which increased the chargeable GFA by approximately 99,000 sq.m., and a residential property project was delivered in January 2020 which increased the chargeable GFA by approximately 148,000 sq.m. The underlying reason for such increases was mainly due to our success in obtaining more projects from Desun Group as well as our continuing effort to obtain projects from third party property developers.

- **Value-added services**. Zhongneng Group's gross profit for value-added services for non-property owners decreased from RMB456,000 to RMB76,000 and gross profit margin decreased from 14.3% to 3.2% from 8M2019 to 8M2020 primarily due to decrease in the number of sales office services as a result of decrease in launch of new property projects by property developers. Zhongneng Group's gross profit for value-added services for property owners increased from RMB1.5 million to RMB1.7 million and gross profit margin increased from 36.5% to 47.6% from 8M2019 to 8M2020 primarily due to increase in GFA under management which led to increase in demand of our value-added services by property owners; and deduction in the social security payment from the local government of RMB0.5 million as a result of COVID-19 related preferential policies.

Other income and gains

Zhongneng Group's other income and gains mainly consist of government grants, interest income and gain on bargain purchase. Zhongneng Group's other income and gains increased to RMB1.1 million for 8M2020 from RMB153,000 for 8M2019 primarily due to additional government subsidies, tax deduction and gain on bargain purchase.

Administrative expenses

Zhongneng Group's administrative expenses were stable at RMB4.3 million and RMB4.1 million for 8M2019 and 8M2020, respectively.

Impairment loss on financial assets

Zhongneng Group's impairment loss on financial assets increased to RMB1.0 million in 8M2020 from RMB197,000 in 8M2019 primarily due to increased provision according to changes in expected credit loss.

Other expenses

Zhongneng Group's other expenses include advertisement costs, bank charges and miscellaneous fees. Zhongneng Group's other expenses decreased to RMB115,000 in 8M2020 from RMB158,000 in 8M2019.

Loss/profit before income tax

As a result of the foregoing, Zhongneng Group resulted in loss before income tax RMB461,000 in 8M2019, while profit before income tax was RMB5.5 million in 8M2020.

Income tax expense

Zhongneng Group incurred income tax expense of RMB686,000 and RMB1.2 million for 8M2019 and 8M2020, respectively.

Loss/profit for the year

As a result of the foregoing, including the increased gross profit, other income and gains but decreased administrative expenses, Zhongneng Group's resulted in loss for the period RMB1.1 million in 8M2019 and profit for the period RMB4.2 million in 8M2020.

FY2019 Compared to FY2018

Revenue

Zhongneng Group's revenue increased to RMB52.9 million in FY2019 from RMB48.1 million in FY2018, primarily reflecting the increase in revenue from property management services.

- **Revenue from residential property management services**. Revenue from residential property management services increased to RMB10.0 million in FY2019 from RMB8.6 million in FY2018, primarily attributable to the increase in the total GFA under property management to 792.4 thousand sq.m. as at 31 December 2019 from 736.1 thousand sq.m. as at 31 December 2018, primarily due to the increase of residential properties under Zhongneng Group's management.

- **Revenue from non-residential property management services**. Revenue from non-residential property management services increased to RMB31.8 million in FY2019 from RMB27.5 million in FY2018, primarily attributable to the increase in the total GFA under property management to 1.6 million sq.m. as at 31 December 2019 from 1.3 million sq.m. as at 31 December 2018, due to the increase of non-residential properties under Zhongneng Group's management.

- **Revenue from value-added services to non-property owners**. Revenue from value-added services to non-property owners was RMB4.7 million in both FY2018 and FY2019.

- **Revenue from value-added services to property owners**. Revenue from value-added services to property owners decreased from RMB7.3 million in FY2018 to RMB6.5 million in FY2019 primarily due to decrease in canteen operation income and refurbishment management income.

Cost of sales

Zhongneng Group's cost of sales increased to RMB45.9 million in FY2019 from RMB41.7 million in FY2018, primarily due to (i) the increase in staff cost, subcontracting costs and utility cost as a result of an increase in total GFA under management; (ii) the increase in one-off costs involved in modification work and in construction waste disposal fee relating to residential properties in 2019; (iii) which is offset by the decrease in canteen cost as a result of decrease of canteen operation income.

Gross profit and gross profit margin

As a result of the foregoing, Zhongneng Group's gross profit increased to RMB7.0 million in FY2019 from RMB6.4 million in FY2018. Zhongneng Group's gross profit margin was 13.3% and 13.2% for FY2018 and FY2019, respectively.

- **Property management services**. Zhongneng Group's gross profit margin for residential property management services decreased to 2.7% in FY2019 from 13.8% in FY2018 primarily due to modification work and construction waste disposal fee relating to residential properties and the resulting increase in costs of approximately RMB443,000. Zhongneng Group's gross profit margin for non-residential property management services increased to 11.7% in FY2019 from 6.0% in FY2018.

- **Value-added services**. Zhongneng Group's gross profit for value-added services for non-property owners decreased from RMB1.3 million in FY2018 to RMB513,000 in FY2019 and gross profit margin decreased from 27.5% to 11.0% during the same period primarily due to decreased number of sales offices under management and decreased scale of operation. Zhongneng Group's gross profit for value-added services for property owners increased from RMB2.3 million in FY2018 to RMB2.5 million in FY2019 and gross profit margin increased from 31.3% to 37.7% during the same period primarily due to increased revenue from property ancillary assets advertisement income.

Other income and gains

Zhongneng Group's other income and gains mainly consist of government grants, interest income and value-added tax deduction. Zhongneng Group's other income and gains remained relatively stable at RMB0.3 million in FY2019 and FY2018.

Administrative expenses

Zhongneng Group's administrative expenses decreased to RMB6.9 million in FY2019 from RMB7.5 million in FY2018, primarily due to a one-off labour expense in FY2018.

Impairment loss on financial assets

Zhongneng Group's impairment loss on financial assets increased to RMB202,000 in FY2019 from RMB74,000 in FY2018 primarily due to increased provision according to changes in expected credit loss.

Other expenses

Zhongneng Group's other expenses consist of advertisement costs, bank charges, and miscellaneous fees. Zhongneng Group's other expense decreased to RMB266,000 in FY2019 from RMB674,000 in FY2018.

Loss before income tax

As a result of the foregoing, Zhongneng Group resulted in loss before income tax of RMB1.6 million in FY2018 and RMB0.1 million in FY2019.

Income tax expenses

Zhongneng Group's income tax expenses increased by 400.0% to RMB1.0 million in FY2019 from RMB0.2 million in FY2018.

Loss for the year

As a result of the foregoing, Zhongneng Group's resulted in loss for the year of RMB1.8 million in FY2018 and RMB1.1 million in FY2019. Zhongneng Group's attained net loss margin 3.7% in FY2018 and 2.1% in FY2019.

Current Assets and Current Liabilities

The following table sets forth details of Zhongneng Group's current assets and current liabilities as at the dates indicated.

	As at 31 December		As at 31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS			
Trade receivables	4,736	6,691	10,195
Prepayments, deposits and other receivables	2,181	1,848	2,315
Amounts due from related parties	414	1,870	–
Cash and cash equivalents	9,110	10,507	18,579
Total current assets	**16,441**	**20,916**	**31,089**
CURRENT LIABILITIES			
Contract liabilities	4,361	5,757	6,527
Trade payables	1,940	2,651	3,397
Other payables and accruals	12,786	16,087	20,538
Due to related party	413	–	40
Tax payable	–	530	1,666
Lease liabilities	68	20	–
Total current liabilities	**19,568**	**25,045**	**32,168**
NET CURRENT LIABILITIES	**(3,127)**	**(4,129)**	**(1,079)**

As at 31 December 2018 and 2019 and 31 August 2020, Zhongneng Group had net current liabilities of RMB3.1 million, RMB4.1 million and RMB1.1 million, respectively.

Cash Flow

The following table sets forth a summary of Zhongneng Group's cash flows for the periods indicated.

	FY2018	FY2019	8M2019	8M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	(1,441)	177	(211)	6,340
Movements in working capital	5,706	3,464	1,581	1,133
Bank interest received	31	22	12	13
Income tax paid	(807)	(321)	(304)	(246)
Net cash flows from operating activities	3,489	3,342	1,078	7,240
Net cash flows from/(used in) investing activities	(661)	(1,462)	(1,036)	852
Net cash flows from/(used in) financing activities	235	(483)	(483)	(20)
Net increase/(decrease) in cash and cash equivalents	**3,063**	**1,397**	**(441)**	**8,072**
Cash and cash equivalents at beginning of year/period	6,047	9,110	9,110	10,507
Cash and cash equivalents at end of year/period	**9,110**	**10,507**	**8,669**	**18,579**

Net cash flows generated from operating activities

Zhongneng Group's cash from operating activities primarily consists of fees received from provision of property management services and value-added services. Cash flow from operating activities reflects: (i) loss/profit before income tax adjusted for non-cash and non-operating items and finance costs, such as depreciation and amortisation and impairment losses; (ii) the effects of movements in working capital; (iii) bank interest received and (iv) income tax paid.

In 8M2020, Zhongneng Group had net cash flows generated in operating activities of RMB7.2 million, which was the result of cash generated from operations of RMB7.5 million and income tax paid of RMB246,000. Zhongneng Group had operating cash flows before movements in working capital of RMB6.3 million. The movement of RMB1.1 million in the working capital was primarily due to increase in other payables and accruals of RMB3.3 million and increase in trade payables of RMB746,000, partially offset by increase in trade receivables of RMB2.9 million.

In FY2019, Zhongneng Group had net cash flows from operating activities of RMB3.3 million, which was the result of cash generated from operations of RMB3.6 million and income tax paid of RMB321,000. Zhongneng Group had operating cash flows, before movements in working capital of RMB177,000. The movement of RMB3.5 million in the working capital was primarily due to an increase in trade payables of RMB711,000 and increase in other payables and accrual of RMB3.3 million, and increase in contract liabilities of RMB1.5 million, partially offset by increase in trade receivables of RMB2.1 million.

In FY2018, Zhongneng Group had net cash flows from operating activities of RMB3.5 million, which was the result of cash generated from operations of RMB4.3 million and income tax paid of RMB807,000. Zhongneng Group had negative operating cash flows before movements in working capital of RMB1.4 million. The movement of RMB5.7 million in the working capital was primarily due to an increase in other payables and accruals of RMB3.9 million, and increase in contract liabilities of RMB2.5 million.

Net cash flows generated from/(used in) investing activities

In 8M2020, net cash flows from investing activities was RMB852,000, primarily due to decrease in due from related parties.

In FY2019, net cash flows used in investing activities was RMB1.5 million, primarily due to increase in due from related parties.

In FY2018, net cash flows used in investing activities was RMB661,000, primarily due to increase in due from related parties.

Net cash flows generated from/(used in) financing activities

In 8M2020, net cash flows used in financing activities was RMB20,000, primarily due to the payment of the lease liabilities.

In FY2019, net cash flows used in financing activities was RMB483,000 primarily due to decrease in due to related parties.

In FY2018, net cash flow from financing activities was RMB235,000, primarily due to increase in due to related parties.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

Exposure to credit, liquidity and interest rate risks arises in the normal course of our Group's business. Our Group is also exposed to risk arising from its equity investments in other entities.

Our Group's exposure to these risks and the financial risk management policies are described below.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. It is our policy that receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Our maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from related parties.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the relevant periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2018, 2019, 2020 and 31 May 2021, all of the bank deposits were deposited with major financial institutions incorporated in the PRC which we believe are of high credit quality without significant credit risk. These financial assets were not yet past due and their credit exposure was classified as stage 1.

As at 31 December 2018, 2019, 2020 and 31 May 2021, we expected that the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties had strong capacity to meet contractual cash flow obligations in the near term. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2018, 2019, 2020 and 31 May 2021, we classified financial assets included in prepayments, deposits and other receivables as stage 1 as the credit quality was considered to be "normal" when they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

As at 31 December 2018

	12-month ECLs	Lifetime expected credit losses ("ECLs")			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	686	–	–	–	686
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,170	–	–	–	1,170
– Doubtful**	–	–	–	–	–
Trade receivables*	–	–	–	12,839	12,839
	1,856	–	–	12,839	14,695

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	57,563	–	–	–	57,563
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,149	–	–	–	1,149
– Doubtful**	–	–	–	–	–
Trade receivables*	–	–	–	7,512	7,512
	58,712	–	–	7,512	66,224

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	109,502	–	–	–	109,502
Financial assets included in prepayments, deposits and other receivables					
– Normal**	6,082	–	–	–	6,082
– Doubtful**	–	–	700	–	700
Trade receivables*	–	–	–	36,661	36,661
	115,584	–	700	36,661	152,945

As at 31 May 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	106,751	–	–	–	106,751
Financial assets included in prepayments, deposits and other receivables					
– Normal**	8,951	–	–	–	8,951
– Doubtful**	–	1,259	700	–	1,959
Trade receivables*	–	–	–	43,427	43,427
	115,702	1,259	700	43,427	161,088

* For trade receivables to which our Group applies the simplified approach for impairment, the information based on the provision matrix is disclosed in note 19 to the Accountants' Report in Appendix IA to this prospectus.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful" (note 20 to the Accountants' Report in Appendix IA to this prospectus).

All of the trade receivables, other receivables and amounts due from related parties have no collateral. We had no concentration of credit risks in respect of trade receivables, with exposure spread over a number of customers, who were residents in the residential communities and commercial property developers. However, we had a concentration of credit risks in respect of trade receivables due from related parties. We considered that the credit risk associated with trade receivables due from related parties is low since the related parties have strong capacity to meet contractual cash flow obligations in the near term.

We assess the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractual due date, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to us and other factors. Management also regularly reviews the recoverability of these receivables and follows up disputes or amounts overdue, if any.

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

Liquidity risk

Our objective is to monitor and maintain a level of cash and cash equivalents we deem adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

Except for lease liabilities as set out in note 15 to the Accountants' Report in Appendix IA to this prospectus, our financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are repayable on demand or less than 3 months at the end of each of the relevant periods.

Capital management

The primary objectives of our capital management are to safeguard our business as a going concern and to maintain healthy capital ratios in order to support our operations and maximise Shareholders' value.

We manage our capital structure and make adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To which we may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the relevant periods.

The debt-to-asset ratios as at the end of each of the relevant periods were as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	23,913	31,218	92,452	96,121
Total assets	71,286	68,874	173,021	188,599
Debt-to-asset ratio	34%	45%	53%	51%

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, see Note 31 to the Accountants' Report in Appendix IA to this prospectus.

Significant Related Party Transactions

During the Track Record Period, we had the following significant transactions with related parties:

Provision of property management services and value-added services

In FY2018, FY2019, FY2020 and 5M2021, we provided property management services and value-added services to related parties amounted to RMB34.1 million, RMB35.2 million, RMB60.5 million and RMB34.6 million, respectively.

Advances given and repayment of advances

In FY2018 and FY2019, we made and received advances of RMB48.8 million and RMB49.6 million from related parties, respectively.

Repayment of entrusted payment

In FY2020, a company controlled by the Controlling Shareholder paid RMB8.0 million as part of the consideration for the acquisition of Zhongneng Group, which was repaid by our Group in FY2020.

Our Directors confirmed that the aforementioned significant transactions with related parties were conducted on an arm's length basis and on normal commercial terms, and would not distort our track record results or impact the reflection of our future performance. Our Directors also confirm the amounts due from related parties and the amounts due to related parties will be fully settled prior to the Listing. For further details on related party balances and transactions, please refer to Note 31 of the Accountants' Report in Appendix IA to this prospectus.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our company has not paid or declared any dividends since the date of our incorporation.

Chengdu Desun declared and paid dividends in aggregate of RMB27.2 million and RMB40.8 million to its then shareholders in FY2018 and FY2019 respectively.

We currently do not have any dividend policy or intention to declare or pay any dividends in the near future. Our Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. 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.

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval at our Shareholders' meetings. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution.

Our Company has not carried out any business since the date of its incorporation. As at 31 May 2021, our Company had share premium of approximately RMB930,000, as reserves available for distribution to our shareholders.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

LISTING EXPENSES

The total amount of Listing expenses in connection with the Global Offering, including underwriting-related expenses of approximately RMB4.0 million (HK$4.8 million), and non-underwriting related expenses of approximately RMB29.9 million (HK$36.0 million) which consist of fees and expenses of legal advisors and accountants of approximately RMB17.3 million (HK$20.8 million) and other fees and expenses of approximately RMB12.6 million (HK$15.2 million), is estimated to be RMB33.9 million (HK$40.8 million) (based on the midpoint of the indicative Offer Price range of HK$1.28 per Share and assuming no Over-allotment Option will be exercised), of which (i) RMB5.2 million (HK$6.3 million) has been charged to profit or loss in FY2020 and RMB7.3 million (HK$8.8 million) has been charged to profit or loss in 5M2021, (ii) approximately RMB10.7 million (HK$12.8 million) is expected to be charged to profit or loss for the periods after 5M2021; and (iii) approximately RMB10.7 million (HK$12.9 million) is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors considered the above expenses and fees are not material or unusually high and the estimated amount of Listing expenses disclosed above is for reference only. The final amount of Listing expenses in relation to the Listing to be recognised in our consolidated statements of profit or loss and other comprehensive income will be subject to adjustment based on audit and the then changes in variables and assumptions.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as at 31 May 2021 as if it had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial condition of our Group had the Global Offering been completed as at 31 May 2021 or any future date. It is prepared based on our net tangible assets as at 31 May 2021 as set out in the Accountants' Report in Appendix IA to the prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix IA to the prospectus.

	Consolidated net tangible assets attributable to the owners of the Company as at 31 May 2021[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 May 2021[(3)]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.10 per Offer share	74,870	116,547	191,417	0.32	0.38
Based on an Offer Price of HK$1.46 per Offer share	74,870	160,096	234,966	0.39	0.47

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as at 31 May 2021 is based on the audited consolidated net assets of our Group attributable to owners of our Company of RMB92,239,000 after deducting other intangible assets of RMB8,190,000 and goodwill of RMB9,179,000 as at 31 May 2021 as shown in the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 150,000,000 Offer Shares of an indicative Offer Prices of HK$1.10 and HK$1.46 per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme. The estimated net proceeds are converted into Renminbi at the rate of HK$1=RMB0.83148.

(3) The unaudited pro forma adjusted consolidated net tangible assets as at 31 May 2021 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 600,000,000 Shares were in issue assuming the Global Offering and the Capitalisation Issue had been completed on 31 May 2021 without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options that may be granted under the Pre-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of the Shares as described in Appendix IV – Statutory and General Information. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of HK$1=RMB0.83148.

(4) No adjustment has been made to the pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2021 to reflect any trading result or other transaction of our Group entered into subsequent to 31 May 2021.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 May 2021 (being the date to which our Company's latest consolidated audited financial results were prepared), and there had been no events since 31 May 2021 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus.

FUTURE PLANS

See the paragraph headed "Business – Our business strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.28 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$151.2 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

Major categories	Percentage of total proceeds	Amount of total proceeds *(HK$ in million)*	Sub-categories	Respective percentage of total proceeds for each sub-category	Respective amount of total proceeds for each sub-category *(HK$ in million)*	Details	Timeframe
Strategic investments and acquisitions to expand our property management and commercial operational businesses	60%	90.8	Not applicable	Not applicable	Not applicable	We believe strategic investments and acquisitions can help us (i) diversify our service offerings; (ii) enhance our geographic distribution, market shares and property portfolio; and (iii) realise economies of scale. In particular, we plan to acquire majority interest or minority interests or set up joint ventures with property management and commercial property operational service providers that can either reinforce our market position and presence in major cities in the western China, or provide synergies with our strategies. We consider mainly property management service providers for mid- to high-end residential properties and shopping street and other commercial properties operator. When evaluating potential targets, we typically prefer candidates that have GFA under management of at least one million sq.m. or generate revenue of at least RMB30 million or have a net profit margin of at least 8% for the most recent fiscal year. We determine the amount of proceeds to be spent on the acquisition taking into account the expected net profit margin, the GFA under management and the expected price earnings ratio of the target companies.	Within approximately two years after Listing

Major categories	Percentage of total proceeds	Amount of total proceeds *(HK$ in million)*	Sub-categories	Respective percentage of total proceeds for each sub-category	Respective amount of total proceeds for each sub-category *(HK$ in million)*	Details	Timeframe
Investing in information technology systems and human resources to support information technology systems	20%	30.2				investing in information technology systems and human resources to support information technology systems including (i) upgrading and developing our internal information technology system and (ii) upgrading and developing business operating system.	
			upgrading and developing our internal information technology system	5%	7.5	upgrading and developing our internal information technology system including but not limited to finance system to standardise the expense reimbursement process; human resources system to enhance management efficiency; file management system to improve our Group's data management; appraisal system to standardise appraisal procedures and improve appraisal efficiency. Please refer to table below for further details.	Please refer to table below for further details
			upgrading and developing business operating system	15%	22.7	upgrading and developing business operating system, including but not limited to facilities and equipment system to monitor status of facilities and equipment hence reduce operational risks; quality inspection system to standardize quality management and improve work order efficiency; internet-of-things system to achieve interconnectivity of equipment and remote management; smart home system to achieve intelligence remote home services. Please refer to table below for further details.	
Recruiting and cultivating talents, including management and professionals for our principal business	10%	15.1	Not applicable	Not applicable	Not applicable	We intend to hire approximately 17 new supervisory or managerial level employees with relevant working experience of at least five years for positions including marketing manager, tenant sourcing manager, audit and accounting manager and software developers within the next two years. Please refer to the table below for further details.	Within approximately two years after Listing
Working capital and for general corporate uses	10%	15.1	Not applicable	Not applicable	Not applicable	approximately 10% of the net proceeds, or HK$15.1 million, as working capital and for general corporate uses.	Within approximately two years after Listing

The following table sets out the details of allocation of proceeds to be used for development and upgrade of information technology system, the features and benefits of each proposed development and upgrade, the current and expected coverage rate of such systems among our projects, and the expected competition time for each proposed development and upgrade:

Information Technology system	Percentage of total proceeds	Amount of total proceeds *(HK$, million)*	Sub-categories	Features and benefits	The current coverage of the system in the our projects	The expected coverage of the system in our projects	Expected completion time
Internal Information Technology system							
	1.0%	1.5	Upgrade financial operation center	To realize centralized management of the accounting of all projects; to realize dynamic management and control of budgets and expenses; to realize cost control based on supply chain data; to realize connection of financial system and bank accounts and automatic reconciliation of financial data; to regulate and optimize the reimbursement of expenses and realize electronic reporting	50%	100%	Dec 2022
	2.0%	3.0	Upgrade property management system including management fee payment system, operation system, marketing system and resources management system	To further improve the statistical and analytical functions of financial department; to fulfil the requirements of different payment models; to realise automatic follow-up and in the course of implementation and make adjustments according to the progression; to realize the mobile digital management of marketing activities, access the progress of each project, provide basis for business decision making and provide data to support the overall projection and judgement in respect of achievement of the market size goals; to realize the statistical analysis of the resources of the project site and other ancillary resources and realize online real-time management of resources, the signing and execution of contract in a timely manner	70%	100%	Dec 2023

Information Technology system	Percentage of total proceeds	Amount of total proceeds *(HK$, million)*	Sub-categories	Features and benefits	The current coverage of the system in the our projects	The expected coverage of the system in our projects	Expected completion time
	2.0%	3.0	Upgrade cloud infrastructure	To realize cloud server cluster and distributed deployment, server backup, security and bandwidth and network upgrading; private cloud machine room deployment and others	100%	100%	December 2023
Subtotal	**5.0%**	**7.5**					
Business operation system							
	5%	7.5	Upgrading Internet-of-things system including facilities and equipment smart management system, smart car parking system and customer management system	To realize real-time monitoring and remote management of equipment through the integration of hardware with smart sensors, to collect the operating data of the equipment and monitor the operating status of the facilities and equipment online; to realize unattended functions such as unattended entry and exit of vehicles using smart equipment, allowing customers to pay or top up online; to connect the access control system, elevator control, pedestrian and vehicle traffic control, surveillance and other related equipment to the Internet, to realize quick response, remote management and cloud service	30%	100%	September 2024
	5.8%	8.8	Develop BI digital operation center	To realize the real-time collection of data of all business systems and analyze the connection of and issues reflected by the data to provide data support for the timely judgement and decision making by the management	20%	100%	September 2023
	4.2%	6.4	Develop artificial intelligence commercial operation service system and hardware	Through smart tracking of customer journey, to obtain consumption data of customers and by using big data technology and smart algorithm, to realize precision business and service push through analyzing customers' rights and interests and their consumption data	10%	100%	June 2024
Subtotal	**15.0%**	**22.7**					

For the purpose of further developing our value-added services for commercial properties, we plan to recruit talents with experiences on commercial operation to develop this area. We also plan to hire more marketing personnel to enhance our business development to attract more business opportunities. In addition, we will enhance our back office support by recruiting more talents on project management, finance and accounting and information technology.

The following table sets forth the breakdown of the amount of proceed to be allocated to each position for approximately two years.

Categories	No. of new headcounts	Main duties	Years of experience	Approximate amount of proceed to be allocated *(HK$ million)*
Commercial operation	4	Marking positioning and planning, tenant sourcing management and planning, commercial operational services planning and management	7 – 10 years	4.5
Marketing	6	Marketing and business development, investment planning and strategies	5 – 10 years	5.3
Project management	2	Management of property management projects, Property management strategies and planning	6 – 9 years	1.2
Finance and accounting	3	Finance planning, budgeting and management, audit and accounting	5 – 7 years	2.9
Information technology	2	Software development	At least 5 years	1.2
			Total	**15.1**

As at the Latest Practicable Date, we had not identified any potential acquisition target or entered into any definitive agreement for investment or acquisition. According to Frost & Sullivan, the PRC property management services market is quite fragmented. Most service providers are small and medium-sized enterprises that focus on providing services to residential properties or operating isolated or small-scale non-residential properties in a specific region. As the competition in this market becomes increasingly fierce, these small and medium-sized enterprises are expected to experience difficulties in expanding their businesses through diversifying property types under management and achieving cross-regional development. Meanwhile, mergers and acquisitions among property management companies are expected to become a major theme, thereby enabling leading market players to increase their market shares and achieve economies of scale. According to Frost and Sullivan, there were over 20,000 property management companies in the western China in 2020, of which over 500 companies have GFA under management of at least one million sq.m. or generate revenue of at least RMB30 million or have a net profit margin of at least 8% for the most recent fiscal year. As such, our Directors are of the view that we can find suitable acquisition and investment targets. Further, we have the experience of successful acquisition of Zhongneng Group in August 2020. Since the acquisition, Zhongneng Group contributed RMB21.7 million to our Group's revenue and RMB2.4 million to the consolidated profit for the year ended 31 December 2020. Our Directors are of the view that forthcoming acquisitions will bring synergy to our Group and will have positive impact to our Group's financial performance. Subject to changes in economic condition, regulatory requirements and market outlook, we currently have no alternative plans if the acquisitions are not completed. If we fail to identify suitable acquisition targets or our future acquisitions fail to consummate for reasons beyond our control, the net proceeds may not be effectively utilised to sustain our growth. For details, see the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – Our future acquisitions may not be successful" in this prospectus.

In the event that the Offer Price is set at the maximum Offer Price or the minimum Offer Price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$26.3 million, respectively.

The additional net proceeds that we would receive if the Over-allotment Option was exercised in full would be (i) HK$32 million (assuming an Offer Price of HK$1.46 per Share, being the maximum Offer Price of the indicative Offer Price range), (ii) HK$28.1 million (assuming an Offer Price of HK$1.28 per Share, being the mid-point of the indicative Offer Price range) and (iii) HK$24.1 million (assuming an Offer Price of HK$1.1 per Share, being the minimum Offer Price of the indicative Offer Price range).

To the extent that the net proceeds from the Global Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds received by our Company from the Global Offering are not immediately applied to the purposes stated above, to the extent permitted by applicable laws and regulations and so long as it is deemed to be in the best interests of our Company, we will place the proceeds into short-term interest-bearing deposits with licensed financial institutions. We will make a formal announcement in the event that there is any change in our use of net proceeds from the purposes stated above or in our allocation of the net proceeds in the proportions stated above.

HONG KONG UNDERWRITERS

Shenwan Hongyuan Securities (H.K.) Limited
China Everbright Securities (HK) Limited
Guosen Securities (HK) Capital Company Limited
Livermore Holdings Limited
CMBC Securities Company Limited
SPDB International Capital Limited
ZMF Asset Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 15,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the **GREEN** Application Form at the Offer Price.

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 November 2021 through Tuesday, 7 December 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 December 2021. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe, or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor may, in its sole and absolute discretion, terminate the Hong Kong Underwriting Agreement upon the occurrence of any of the following events before 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into effect:

(a) any local, national, regional, international event or circumstance, or series of events or circumstances, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, strikes, declaration of a national or international emergency or war, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Coronavirus Disease 2019 (COVID-19), Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms and the escalation, mutation or aggravation of such diseases) or interruption or delay in transportation) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to our Group (collectively, the "**Relevant Jurisdictions**"); or

(b) any change or development involving a prospective change or development (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the inter-bank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), the PRC, Cayman Islands, New York (imposed at Federal or New York State level or other competent Authority), London or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(e) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(g) a change or development involving a prospective change in or affecting taxation or exchange controls, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(h) any actions, suits and proceedings (including, without limitation, any investigation or inquiry by or before any Authority) and claims of any third party being threatened or instigated against any member of our Group; or

(i) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(j) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(k) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(l) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(m) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

which, individually or in the aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Sole Sponsor):

(i) has or will have or may have a material adverse effect; or

(ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or

(iii) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or dealings in the Shares in the secondary market; or

(iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Sole Global Coordinator and the Sole Sponsor:

(a) that any statement contained in this prospectus, the **GREEN** Application Form, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading in any material respect or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of this prospectus, the **GREEN** Application Form and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(c) any breach of any of the obligations imposed upon the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(d) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnified parties under the Hong Kong Underwriting Agreement; or

(e) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(f) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or

(g) that approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be sold pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) that the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(i) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(j) the chairman or chief executive officer of the Company vacating his or her office which would affect or could reasonably be expected to affect the suitability or eligibility of the Company for listing; or

(k) an Authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(l) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Over-allotment Shares) pursuant to the terms of the Global Offering; or

(m) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(n) that any expert (other than the Sole Sponsor) named in the section "Statutory and General Information – E. Other Information – 9. Consent of the Experts" of this prospectus has withdrawn its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or

(o) a portion of the orders in the bookbuilding process have been withdrawn, terminated or cancelled, and the Joint Bookrunners, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within 6 months from the Listing Date), except pursuant to the Capitalisation Issue and the Global Offering (including the exercise of the Over-allotment Option) or for the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders have undertaken to the Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue or the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of their shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which each of them is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which each of them is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that they would cease to be a controlling shareholder (as defined under the Listing Rules) of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders have undertaken to the Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of their shareholdings in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they shall:

(1) when any of them pledges or charges any securities in our Company beneficially owned by any of them in favour of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge/charge together with the number of Shares so pledged/charged; and

(2) when any of them receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform our Company in writing of such indications.

The Company has undertaken to the Stock Exchange that as soon as it has been informed of matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

We have undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that the Company shall, and each of the Controlling Shareholders undertakes to the Hong Kong Underwriters to procure that the Company shall, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), except pursuant to the Global Offering (including the exercise of the Over-allotment Option and the Capitalisation Issue) not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and subject always to the provisions of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing) or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified above.

During the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), the Company shall not enter into any of the transactions specified in (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder of the Company. In the event that our Company enters into any of the transactions specified in (i) to (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all steps to ensure that it will not create a disorderly or false market in the securities of our Company.

(B) Undertakings by the Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for any pledge or charge to authorised institutions pursuant to Note 2 to Rule 10.07 of the Listing Rules and except as pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it will not at any time during the First Six-month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (c) enter into any transaction with the same economic effect as any transaction specified above, or (d) offer to or agree to or announce any intention to effect any transaction specified above, in each case, whether any of the transactions specified in (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) it will not, during the Second Six-month Period, enter into any of the transactions specified in paragraph (i)(a), (i)(b) or (i)(c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company;

(iii) until the expiry of the Second Six-month period, in the event that it enters into any of the transactions specified in paragraph (i)(a), (i)(b) or (i)(c) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and

(iv) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it shall: (i) if and when it pledges or charges any securities of the Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company in writing of such pledge or charge together with the number of Shares of other securities of the Company so pledged or charged, and the Company will forward these information to the Sole Global Coordinator as soon as reasonably practicable upon receipt of such information from the Controlling Shareholders; and (ii) if and when it receives indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company, the Sole Global Coordinator in writing of such indications, and the Company will forward these information to the Sole Global Coordinator as soon as reasonably practicable upon receipt of such information from the Controlling Shareholders.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, amongst others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement, as the case may be.

The International Offering

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with, amongst others, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 22,500,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option" for further details.

Commissions and Expenses

According to the Underwriting Agreements, the Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of all the Offer Shares (including any Offers Shares to be issued pursuant to the exercise of the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission of 2.5% on such reallocated Offer Shares under the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, we may, in our sole discretion, also pay to the Hong Kong Underwriters and International Underwriters an incentive fee equal to 1% of the aggregate Offer Price for each Offer Share.

The aggregate commissions and expenses (excluding the discretionary incentive fee), together with the listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$40.8 million in total (based on an Offer Price of HK$1.28, being the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised).

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement. Buyers of the Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the "**Syndicate Members**") and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering – Stock Borrowing Arrangement – Stabilisation". These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 15,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of initially 135,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, **GREEN** Application Form, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK$1.46 per Offer Share and is expected to be not less than HK$1.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the offer price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.46 for each Hong Kong Offer Share. If the Offer Price is less than HK$1.46 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications. See "How to Apply for Hong Kong Offer Shares" in this prospectus.

Determining the Offer Price

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for it self and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 7 December 2021 and in any event, no later than Thursday, 16 December 2021.

If for any reason, the Sole Global Coordinator and us are unable to reach agreement on the Offer Price on or before Thursday, 16 December 2021, the Global Offering will not proceed.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator and with our consent, considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Company's website and the Stock Exchange's website, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If an indicative offer price range is reduced, we will issue a supplemental prospectus updating investors of the change in the indicative offer price together with an update of all financial and other information in connection with such change; extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications. Details of the arrangement will then be announced by the Company as soon as practicable.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and Basis of Allocations

The Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 16 December 2021 on the Company's website and the Stock Exchange's website.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

(ii) the Offer Price having been duly agreed between us and the Sole Global Coordinator;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such underwriting agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event, not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us on the Company's website and the Stock Exchange's website on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 16 December 2021 but will only become valid certificates of title at 8:00 a.m. on Friday, 17 December 2021, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

We are initially offering 15,000,000 Hong Kong Offer Shares (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering) at the Offer Price, representing 10% of the 150,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK$5 million and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 7,500,000 Hong Kong Offer Shares (being 50% of 15,000,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering are fully subscribed or oversubscribed and certain prescribed total demand levels are reached as further described below:

(i) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 45,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(ii) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 60,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(iii) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Subject to the clawback mechanism described above, the Sole Global Coordinator has the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may in certain circumstances be reallocated as between these offerings at the discretion of the Sole Global Coordinator. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of shares that may be allocated to the Hong Kong Public Offering shall be not more than 30,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.10 per Offer Share) stated in this prospectus.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

References in this prospectus to applications, **GREEN** Application Form, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 135,000,000 Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering, to be offered by us outside the United States (within the meaning of Regulation S) in offshore transactions in accordance with Regulation S, including to professional and institutional investors within Hong Kong.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 22,500,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Share under the International Offering, to cover over-allocations in the International Offering (if any). In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial Hong Kong Public Offering prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing from the Listing Date or otherwise subject to compliance with applicable legal and regulatory requirements. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, being 22,500,000 Shares in aggregate, which is approximately 15% of the Offer Shares initially available under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

  (a) (1) over-allocate our Shares; or (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

  (b) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (a) above;

  (c) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraph (ii)(a)(2), (ii)(b) or (ii)(c) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on or before Thursday, 6 January 2022. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilising) Rules of the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow up to 22,500,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Sky Donna, pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Offer Shares so borrowed must be returned to Sky Donna or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and other regulatory requirements. No payment will be made to Sky Donna by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about the Price Determination Date, enter into the International Offering Agreement relating to the International Offering.

The terms of the underwriting arrangements, the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 17 December 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 17 December 2021. The Shares will be traded in board lots of 2,000 Shares.

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.desunhui.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf including by:

(a) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(b) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for

Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

(i) are 18 years of age or older;

(ii) have a Hong Kong address; and

(iii) are outside the U.S., and are not a United States Person (within the meaning of Regulation S).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

> The application for the Hong Kong Offer Shares will commence on Tuesday, 30 November 2021 through Tuesday, 7 December 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 December 2021. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

(i) an existing beneficial owner of Shares in the Company and/or any its subsidiaries;

(ii) a Director or chief executive officer of the Company and/or any of its subsidiaries;

(iii) a close associate (as defined in the Listing Rules) of any of the above;

(iv) a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and

(v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

4. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the **GREEN** Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the **GREEN** Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the U.S. (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Minimum Application Amount and Permitted Numbers

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
2,000	2,949.43	50,000	73,735.62	450,000	663,620.59	4,000,000	5,898,849.68
4,000	5,898.85	60,000	88,482.75	500,000	737,356.21	4,500,000	6,636,205.89
6,000	8,848.28	70,000	103,229.87	600,000	884,827.45	5,000,000	7,373,562.10
8,000	11,797.70	80,000	117,976.99	700,000	1,032,298.69	5,500,000	8,110,918.31
10,000	14,747.12	90,000	132,724.12	800,000	1,179,769.94	6,000,000	8,848,274.52
12,000	17,696.55	100,000	147,471.24	900,000	1,327,241.18	6,500,000	9,585,630.73
14,000	20,645.97	150,000	221,206.86	1,000,000	1,474,712.42	7,000,000	10,322,986.94
16,000	23,595.40	200,000	294,942.48	1,500,000	2,212,068.63	7,500,000[1]	11,060,343.15
18,000	26,544.82	250,000	368,678.11	2,000,000	2,949,424.84		
20,000	29,494.25	300,000	442,413.73	2,500,000	3,686,781.05		
30,000	44,241.37	350,000	516,149.35	3,000,000	4,424,137.26		
40,000	58,988.50	400,000	589,884.97	3,500,000	5,161,493.47		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table above. You are required to pay the amount next to the number you select.

Refer to application payment table

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

> The application for the Hong Kong Offer Shares will commence on Tuesday, 30 November 2021 through Tuesday, 7 December 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 December 2021. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 17 December 2021. Accordingly, investors may not be able to sell or deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, 30 November 2021 until 11:30 a.m., Tuesday, 7 December 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 7 December 2021 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "Desun Real Estate Investment Services Group Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

(iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

(vi) confirm that you understand that the Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(x) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(xvi) agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

(i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

(iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 30 November 2021	–	9:00 a.m. to 8:30 p.m.(1)
Wednesday, 1 December 2021	–	8:00 a.m. to 8:30 p.m. (1)
Thursday, 2 December 2021	–	8:00 a.m. to 8:30 p.m. (1)
Friday, 3 December 2021	–	8:00 a.m. to 8:30 p.m. (1)
Monday, 6 December 2021	–	8:00 a.m. to 8:30 p.m. (1)
Tuesday, 7 December 2021	–	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 November 2021 until 12:00 noon on Tuesday, 7 December 2021 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 7 December 2021, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and the Hong Kong Branch Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Hong Kong Offer Share Certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Hong Kong Offer Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's register of members;
- verifying identities of the holders of our Company's Hong Kong Offer Shares;
- establishing benefit entitlements of holders of our Company's Hong Kong Offer Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Hong Kong Offer Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of our Company's Hong Kong Offer Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and its Hong Kong Branch Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential, but our Company and its Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers and receiving banks;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and its Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 7 December 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company, then

the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

(i) control the composition of the board of directors of the company;

(ii) control more than half of the voting power of the company; or

(iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$1.46 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK$2,949.43.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in this prospectus.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in "Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see "Structure of the Global Offering – Pricing and Allocation" for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

(i) a tropical cyclone warning signal number 8 or above;

(ii) a "black" rainstorm warning; and/or

(iii) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 December 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 7 December 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 16 December 2021 on the Company's website at **www.desunhui.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

(i) in the announcement to be posted on the Company's website at **www.desunhui.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 16 December 2021;

(ii) from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 16 December 2021 to 12:00 midnight on Wednesday, 22 December 2021; and

(iii) by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 16 December 2021, Friday, 17 December 2021, Monday, 20 December 2021 and Tuesday, 21 December 2021;

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

(i) within three weeks from the closing date of the application lists; or

(ii) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

(i) you make multiple applications or suspected multiple applications;

(ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

(iii) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

(iv) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

(v) the Underwriting Agreements do not become unconditional or are terminated;

(vi) the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

(vii) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.46 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 16 December 2021.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 16 December 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 17 December 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 December 2021, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 16 December 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 16 December 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

(ii) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 16 December 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 16 December 2021 or such other date as determined by HKSCC or HKSCC Nominees.

(iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 16 December 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 16 December 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DESUN REAL ESTATE INVESTMENT SERVICES GROUP CO., LTD. AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED

Introduction

We report on the historical financial information of Desun Real Estate Investment Services Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-70, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020, and the five months ended 31 May 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 and 31 May 2021 and the statements of financial position of the Company as at 31 December 2020 and 31 May 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2018, 2019 and 2020 and 31 May 2021 and of the financial position of the Company as at 31 December 2020 and 31 May 2021, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2020 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2021

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Five months ended 31 May	
		2018	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*5*	63,964	69,116	127,922	37,053	89,159
Cost of sales		(25,805)	(33,256)	(65,252)	(15,885)	(54,260)
Gross profit		38,159	35,860	62,670	21,168	34,899
Other income and gains	*5*	3,846	6,578	7,095	1,991	2,435
Administrative expenses		(4,108)	(5,336)	(18,657)	(3,495)	(23,122)
Other expenses		(247)	(314)	(255)	(101)	(1,782)
Finance costs	*6*	(17)	(13)	(24)	(11)	(97)
PROFIT BEFORE TAX	*7*	37,633	36,775	50,829	19,552	12,333
Income tax expense	*10*	(6,239)	(5,732)	(7,916)	(2,888)	(2,330)
PROFIT FOR THE YEAR/PERIOD		31,394	31,043	42,913	16,664	10,003
OTHER COMPREHENSIVE INCOME		–	–	–	–	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		31,394	31,043	42,913	16,664	10,003
Attributable to:						
Owners of the parent		31,394	31,043	42,928	16,664	10,098
Non-controlling interests		–	–	(15)	–	(95)
		31,394	31,043	42,913	16,664	10,003
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 May 2021 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	580	316	204	183
Investment properties	14	1,404	1,516	1,427	1,387
Right-of-use assets	15	209	620	387	5,215
Other intangible assets	16	–	–	8,075	8,190
Goodwill	17	–	–	9,179	9,179
Deferred tax assets	18	210	3	251	482
Total non-current assets		2,403	2,455	19,523	24,636
CURRENT ASSETS					
Trade receivables	19	12,839	7,489	35,699	42,003
Prepayments, deposits and other receivables	20	1,182	1,167	8,167	15,189
Financial assets at fair value through profit or loss	21	54,176	200	130	20
Cash and cash equivalents	22	686	57,563	109,502	106,751
Total current assets		68,883	66,419	153,498	163,963
CURRENT LIABILITIES					
Contract liabilities	5	4,985	6,605	11,841	18,861
Trade payables	23	1,560	1,788	10,564	10,132
Other payables and accruals	24	10,572	17,492	58,294	55,197
Deferred income	25	2,097	–	–	–
Lease liabilities	15	136	225	236	1,439
Tax payable		4,227	4,428	9,093	3,966
Total current liabilities		23,577	30,538	90,028	89,595
NET CURRENT ASSETS		45,306	35,881	63,470	74,368
TOTAL ASSETS LESS CURRENT LIABILITIES		47,709	38,336	82,993	99,004
NON-CURRENT LIABILITIES					
Contract liabilities	5	336	322	1,200	1,254
Deferred tax liabilities	18	–	–	1,102	1,055
Lease liabilities	15	–	358	122	4,217
Total non-current liabilities		336	680	2,424	6,526
NET ASSETS		47,373	37,656	80,569	92,478
EQUITY					
Equity attributable to owners of the parent					
Issued capital	26	–	–	–	–
Reserves	27	47,373	37,656	80,584	92,239
		47,373	37,656	80,584	92,239
Non-controlling interests		–	–	(15)	239
Total equity		47,373	37,656	80,569	92,478

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Parent								
	Issued capital *RMB'000* *(note 26)*	**Share Premium*** *RMB'000* *(note 27)*	**Capital reserve*** *RMB'000* *(note 27)*	**Statutory surplus reserve*** *RMB'000* *(note 27)*	**Share option reserve*** *RMB'000* *(note 33)*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
As at 1 January 2018	–	–	24,315	2,238	–	16,636	43,189	–	43,189
Profit and total comprehensive income for the year	–	–	–	–	–	31,394	31,394	–	31,394
Transfer from retained profits	–	–	–	2,762	–	(2,762)	–	–	–
Dividend declared by the subsidiaries to the then shareholders *(note 11)*	–	–	–	–	–	(27,210)	(27,210)	–	(27,210)
As at 31 December 2018 and 1 January 2019	–	–	24,315	5,000	–	18,058	47,373	–	47,373
Profit and total comprehensive income for the year	–	–	–	–	–	31,043	31,043	–	31,043
Transfer from retained profits	–	–	–	110	–	(110)	–	–	–
Dividend declared by the subsidiaries to the then shareholders *(note 11)*	–	–	–	–	–	(40,760)	(40,760)	–	(40,760)
As at 31 December 2019 and 1 January 2020	–	–	24,315	5,110	–	8,231	37,656	–	37,656
Profit and total comprehensive income for the year	–	–	–	–	–	42,928	42,928	(15)	42,913
Transfer from retained profits	–	–	–	4,080	–	(4,080)	–	–	–
As at 31 December 2020	–	–	24,315	9,190	–	47,079	80,584	(15)	80,569

	Attributable to owners of the Parent								
	Issued capital	Share Premium*	Capital reserve*	Statutory surplus reserve*	Share option reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 26)	*(note 27)*	*(note 27)*	*(note 27)*	*(note 33)*				
As at 31 December 2020 and 1 January 2021	–	–	24,315	9,190	–	47,079	80,584	(15)	80,569
Equity-settled share option arrangements *(note 33)*	–	–	–	–	1,557	–	1,557	–	1,557
Profit and total comprehensive income for the period	–	–	–	–	–	10,098	10,098	(95)	10,003
Allotment of shares to a shareholder under group reorganisation *(note 26)*	–	993	(993)	–	–	–	–	–	–
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	349	349
Transfer from retained profits	–	–	–	975	–	(975)	–	–	–
As at 31 May 2021	–	993	23,322	10,165	1,557	56,202	92,239	239	92,478
As at 1 January 2020	–	–	24,315	5,110	–	8,231	37,656	–	37,656
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	16,664	16,664	–	16,664
Transfer from retained profits (unaudited)	–	–	–	84	–	(84)	–	–	–
As at 31 May 2020 (unaudited)	–	–	24,315	5,194	–	24,811	54,320	–	54,320

* These reserve accounts comprise the reserves of RMB47,373,000, RMB37,656,000, RMB80,584,000 and RMB92,239,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Five months ended 31 May	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		37,633	36,775	50,829	19,552	12,333
Adjustments for:						
Depreciation of items of property, plant and equipment	*7*	1,906	1,185	322	309	29
Amortization of right-of-use assets	*7*	314	286	233	97	519
Depreciation of investment properties	*7*	79	86	89	37	40
Amortization of other intangible assets	*7*	–	–	278	–	358
Deferred income released	*5*	(1,530)	(2,097)	–	–	–
Bank interest income	*5*	(25)	(1,654)	(2,362)	(946)	(1,520)
Interest income from related parties	*5*	(7)	–	–	–	–
Interest income from an independent third party	*5*	–	(198)	(2,606)	(510)	–
Finance costs	*6*	17	13	24	11	97
Fair value gains from financial assets at fair value through profit or loss, net	*5*	(1,621)	(501)	(8)	(3)	–
Impairment losses/(reversal of impairment losses) on trade receivables	*7*	(5)	23	(329)	13	462
Impairment losses/(reversal of impairment losses) on other receivables (reversal of impairment losses)	*7*	–	–	(76)	–	557
Equity-settled share option expense	*33*	–	–	–	–	1,557
		36,761	33,918	46,394	18,560	14,432
(Increase)/decrease in trade receivables		(11,777)	5,327	(17,685)	(5,181)	(6,766)
(Increase)/decrease in prepayments, deposits and other receivables		(152)	15	(4,685)	(808)	(6,924)
Increase/(decrease) in contract liabilities		679	1,606	(1,044)	(3,394)	7,074
Increase/(decrease) in trade payables		266	228	5,379	547	(432)
Increase in other payables and accruals		4,030	6,920	13,175	725	3,943
Cash generated from operations		29,807	48,014	41,534	10,449	11,327
Interest received		25	1,654	2,439	697	865
Income tax paid		(3,842)	(5,324)	(4,880)	(3,710)	(7,735)
Net cash flows from operating activities		25,990	44,344	39,093	7,436	4,457

	Notes	Year ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	Five months ended 31 May 2020 RMB'000 (Unaudited)	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(32)	(921)	(108)	–	(8)
Purchase of an investment property		–	(198)	–	–	–
Additions to other intangible assets		–	–	(753)	(123)	(473)
Acquisition of subsidiaries	28	–	–	18,579	–	(7,040)
Step acquisition of a subsidiary	29	–	–	507	–	–
Receipt of government grants		2,383	–	–	–	–
Purchase of financial assets at fair value through profit or loss		(421,199)	(20,900)	(1,100)	(230)	–
Proceeds from disposal of financial assets at fair value through profit or loss		420,018	75,377	1,178	213	110
Interest income received from related parties		7	–	–	–	–
Interest income received from an independent third party		–	198	2,606	510	–
Advances to related parties	*31(b)*	(48,800)	(49,570)	–	–	–
Advances repaid by related parties	*31(b)*	48,800	49,570	–	–	–
Loans to an independent third party		–	(110,000)	(512,280)	(146,450)	–
Loans repaid by an independent third party		–	110,000	512,280	146,450	–
Dividend received from a former joint venture		–	–	146	–	–
Net cash flows from/(used in) investing activities		1,177	53,556	21,055	370	(7,411)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid to the then shareholders of the subsidiaries		(27,210)	(40,760)	–	–	–
Repayment to a related party		–	–	(7,960)	–	–
Principal portion of the lease liabilities		(309)	(250)	(225)	(113)	(131)
Interest portion of the lease liabilities	*17(b)*	(17)	(13)	(24)	(11)	(15)
Capital contribution by non-controlling shareholders of subsidiaries		–	–	–	–	349
Net cash flows from/(used in) financing activities		(27,536)	(41,023)	(8,209)	(124)	203
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(369)	56,877	51,939	7,682	(2,751)
Cash and cash equivalents at beginning of year/period		1,055	686	57,563	57,563	109,502
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*22*	686	57,563	109,502	65,245	106,751

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**31 December 2020** *RMB*	**31 May 2021** *RMB*
NON-CURRENT ASSETS			
Investments in subsidiaries	*(a)*	6	992,838
CURRENT ASSETS			
Due from shareholders		27	27
Total assets/net assets		33	992,865
EQUITY			
Issued capital	*26*	33	33
Reserves	*27*	–	992,832
Total equity		33	992,865

Note:

(a) Cost of investments in subsidiaries represented:

	31 December 2020 *RMB*	**31 May 2021** *RMB*
Unlisted investments, at cost:		
Desun Services Holding Limited	6	6
WYGL Holding Limited*	–	992,832
	6	992,838

* On 11 May 2021, the Company acquired the entire issued capital of WYGL Holding Limited, which indirectly held 1% equity interest in Chengdu Desun, from Wellman Investments Limited, by issuing 1% of the Company's issued capital to Wellman Investments Limited, credited as fully paid-in share capital.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 10 December 2020. The registered office address of the Company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the five months ended 31 May 2020, the Company's subsidiaries were principally engaged in the provision of property management services and value-added services to property and non-property owners (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The then parent company of the Group was 成都德商產投物業服務有限公司 Chengdu Desun Property Service Co., Ltd. ("Chengdu Desun") (the "Then Parent Company") before the Reorganization. The Company's immediate holding company and ultimate holding company is Sky Donna Holding Limited ("Sky Donna"), a limited company which was incorporated as an exempted company with limited liability in the British Virgin Islands ("BVI"). The ultimate controlling shareholder of the Group is Mr. Zou Kang (the "Ultimate Controlling Shareholder").

On 8 July 2016, Chengdu Desun obtained approval for its shares to be listed on the National Equities Exchange and Quotations ("NEEQ") in the PRC (stock code: 837976). Its shares started to be traded on the NEEQ on 2 August 2016. On 8 April 2020, Chengdu Desun's shareholders resolved to voluntarily delist Chengdu Desun's shares from the NEEQ. The delisting was completed on 7 May 2020.

The Company and its subsidiaries (collectively the "Group") now comprising the Group underwent the Reorganization which was completed on 11 May 2021 as set out in the paragraph headed "History, Reorganization and Corporate Structure" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Desun Services Holding Limited[2]	BVI/ 23 December 2020	USD1	100%	–	Investment Holding
WYGL Holding Limited[2]	BVI/ 4 February 2021	USD1	100%	–	Investment Holding
XGWY Holding Limited[2]	BVI/ 8 February 2021	USD1	–	100%	Investment Holding
Wei Yue Management Limited[2]	Hong Kong/ 1 March 2021	HKD1	–	100%	Investment Holding
Desun Property Service Limited[2]	Hong Kong/ 18 January 2021	HKD1	–	100%	Investment holding

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
成都福悦企業管理諮詢有限公司 Chengdu Fuyue Corporate Management Consultation Co., Ltd. ("Chengdu Fuyue")(2)/(3)	PRC/Mainland China/ 12 March 2021	RMB20,000,000	–	100%	Investment holding
Chengdu Desun(1)	PRC/Mainland China/ 12 March 2010	RMB50,000,000	–	100%	Property management
昆明捷博物業服務有限公司 Kunming Jiebo Property Service Co., Ltd.(2)	PRC/Mainland China/ 23 May 2019	RMB500,000	–	100%	Property management
成都德新尚裕物業管理有限公司 Chengdu Dexin Shangyu Property Management Co., Ltd.(2)	PRC/Mainland China/ 5 December 2019	RMB5,000,000	–	100%	Property management
成都德正物業服務有限公司 Chengdu Dezheng Property Service Co., Ltd.(2)	PRC/Mainland China/ 19 December 2019	RMB500,000	–	100%	Property management
重慶福牛物業服務有限公司 Chongqing Funiu Property Service Co., Ltd.(2)	PRC/Mainland China/ 3 June 2020	RMB5,000,000	–	51%	Property management
西安德商奧暉物業服務有限公司 Xian Desun Aohui Property Service Co., Ltd.(2)	PRC/Mainland China/ 25 September 2020	RMB1,000,000	–	100%	Property management
成都御璟閣酒店管理有限公司 Chengdu Yujingge Hotel Management Co., Ltd.(2)	PRC/Mainland China/ 21 January 2019	RMB5,000,000	–	100%	Hotel and property management
湖南德商厚誠科技有限公司 Hunan Desun Houcheng Technology Service Co., Ltd.(2)	PRC/Mainland China/ 26 August 2020	RMB5,000,000	–	60%	Information technology service
成都中能物業管理有限責任公司 Chengdu Zhongneng Property Management Company Limited ("Zhongneng")(2)/(4)	PRC/Mainland China/ 16 May 2006	RMB5,000,000	–	100%	Property management
成都金捷資產管理有限公司 Chengdu Jinjie Asset Management Co., Ltd. ("Chengdu Jinjie")(2)/(4)	PRC/Mainland China/ 27 March 2013	RMB3,000,000	–	100%	Property management

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
成都璽悦居室內設計有限公司 Chengdu Xiyueju Interior Design Co., Ltd.(2)	PRC/Mainland China/ 14 December 2020	RMB1,000,000	–	70%	Interior design
成都優貝空間創孵科技服務有限公司 Chengdu Ube Space Chuangfu Technology Service Co., Ltd.(2)	PRC/Mainland China/ 20 October 2015	RMB5,000,000	–	100%	Property management
成都栢悦嘉誠商業管理有限公司 Chengdu Baiyue Jiacheng Business Management Co., Ltd. ("Baiyue Jiacheng")(2)/(5)	PRC/Mainland China/ 22 August 2018	RMB5,000,000	–	100%	Investment holding
上海捷德物業服務有限公司 Shanghai Jiede Property Service Co., Ltd.(2)	PRC/Mainland China/ 21 January 2021	RMB500,000	–	100%	Property management
成都福朗物業服務有限公司 Chengdu Fulang Property Service Co., Ltd.("Chengdu Fulang")(2)(6)	PRC/Mainland China/ 16 January 2020	RMB1,000,000	–	51%	Property management
成都德商啟銘物業服務有限公司 Chengdu Desun Qiming Property Service Co., Ltd.(2)	PRC/Mainland China/ 18 March 2021	RMB1,000,000	–	70%	Property management
成都德商錦上美物業服務有限公司 Chengdu Desun Jinshangmei Property Service Co., Ltd.(2)	PRC/Mainland China/ 30 April 2021	RMB3,000,000	–	60%	Property management
四川凱州德品物業管理有限公司 Sichuan Kaizhou Depin Property Management Co., Ltd.(2)	PRC/Mainland China/ 30 April 2021	RMB1,000,000	–	60%	Property management
四川德商鑫江商業管理有限公司 Sichuan Desun Xinjiang Commercial Management Co., Ltd.(2)	PRC/Mainland China/ 7 July 2021	RMB1,000,000	–	70%	Property management
成都德商理想產投物業服務有限公司 Chengdu Desun Lixiang Chantou Property Service Co., Ltd.(2)	PRC/Mainland China/ 7 July 2021	RMB1,500,000	–	50%	Decoration service

Notes:

(1) The statutory financial statements of Chengdu Desun for each of the years ended 31 December 2018 and 2019 prepared in accordance with the relevant accounting principles and financial regulations were audited by Ruihua Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合伙)) and ShineWing Certified Public Accountants LLP Chengdu Branch (信永中和會計師事務所(特殊普通合伙)成都分所), respectively, both of which were certified public accounting firms registered in the PRC.

No audited financial statements have been prepared for the year ended 31 December 2020 as there was no statutory audit requirement to issue audited accounts under the relevant rules and regulations in its jurisdiction of establishment after it is delisted from NEEQ.

(2) No audited financial statements have been prepared for these entities as they either newly incorporated or not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdiction of incorporation or establishment.

(3) Chengdu Fuyue is registered as a wholly-foreign-owned enterprise under PRC law.

(4) During the year ended 31 December 2020, these entities were acquired from independent third parties, details of which are included in note 28 to the Historical Financial Information.

(5) During the year ended 31 December 2020, the Group acquired the remaining 50% equity interest in Baiyue Jiacheng from an independent third party, further details are included in note 29 to the Historical Financial Information.

(6) As at 1 March 2021, the Group entered into a supplementary agreement with the remaining shareholder of Chengdu Fulang, pursuant to which the Group is able to exercise control over Chengdu Fulang. Therefore, Chengdu Fulang ceased to be a joint venture and became a subsidiary of the Group. Chengdu Fulang remained dormant since its establishment.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to directly translate the Chinese names as they have not registered any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 11 May 2021. Immediately prior to and after the Reorganisation, the Listing Business is conducted through Chengdu Desun. Pursuant to the Reorganisation, the Listing Business hold through Chengdu Desun are transferred to and held by Chengdu Fuyue, which is an indirectly wholly owned subsidiary of the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The steps as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus are merely a Reorganisation of Chengdu Desun and did not change the business substance and management of the Listing Business conducted through Chengdu Desun.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group are prepared as a continuation of the consolidated financial statements of Chengdu Desun, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business as recorded in the consolidated financial statements of Chengdu Desun for all periods presented. The consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the five months ended 31 May 2020. All IFRSs effective for the accounting period commencing from 1 January 2021, including IFRS 16 *Lease* together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the five months ended 31 May 2020.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods and the five months ended 31 May 2020.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[5]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a SingleTransaction*[2]
Annual Improvements to IFRSs Standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

[5] Effective for annual periods beginning on or after 1 April 2021

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investment in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investments in a joint venture.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

When the acquisition of an asset or a group of assets that does not constitute a business, the Group shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 *Intangible Assets*) and liabilities assumed. The cost of the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Fair value measurement

The Group measures its wealth management products at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Devices and equipment	19% to 32%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life of 34 to 63 years.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is internally developed by the Group and is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 10 years, which is based on management's expectation on the technological lives of the systems.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of 10 years, taking into account the prior experience of the renewal pattern of property management contracts.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office building	2-3 years
Exhibition hall	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of staff quarters and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases or sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

(i) significant financial difficulties of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) likelihood that the borrower will enter into bankruptcy or other financial reorganization emerges.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other trade and other payables, lease liabilities and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

Property management services

Property management services comprise: (i) residential and non-residential property management services; (ii) value-added services for non-property owners; and (iii) value-added services for property owners.

(i) Residential and non-residential property management services

The Group charges property management fees in respect of the property management services on a lump sum basis and on a commission basis and they are recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group.

On a lump sum basis, the Group is entitled to retain the full amount of received property management fees. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Group recognises as revenue as the gross amount of property management fees the Group charged to the property owners and property developers.

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

On a commission basis, the Group is entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The remainder of the management fees is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally repayable to the customer. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recover from the residents subsequently.

On a commission basis, the Group essentially acts as an agent of the property owners and property developers and accordingly, the Group charges a pre-determined percentage at 5%-10% of the total property management fees received when the property owners are obligated to pay. Any direct cost under the property management service agreement shall be borne by property owners and property developers.

(ii) Value-added services for non-property owners

Value-added services for non-property owners mainly include sales assistance services, pre-delivery services, interior design and decorating services and furnishing services, commercial operational services, brokerage services, repair and maintenance services, construction site management services and preliminary planning and preparation services. Revenue from value added services other than brokerage services, interior design and decorating services and furnishing services and preliminary planning and preparation services is recognised over time, in the amount to which the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from brokerage services, interior design and decorating services and furnishing services and preliminary planning and preparation services is recognised at the point in time when the services are rendered and accepted by the customers.

(iii) Value-added services for property owners

Community value-added services for property owners include housekeeping services, community management services, interior design services and interior decorating and furnishing services, traveling services and sale of household products. Revenue from community value-added services for property owners is recognised overtime, in the amount to which the Group has a right to invoice, and the customer simultaneously receives and consumes the benefits provided by the Group. Payment of the transaction is due immediately when the community value-added services are rendered to the customer. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the acceptance of the goods by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial tree model, further details of which are given in note 33 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Recognition of deferred tax liabilities for withholding taxes

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. Further details are contained in note 18 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the carrying amounts of goodwill were nil, nil, RMB9,179,000 and RMB9,179,000, respectively. Further details are given in note 17 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets, including right-of-use assets, other intangible assets, property, plant and equipment and investment properties at the end of each of the Relevant Periods. These non-financial long-term assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales or lease transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 18 to the Historical Financial Information.

Provision for expected credit losses on other receivables

The Group takes into account qualitative and quantitative reasonable and supportable forward-looking information of forecast economic conditions when assessing the provision for expected credit losses on other receivables. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's forecast of economic conditions might not be representative of the actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in note 20 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and value-added services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no further operating segment information is presented.

Geographical information

During the Relevant Periods and the five months ended 31 May 2020, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no further geographical information is presented.

Information about a major customer

During the years ended 31 December 2018, 2019 and 2020, the five months ended 31 May 2020 and 2021, revenue from contracts with customers of approximately RMB34,139,000, RMB35,236,000, RMB60,511,000, RMB19,513,000 and RMB34,621,000, respectively was derived from services provided to companies in which the Ultimate Controlling Shareholder has control or jointly control, and has significant influence (collectively referred to as "Fellow Entities") and contributed 10% or more of total revenue of the Group during the Relevant Periods and the five months ended 31 May 2020.

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

Revenue represents income from the property management services and value-added services during the each of the Relevant Periods and the five months ended 31 May 2020.

An analysis of revenue from contracts with customers is as follows:

Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Types of goods and services					
Residential property management services	11,303	15,530	27,794	8,989	17,766
Non-residential property management services	18,850	18,654	33,641	8,089	28,223
	30,153	34,184	61,435	17,078	45,989
Value-added services to:					
Non-property owners	28,959	29,724	55,766	17,750	35,464
Property owners	4,852	5,208	10,721	2,225	7,706
	33,811	34,932	66,487	19,975	43,170
Total revenue from contracts with customers	63,964	69,116	127,922	37,053	89,159
Timing of revenue recognition					
Goods transferred at a point in time	–	–	491	200	2
Services transferred over time	55,324	67,058	115,790	31,913	76,303
Services transferred at a point in time	8,640	2,058	11,641	4,940	12,854
Total revenue from contracts with customers	63,964	69,116	127,922	37,053	89,159

Contract liabilities

The Group has the following revenue-related contract liabilities:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
– Related parties	137	225	476	4,120
– Third parties	5,184	6,702	12,565	15,995
	5,321	6,927	13,041	20,115

Contract liabilities are expected to be recognised as revenue:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,985	6,605	11,841	18,861
After one year	336	322	1,200	1,254
	5,321	6,927	13,041	20,115

Contract liabilities of the Group mainly arise from the advance payments received from customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business and due to business combination completed during the year ended 31 December 2020.

Changes in contract liabilities during the Relevant Periods and the five months ended 31 May 2020 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Carrying amount at 1 January	4,642	5,321	6,927	6,927	13,041
Acquisition of subsidiaries	–	–	7,158	–	–
Revenue recognised that was included in the contract liabilities at 1 January	(4,441)	(4,985)	(6,605)	(4,103)	(4,928)
Revenue recognised that was included in the contract liabilities arising from acquisition of subsidiaries	–	–	(6,527)	–	–
Increase due to cash received, excluding amounts recognised as revenue during the year/period	5,120	6,591	12,088	709	12,002
	5,321	6,927	13,041	3,533	20,115

Performance obligations

Information about the Group's performance obligations is summarised below:

For property management services and certain value-added services to non-property owners, revenue is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those services. The service fee is received in advance or is due within 180 days of the demand note issue date for related companies or certain property owners. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Value-added services are rendered in a short period of time which is generally less than a year. The payment is received in advance or due immediately when the services are rendered to the customer. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the sale of goods, the performance obligation is satisfied upon delivery of goods. The payment is due immediately when the goods are delivered to the customer. There were no remaining performance obligations unsatisfied or partially satisfied as at 31 December 2018, 2019 and 2020 and 31 May 2021.

Other income and gains

An analysis of other income and gains is as follows:

		Year ended 31 December			Five months ended 31 May	
	Notes	**2018**	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Other income and gains						
Government grants						
– related to assets	*25*	1,530	2,097	–	–	–
– related to expenses	*(i)*	180	1,500	108	–	–
Additional input value-added tax deduction		–	74	257	7	249
Bank interest income		25	1,654	2,362	946	1,520
Interest income from loans to related parties	*31*	7	–	–	–	–
Interest income from loans to an independent party	*(iii)*	–	198	2,606	510	–
Fair value gains on financial assets at fair value through profit or loss	*(ii)*	1,621	501	8	3	–
Reversal of impairment losses		5	–	405	–	–
Others		478	554	1,349	525	666
		3,846	6,578	7,095	1,991	2,435

Notes:

(i) Government grants related to expenses mainly represent the subsidies compensated for the incurred operating expenses arising from providing property management services in an incubation industrial park.

(ii) During the Relevant Periods and the five months ended 31 May 2020, fair value gains on financial assets at fair value through profit or loss represents the fair value change of wealth management products.

(iii) Interest income related to loans to an independent party repayable within 6 to 12 months from the date when the loans were granted with a fixed interest rate of 13.75% per annum.

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	17	13	24	11	97

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Five months ended 31 May	
		2018	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of services provided*		25,805	33,256	64,864	15,639	54,260
Cost of goods sold		–	–	388	246	–
Employee benefit expense*: (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		13,355	19,057	42,069	10,640	31,529
Equity-settled share option expense	*33*	–	–	–	–	648
Pension scheme contributions (defined contribution scheme)		1,606	2,505	2,197	650	6,074
		14,961	21,562	44,266	11,290	38,251
Amortization of other intangible assets	*16*	–	–	278	–	358
Depreciation of items of property, plant and equipment	*13*	1,906	1,185	322	309	29
Depreciation of investment properties	*14*	79	86	89	37	40
Depreciation of right-of-use assets	*15*	314	286	233	97	519
Lease payments not included in the measurement of lease liabilities	*15(c)*	628	626	721	258	426
Impairment losses/(reversal of impairment losses) on trade receivables	*19*	(5)	23	(329)	13	462
Impairment losses/(reversal of impairment losses) on other receivables	*20*	–	–	(76)	–	557
Listing expenses		–	–	5,233	–	7,317
Auditors' remuneration		189	189	142	71	–

* Amounts of RMB13,339,000, RMB18,763,000, RMB37,463,000, RMB9,301,000 (unaudited), RMB27,935,000 of employee benefit expenses were included in "Costs of services provided" in profit or loss during the years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

On 10 December 2020, Mr. Zhang Zhicheng was appointed as a director of the Company and was re-designated as the executive director of the Company and appointed as a chairman of the board of directors on 18 March 2021. On 18 March 2021, Mr. Zhang Qiang, Ms. Xiong Jianqiu, Ms. Wan Hong and Mr. Wu Da were appointed as executive directors of the Company, and Mr. Zou Kang were appointed as a non-executive director of the Company. Mr. Zhou Youbo was appointed as the chief executive officer of the Company on 18 March 2021.

Certain of the directors received remuneration from the group entities now comprising the Group prior to their appointment as the directors and the chief executive officer of the Company. Details of the remuneration received or receivable by the directors and the chief executive officer from the group entities are as follows:

		Year ended 31 December			Five months ended 31 May	
	Note	**2018**	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees		–	–	–	–	–
Other emoluments:						
Salaries, allowances and benefits in kind		1,327	1,283	3,189	1,173	1,901
Equity-settled share option expense	*33*	–	–	–	–	909
Pension scheme contributions		231	225	165	62	166
		1,558	1,508	3,354	1,235	2,976

During the five months ended 31 May 2021, certain directors were granted share options, in respect of their services to the Group, under the Pre-IPO share option scheme (as defined in note 33 to the Historical Financial Information) of the Company, further details of which are set out in note 33 to the Historical Financial Information. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the five months ended 31 May 2020 is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

On 22 November 2021, Messrs. Fang Liqiang, Chen Di and Yan Hong were appointed as independent non-executive directors of the Company. There was no emolument payable to the independent non-executive directors during the Relevant Periods and the five months ended 31 May 2020.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2018

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Zhang Zhicheng	–	–	–	–
Mr. Zhang Qiang	427	–	69	496
Ms. Xiong Jianqiu	342	–	68	410
Ms. Wan Hong	138	–	29	167
Mr. Wu Da	420	–	65	485
	1,327	–	231	1,558
Chief executive:				
Mr. Zhou Youbo	–	–	–	–
	1,327	–	231	1,558

Year ended 31 December 2019

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Zhang Zhicheng	–	–	–	–
Mr. Zhang Qiang	406	–	68	474
Ms. Xiong Jianqiu	349	–	67	416
Ms. Wan Hong	185	–	33	218
Mr. Wu Da	343	–	57	400
	1,283	–	225	1,508
Chief executive:				
Mr. Zhou Youbo	–	–	–	–
	1,283	–	225	1,508

Year ended 31 December 2020

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Zhang Zhicheng	495	–	10	505
Mr. Zhang Qiang	403	–	34	437
Ms. Xiong Jianqiu	448	–	34	482
Ms. Wan Hong	352	–	21	373
Mr. Wu Da	431	–	35	466
	2,129	–	134	2,263
Chief executive:				
Mr. Zhou Youbo	1,060	–	31	1,091
	3,189	–	165	3,354

Five months ended 31 May 2020 (unaudited)

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Zhang Zhicheng	–	–	–	–
Mr. Zhang Qiang	196	–	15	211
Ms. Xiong Jianqiu	195	–	14	209
Ms. Wan Hong	151	–	7	158
Mr. Wu Da	212	–	15	227
	754	–	51	805
Chief executive:				
Mr. Zhou Youbo	419	–	11	430
	1,173	–	62	1,235

Five months ended 31 May 2021

	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Zhang Zhicheng	538	–	28	566
Mr. Zhang Qiang	322	–	28	350
Ms. Xiong Jianqiu	247	143	28	418
Ms. Wan Hong	174	143	27	344
Mr. Wu Da	214	–	27	241
	1,495	286	138	1,919
Chief executive:				
Mr. Zhou Youbo	406	623	28	1,057
	1,901	909	166	2,976

There was no emolument payable to the non-executive director during the Relevant Periods and the five months ended 31 May 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the five months ended 31 May 2020.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2020 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Director and chief executive	3	3	5	5	3
Non-director	2	2	–	–	2
	5	5	5	5	5

Details of the remuneration of the highest paid employees who are neither a director nor chief executive of the company are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	395	410	–	–	625
Performance related bonuses	33	72	–	–	91
Equity-settled share option expense *(note 33)*	–	–	–	–	648
Pension scheme contributions	94	97	–	–	56
	522	579	–	–	1,420

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
Nil to HKD1,000,000	2	2	–	–	–

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the five months ended 31 May 2020.

Except for certain subsidiaries as described below, PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the Relevant Periods and the five months ended 31 May 2020. According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain subsidiaries of the Group that are located in Sichuan Province and engaged in the encouraged business of property services management were entitled to a preferential CIT rate of 15% in 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021. Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Cai Shui Fa [2020] No. 23), the tax preferential treatments were extended to 31 December 2030.

In addition, certain subsidiaries in the PRC are qualified as small and micro enterprises and thus entitled to a preferential tax treatment at a tax rate of 20% in 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, respectively.

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current – Mainland China					
Charge for the year	5,811	5,525	7,879	2,890	2,787
Overprovision in prior years	–	–	–	–	(179)
Deferred tax *(note 18)*	428	207	37	(2)	(278)
Total tax charge for the year	6,239	5,732	7,916	2,888	2,330

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate for each of the Relevant Periods and the five months ended 31 May 2020 is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	37,633	36,775	50,829	19,552	12,333
Tax at the statutory rate of 25%	9,408	9,194	12,707	4,888	3,083
Lower tax rates for a specific province or enacted by local authorities	(3,725)	(3,463)	(4,698)	(1,862)	(1,180)
Profits not subject to tax	(51)	(392)	(567)	(195)	(370)
Tax losses and deductible temporary difference where deferred tax assets was not recognised	–	(6)	13	37	229
Expenses not deductible for tax	224	294	455	20	748
Adjustments in respect of current tax of the previous year	–	–	–	–	(179)
Effect on opening deferred tax of change in rates	383	105	–	–	–
Tax loss utilised from previous years which were not recognised before	–	–	6	–	(1)
Tax charge at the Group's effective rate	6,239	5,732	7,916	2,888	2,330

11. DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation.

Chengdu Desun declared and paid dividends in aggregate of RMB27,210,000 and RMB40,760,000 to the then shareholders during each of the years ended 31 December 2018 and 2019, respectively.

For the dividend declared by the subsidiary of the Group, the rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful because the Reorganization and the presentation of the results of the Group for the Relevant Periods and the five months ended 31 May 2020 on the basis as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Devices and equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2018			
At 1 January 2018:			
Cost	158	5,531	5,689
Accumulated depreciation	(101)	(3,134)	(3,235)
Net carrying amount	57	2,397	2,454
At 1 January 2018, net of accumulated depreciation	57	2,397	2,454
Additions	–	32	32
Depreciation provided during the year	(30)	(1,876)	(1,906)
At 31 December 2018, net of accumulated depreciation	27	553	580
At 31 December 2018			
Cost	158	5,563	5,721
Accumulated depreciation	(131)	(5,010)	(5,141)
Net carrying amount	27	553	580
At 31 December 2019			
At 1 January 2019:			
Cost	158	5,563	5,721
Accumulated depreciation	(131)	(5,010)	(5,141)
Net carrying amount	27	553	580
At 1 January 2019, net of accumulated depreciation	27	553	580
Additions	–	921	921
Depreciation provided during the year	(18)	(1,167)	(1,185)
At 31 December 2019, net of accumulated depreciation	9	307	316

	Devices and equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 31 December 2019			
Cost	158	6,484	6,642
Accumulated depreciation	(149)	(6,177)	(6,326)
Net carrying amount	9	307	316
At 31 December 2020			
At 1 January 2020:			
Cost	158	6,484	6,642
Accumulated depreciation	(149)	(6,177)	(6,326)
Net carrying amount	9	307	316
At 1 January 2020, net of accumulated depreciation	9	307	316
Additions	108	–	108
Acquisition of subsidiaries *(note 28)*	102	–	102
Depreciation provided during the year	(15)	(307)	(322)
At 31 December 2020, net of accumulated depreciation	204	–	204
At 31 December 2020			
Cost	368	6,484	6,852
Accumulated depreciation	(164)	(6,484)	(6,648)
Net carrying amount	204	–	204
At 31 May 2021			
At 1 January 2021:			
Cost	368	6,484	6,852
Accumulated depreciation	(164)	(6,484)	(6,648)
Net carrying amount	204	–	204
At 1 January 2021, net of accumulated depreciation	204	–	204
Additions	8	–	8
Depreciation provided during the period	(29)	–	(29)
At 31 May 2021, net of accumulated depreciation	183	–	183
At 31 May 2021			
Cost	376	–	376
Accumulated depreciation	(193)	–	(193)
Net carrying amount	183	–	183

Leasehold improvements were written off during the five months ended 31 May 2021 upon the expiration of relating lease contract.

14. INVESTMENT PROPERTIES

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	1,792	1,792	1,990	1,990
Accumulated depreciation	(309)	(388)	(474)	(563)
Carrying amount at 1 January	1,483	1,404	1,516	1,427
Additions	–	198	–	–
Depreciation	(79)	(86)	(89)	(40)
Carrying amount at 31 December	1,404	1,516	1,427	1,387

The Group's investment properties consist of one residential and one commercial property in Mainland China. The Company uses the cost model to measure its investment properties.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, the fair values of the investment properties were estimated to be approximately RMB2,100,000, RMB2,398,000, RMB2,502,000 and RMB2,502,000, respectively. The valuation was performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained.

The valuation of the residential property was determined using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the price per square metre. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

The valuation of the commercial property was determined using the income approach by reference of achievable rental income in the existing market. The most significant input into this valuation approach is the rental income per month. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises and an exhibition hall used in its operations. Property leases are typically made for fixed periods of 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises	Exhibition hall	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	523	–	523
Depreciation charge	(314)	–	(314)
As at 31 December 2018 and 1 January 2019	209	–	209
Addition	697	–	697
Depreciation charge	(286)	–	(286)
As at 31 December 2019 and 1 January 2020	620	–	620
Depreciation charge	(233)	–	(233)
As at 31 December 2020 and 1 January 2021	387	–	387
Additions	637	4,710	5,347
Depreciation charge	(179)	(340)	(519)
As at 31 May 2021	845	4,370	5,215

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	445	136	583	358
New leases	–	697	–	5,347
Accretion of interest recognised during the year/period	17	13	24	97
Payments	(326)	(263)	(249)	(146)
Carrying amount at end of year/period	136	583	358	5,656
Analyzed into:				
Current portion	136	225	236	1,439
Non-current portion	–	358	122	4,217

The maturity profile of the Group's lease liabilities as at the end of the Relevant Periods is as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payment due:				
– within one month	4	–	–	62
– more than one month but not later than three months	81	62	62	267
– more than three months but not later than one year	55	187	187	1,349
– more than one year but not later than five years	–	374	124	4,584
	140	623	373	6,262
Less: future finance charge	(4)	(40)	(15)	(606)
Present value of lease liabilities	136	583	358	5,656

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	17	13	24	11	97
Depreciation charge on right-of-use assets	314	286	233	97	519
Expense relating to short-term leases (included in cost of sales and administrative expenses)	628	626	721	258	426
Total amount recognised in profit or loss	959	925	978	366	1,042

(d) The total cash outflow for leases is disclosed in note 32(c) to the Historical Financial Information.

16. OTHER INTANGIBLE ASSETS

	Development cost *RMB'000* *(note)*	Software *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
Cost				
At 1 January and 31 December 2018 and 2019	–	–	–	–
Additions	173	580	–	753
Acquisition of subsidiaries *(note 28)*	–	–	7,600	7,600
At 31 December 2020	173	580	7,600	8,353
At 1 January 2021	173	580	7,600	8,353
Additions	139	334	–	473
Transfer	(36)	36	–	–
At 31 May 2021	276	950	7,600	8,826
Amortization				
At 1 January and 31 December 2018 and 2019	–	–	–	–
Amortization provided during the year	–	25	253	278
At 31 December 2020	–	25	253	278
At 1 January 2021	–	25	253	278
Amortization provided during the period	–	41	317	358
At 31 May 2021	–	66	570	636
Carrying values				
At 1 January and 31 December 2018 and 2019	–	–	–	–
At 31 December 2020 and 1 January 2021	173	555	7,347	8,075
At 31 May 2021	276	884	7,030	8,190

Note: During the year ended 31 December 2020 and the five months ended 31 May 2021, the Group internally developed several separable function modules and software copyrights for an integration service platform. The Group used this platform for the development of new value-added services and as the key supporting tool for staff in carrying out daily functions.

17. GOODWILL

	RMB'000
Cost and carrying amount	
At 1 January and 31 December 2018 and 2019	–
Acquisition of subsidiaries *(note 28)*	9,179
At 31 December 2020, 1 January 2021 and 31 May 2021	9,179

During the year ended 31 December 2020, the Group acquired Zhongneng and its subsidiary ("Zhongneng Group") from independent third parties. Zhongneng Group is engaged in providing property management services in Sichuan, the PRC. Details of the related acquisition are disclosed in note 28 to the Historical Financial Information.

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating unit ("CGU") of Zhongneng Group that are expected to benefit from the business combination. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management. The long-term growth rate used to extrapolate the cash flows during the terminal period is 3%.

Assumptions were used in the value-in-use calculation of the CGU for 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The budgeted revenue is based on the existing charge rates and revenue-bearing gross floor area of the properties.

Pre-tax discount rate – The pre-tax discount rate reflects the risks relating to the relevant CGU, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the same industry. The pre-tax discount rate used in the value-in-use calculation for the CGU was 18.52% as at 31 December 2020.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 3% of budgeted revenue or increasing 5% of pre-tax discount rate, which are the key assumptions for determine the recoverable amount of the CGU, with all other variables held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) as at 31 December 2020 are as below:

	RMB'000
Headroom	3,760
Impact by decreasing budgeted revenue	(3,574)
Impact by increasing pre-tax discount rate	(1,619)

Considering there was still sufficient headroom based on the goodwill impairment assessment, the management believes that a reasonable possible change in the above key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the five months ended 31 May 2021, and the management has concluded there was no impairment indicator of goodwill at 31 May 2021. Accordingly, the management did not perform impairment testing on goodwill as at 31 May 2021.

18. DEFERRED TAX

Deferred tax assets

	Impairment of financial assets *RMB'000*	**Losses available for offsetting against future taxable profit** *RMB'000*	**Deferred income** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2018	1	326	311	–	638
Deferred tax charged to profit or loss during the year *(note 10)*	(1)	(326)	(101)	–	(428)
Gross deferred tax at 31 December 2018 and 1 January 2019	–	–	210	–	210
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	3	–	(210)	–	(207)
Gross deferred tax at 31 December 2019 and 1 January 2020	3	–	–	–	3
Acquisition of subsidiaries	323	–	–	–	323
Deferred tax charged to profit or loss during the year *(note 10)*	(75)	–	–	–	(75)
Gross deferred tax at 31 December 2020 and 1 January 2021	251	–	–	–	251
Deferred tax credited to profit or loss during the period *(note 10)*	182	–	–	1,071	1,253
Gross deferred tax at 31 May 2021	433	–	–	1,071	1,504

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary *RMB'000*	**Right-of-use assets** *RMB'000*	**Other** *RMB'000*	**Total** *RMB'000*
At 1 January and 31 December 2018 and 2019	–	–	–	–
Acquisition of subsidiaries	1,140	–	–	1,140
Deferred tax credited to profit or loss during the year *(note 10)*	(38)	–	–	(38)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	–	–	1,102	1,102
Deferred tax charged/(credited) to profit or loss during the period *(note 10)*	(47)	985	37	975
Gross deferred tax liabilities at 31 May 2021	1,055	985	37	2,077

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			**As at 31 May**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	210	3	251	482
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	1,102	1,055

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, 2019 and 2020 and 31 May 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors of the Company determined that the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so such retained profits are not likely to be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB19,337,000, RMB8,231,000, RMB44,903,000 and RMB56,651,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

At 31 December 2018 and 2019, the Group had no unused tax losses arising in Mainland China from PRC entities subject to income tax. As at 31 December 2020 and 31 May 2021, the Group had unused tax losses arising in Mainland China from PRC entities subject to income tax of RMB904,000 and RMB1,812,000, respectively, which will expire in one to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

19. TRADE RECEIVABLES

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from:				
Related parties	11,896	5,513	20,872	19,769
Third parties *(note 31(c))*	943	1,999	15,789	23,658
	12,839	7,512	36,661	43,427
Impairment	–	(23)	(962)	(1,424)
	12,839	7,489	35,699	42,003

Trade receivables mainly arise from property management fee charged on a lump sum basis and value-added services.

Property management service income on a lump sum basis is received in accordance with the terms of the relevant property service agreements and due for payment upon the rendering of services and payment is received in advance or due within 5-30 days of the demand note issue date. Value-added services are due for payment upon rendering the services on a monthly, quarterly or half yearly basis depending on the nature of the services rendered and payment is due within 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the demand note issue date and net of provisions for impairment of trade receivables, is as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	12,722	7,351	33,922	38,740
1 to 2 years	97	125	1,598	3,011
2 to 3 years	20	13	156	221
Over 3 years	–	–	23	31
	12,839	7,489	35,699	42,003

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5	–	23	962
Acquisition of subsidiaries *(note 28)*	–	–	1,268	–
Impairment losses/(reversal of impairment losses) *(note 7)*	(5)	23	(329)	462
At end of year/period	–	23	962	1,424

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The expected credit loss rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e. by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group considered that the expected loss rate for trade receivables due from related parties as at 31 December 2018, 2019 and 2020 and 31 May 2021 was insignificant considering the good finance position and absent history of default of the related parties. Therefore, no loss allowance provision for trade receivables and other receivables from related parties was recognised during the Relevant Periods.

Set out below is the information about the credit risk exposure on the Group's trade receivables due from independent third parties using a provision matrix:

31 December 2018

	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.1%	0.8%	11.7%	100.0%	
Gross carrying amount (RMB'000)	826	97	20	–	943
Expected credit losses (RMB'000)	–	–	–	–	–

31 December 2019

	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.8%	2.3%	18.8%	100.0%	
Gross carrying amount (RMB'000)	1,852	128	16	3	1,999
Expected credit losses (RMB'000)	14	3	3	3	23

31 December 2020

	Ageing based on demand note issue date				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	4.1%	12.6%	50.8%	62.9%	
Gross carrying amount (RMB'000)	13,815	1,595	317	62	15,789
Expected credit losses (RMB'000)	561	201	161	39	962

31 May 2021

	Ageing based on demand note issue date				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	3.5%	14.2%	28.5%	82.5%	
Gross carrying amount (RMB'000)	19,664	3,508	309	177	23,658
Expected credit losses (RMB'000)	693	497	88	146	1,424

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	As at 31 December **2018**	**2019**	**2020**	**As at 31 May 2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties	*31(c)*	–	55	614	2,166
Deposits	*(a)*	180	77	2,359	2,942
Staff advances		67	162	729	608
Property management costs recoverable from residents		–	–	314	548
Payments on behalf of residents	*(b)*	691	668	1,378	1,510
Cash in transit		232	187	539	223
Other receivables	*(c)*	–	–	849	2,258
Interest receivables		–	–	–	655
Prepaid expenses		12	18	644	1,966
Deferred listing expenses		–	–	1,594	3,723
		1,182	1,167	9,020	16,599
Impairment allowance		–	–	(853)	(1,410)
		1,182	1,167	8,167	15,189

Notes:

(a) The amounts mainly represented the refundable deposits paid for performance and project tendering deposits.

(b) The amounts represented the amounts paid on behalf of residents to the utility service providers for the services provided.

(c) Included in other receivables at 31 December 2020 are interest-free loans amounted to RMB700,000 granted to independent individuals which had been past due for more than 2 years. Loans to individuals were considered credit impaired and a full impairment was provided by the Group.

Included in other receivables at 31 May 2021 are interest-free loans to independent individuals and an independent third party (collectively the "Loans") amounted to RMB700,000 and RMB1,259,000, respectively, which had been past due. Loans to individuals were considered credit impaired and a full impairment was provided by the Group. Loans to an independent third party were partially considered credit impaired and impairment of RMB474,000 was provided.

All the above receivables are interest-free and are not secured with collateral. Except for the Loans and payments on behalf of residents, none of the financial assets included in the above balances is past due, with no recent history of default. As at 31 December 2018, 2019 and 2020 and 31 May 2021, other than the Loans and payments on behalf of residents, the loss allowance for the other financial assets in the above balances related to receivables was assessed to be minimal.

The movements in the loss allowance for impairment are as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	–	–	–	853
Acquisition of subsidiaries *(note 28)*	–	–	929	–
Impairment losses/(reversal of impairment losses) *(note 7)*	–	–	(76)	557
At end of year/period	–	–	853	1,410

For payments on behalf of residents to utility providers, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied as at 31 December 2018, 2019 and 2020 and 31 May 2021 was 0.1%, 0.8%, 11.1% and 15.6%, respectively.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	54,176	200	130	20

At the end of each of the Relevant Periods, the wealth management products were issued by licensed banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. None of the wealth management products are past due.

All the financial assets at fair value through profit or loss are denominated in RMB.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	686	57,563	109,502	106,751

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	1,396	1,673	8,543	8,117
3 to 12 months	56	7	1,677	1,848
Over 1 year	108	108	344	167
	1,560	1,788	10,564	10,132

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

24. OTHER PAYABLES AND ACCRUALS

		As at 31 December			As at 31 May
	Notes	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties	*31(c)*	20	3,601	3,500	1,789
Consideration payables for acquisition of a subsidiary	*28*	–	–	7,040	–
Receipts on behalf from community residents	*(a)*	2,020	3,854	10,025	12,449
Payroll and social insurance payables		5,719	6,734	22,541	22,246
Deposits received		1,211	1,787	4,987	5,368
Other tax payable		1,364	1,135	4,306	4,619
Other payables and accrued expenses		238	381	5,895	8,726
		10,572	17,492	58,294	55,197

Note:

(a) The amounts mainly represent advances received on behalf from property owners and tenants for settlement of utility charges.

25. DEFERRED INCOME

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	1,244	2,097	–	–
Grants received	2,383	–	–	–
Released to profit or loss *(note 5)*	(1,530)	(2,097)	–	–
At end of year	2,097	–	–	–
Current	2,097	–	–	–

Deferred income represents the government grants received in connection with the cost of leasehold improvement incurred by the Group for office premises rented by the Group. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

26. SHARE CAPITAL

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
Number of ordinary shares				
Authorised:				
Ordinary shares of USD0.0001	N/A	N/A	500,000,000	500,000,000
Issued but not fully paid:				
Ordinary shares of USD0.0001	N/A	N/A	50,000	50,000
Amounts				
Issued but not fully paid:				
Ordinary shares of USD0.0001 (RMB)	–	–	33	33

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 December 2020 with authorised share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 at par value each. Upon its incorporation, one share of the Company was issued and allotted at par to an initial subscriber, an independent third party, and such share was transferred to Sky Donna at a cash consideration of USD0.0001 on the same date. On the same date, 41,376 shares, 2,420 shares, 2,500 shares, 2,300 shares, 483 shares and 920 shares at the consideration of par value each were issued and allotted to Sky Donna, Pengna Holding Limited, Zhiyu Holding Limited, Binyang Holding Limited, Lvy Holding Limited and Zhirui Holding Limited, respectively.

On 11 May 2021, the Company repurchased 500 issued shares from Pengna Holding Limited at par value and allotted to Wellman Investments Limited.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the five months ended 31 May 2020 are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies now comprising the Group prior to the incorporation of the Company and completion of the Reorganization, and contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

28. BUSINESS COMBINATION

On 31 August 2020, the Group acquired a 100% equity interest in Zhongneng Group from independent third parties. Zhongneng Group is engaged in the provision of property management services. The purchase consideration was RMB15,000,000, of which RMB7,960,000 was paid in 2020 by a related party on behalf of the Group and the remaining of RMB7,040,000 has been paid in February 2021 by the Group. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in Mainland China. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Zhongneng Group as at the acquisition date were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	102
Investment in a joint venture*		646
Deferred tax assets		323
Cash and cash equivalents		18,579
Trade receivables		10,195
Prepayments, deposits and other receivables		2,315
Customer relationship	*16*	7,600
Contract liabilities		(7,158)
Trade payables		(3,397)
Other payables and accruals		(20,578)
Deferred tax liabilities		(1,140)
Tax payable		(1,666)
Total identifiable net assets at fair value		5,821
Goodwill on acquisition	*17*	9,179
Satisfied by		
– Due to a related party		7,960
– Other payable		7,040
		15,000

* Investment in a joint venture represented the 50% equity interest in Baiyue Jiacheng. Baiyue Jiacheng has remained dormant since 2020. On 24 December 2020, the Group acquired the remaining 50% of equity interest in Baiyue Jiacheng from an independent third party. Upon completion of the acquisition, the Group holds a 100% equity interest in Baiyue Jiacheng. Further details of the step acquisition are included in note 29 to the Historical Financial Information.

Transaction costs of RMB140,000 have been expensed and are included in administrative expenses in profit or loss and are included in cash flows from operating activities.

An analysis of the cash flow in respect of the acquisition of Zhongneng Group is as follows:

	RMB'000
Cash consideration paid in 2020	–
Cash and cash equivalents acquired	18,579
Net inflow of cash and cash equivalents included in cash flows from investing activities	18,579

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB10,195,000 and RMB2,315,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB11,463,000 and RMB3,244,000, respectively, of which trade receivables and other receivables of RMB1,268,000 and RMB929,000, respectively, are expected to be uncollectible.

Since the acquisition, Zhongneng Group contributed RMB21,673,000 to the Group's revenue and RMB2,413,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place on 1 January 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB164,899,000 and RMB47,158,000, respectively.

29. STEP ACQUISITION OF 50% SHAREHOLDING IN A FORMER JOINT VENTURE

On 26 November 2020, Chengdu Desun, a subsidiary of the Group entered into a share transfer agreement with an independent third party to acquire the remaining 50% equity interest in Baiyue Jiacheng (note 28). Upon the completion of the share transfer agreement on 24 December 2020, the Group held 100% of the equity interest in Baiyue Jiacheng. The consideration for the acquisition consists cash of RMB500,000 and the fair value of the equity interest in Baiyue Jiacheng previously held by the Group immediately before the acquisition.

The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business. As at the acquisition date, the Group remeasured the fair value of the previously held equity interest of Baiyue Jiacheng approximate to its carrying amount at the date of acquisition with no gain or loss was recognised in profit or loss.

The identified assets and liabilities acquired by the Group in the above acquisition were as follows:

	RMB'000
Cash and cash equivalents	1,007
Other receivables	2
Other payables and accruals	(9)
Total identifiable net assets	1,000
Satisfied by cash	500
Fair value of previously held equity interest remeasured at the date of acquisition	500
Total	1,000

An analysis of the cash flows in respect of the above step acquisition is as follows:

Cash consideration	(500)
Cash and cash equivalents acquired	1,007
Net inflow of cash and cash equivalents included in cash flows from investing activities	507

30. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Capital contribution payable to a joint venture	–	–	510	–

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Chengdu Fulang was a joint venture of the Group, where the Company indirectly held a 51% equity interest. As at 31 December 2019 and 2020, the Group and other shareholder have yet to complete the capital contribution in Chengdu Fulang. Chengdu Fulang ceased to be a joint venture and became a subsidiary of the Group as at 1 March 2021.

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with the Fellow Entities of the Group:

		Year ended 31 December			Five months ended 31 May	
	Notes	2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Rendering of property management services and value-added services	*(i)*	34,139	35,236	60,511	19,513	34,621
Purchase of an investment property	*(ii)*	–	198	–	–	–
Receiving renovation services	*(iii)*	–	921	–	–	–
Lease payments for office premises	*(iv)*	–	159	85	85	–
Advances given	*(v)*	48,800	49,570	–	–	–
Repayment of advances	*(v)*	(48,800)	(49,570)	–	–	–
Interests charged to related parties	*(v)*	7	–	–	–	–
Consideration paid on behalf of the Group	*(vi)*	–	–	7,960	–	–
Repayment of entrusted payment	*(vi)*	–	–	(7,960)	–	–

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The consideration was determined at a price mutually agreed between both parties by reference to the market price.

(iii) The fee for the renovation service provided by a fellow entity was determined in accordance with the terms mutually agreed by the contracted parties.

(iv) During the Relevant Periods and the five months ended on 31 May 2020, the Group entered into property leasing agreements with a fellow entity for office premises used in its operations with lease period of three years at a monthly charge ranging from RMB21,000 to RMB27,000. The above lease agreements were recognized and measured as right-of-use asset. In addition, the Group leased certain office premises under short-term lease contracts ranging from five to nine months from a fellow entity during the provision of value-added services during the year ended 31 December 2019 and 2020. The directors consider that the rental expenses paid by the Group to the fellow entity as determined under the tenancy agreements were based on the market rates for similar locations.

(v) During the year ended 31 December 2018, the Group made advances to companies controlled by the Ultimate Controlling Shareholder. The advances given were unsecured and bore interest at rate of 1.0% per annum and were repayable on demand.

During the year ended 31 December 2019, the Group has inadvertently transferred a fund of RMB49,570,000 to a company controlled by the Ultimate Controlling Shareholder and such fund has been refunded immediately to the Group on the same day.

(vi) During the year ended 31 December 2020, a company controlled by the Ultimate Controlling Shareholder paid purchase consideration for the acquisition of Zhongneng amounting to RMB7,960,000 on behalf of the Group. The payment made on behalf was unsecured, interest-free and has been fully repaid by the Group on 30 December 2020.

(c) Balances with related parties

In addition to the balances detailed elsewhere in the Historical Financial Information, the Group had the following balances with related parties as at the end of each of the Relevant Periods:

Due from related parties

		As at 31 December			**As at 31 May**
	Notes	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fellow Entities					
– Trade nature	*19*	11,896	5,513	20,872	19,769
– Non-trade nature	*20*	–	55	597	2,166
		11,896	5,568	21,469	21,935
Chengdu Fulang					
– Non-trade nature	*20*	–	–	17	–

Trade nature amounts due from Fellow Entities represented the outstanding balances receivable in respect of the provision of property management services and property developer related services.

The non-trade amounts due from Fellow Entities and Chengdu Fulang were unsecured and interest-free with no fixed term of repayment. As represented by the directors of the Company, the non-trade amounts due from Fellow Entities will be fully settled before the Listing.

Due to related parties

	Note	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 31 May 2021 RMB'000
Fellow Entities					
– Non-trade nature	24	20	3,601	3,500	1,789

The non-trade amounts due to Fellow Entities are unsecured, interest-free and have no fixed terms of repayment and will be settled upon the Listing.

Lease liabilities due to a related party

	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 31 May 2021 RMB'000
A fellow entity	136	583	358	301

(d) Compensation of key management personnel of the Group

	Year ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	Five months ended 31 May 2020 RMB'000 (Unaudited)	2021 RMB'000
Salaries, allowances and benefits in kind	1,470	1,452	3,678	1,373	2,128
Equity-settled share option expense *(note 33)*	–	–	–	–	909
Pension scheme contributions	264	259	210	74	208
Total compensation paid to key management personnel	1,734	1,711	3,888	1,447	3,245

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB697,000 and RMB697,000, respectively in respect of a lease arrangement for office premises.

During the five months ended 31 May 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,347,000 and RMB5,347,000, respectively in respect of lease arrangements for an office premise and an exhibition hall.

(ii) During the year ended 31 December 2020, a company controlled by the Ultimate Controlling Shareholder paid purchase consideration for the acquisition of Zhongneng Group amounting to RMB7,960,000 on behalf of the Group.

During the year ended 31 December 2020, the Group entered into a netting arrangement with a company controlled by the Ultimate Controlling Shareholder, pursuant to which the counter parties to the netting arrangement unanimously agreed that the Group's trade receivable amounting to RMB3,655,000 is offset with other payables amounting to RMB3,655,000.

(iii) During the year ended 31 May 2021, the Group entered into a netting arrangement with a company controlled by the Ultimate Controlling Shareholder , pursuant to which the counter parties to the netting arrangement unanimously agreed that the Group's trade receivable amounting to RMB3,442,000 is offset with other payables amounting to RMB3,442,000.

(b) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*
At 1 January 2018	445
Changes from financing cash flows	(326)
	119
Non-cash changes:	
Interest expense	17
At 31 December 2018	136
At 1 January 2019	136
Changes from financing cash flows	(263)
	(127)
Non-cash changes:	
New leases	697
Interest expense	13
At 31 December 2019	583
At 1 January 2020	583
Changes from financing cash flows	(249)
	334
Non-cash changes:	
Interest expense	24
At 31 December 2020	358
At 1 January 2020	583
Changes from financing cash flows	(124)
	459

	Lease liabilities
	RMB'000
Non-cash changes:	
Interest expense	11
At 31 May 2020 (Unaudited)	470
At 1 January 2021	358
Changes from financing cash flows	(146)
	212
Non-cash changes:	
New leases	5,347
Interest expense	97
At 31 May 2021	5,656

(c) Total cash outflow for leases

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Within operating activities	628	760	652	124	384
Within financing activities	326	263	249	124	146

33. SHARE OPTION SCHEME

On 27 April 2021, the Company adopted a share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives to directors, senior management and other employees who contribute to the success of the Group. The Pre-IPO Share Option Scheme became effective on 27 April 2021 and, unless otherwise cancelled or amended, will remain in force until 27 April 2027.

The maximum number of unexercised share options currently permitted to be granted under the Pre-IPO Share Option Scheme is an amount equivalent, upon their exercise, to 3% of the shares of the Company in issue immediately following the Capitalization Issue and completion of Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme).

The offer of a grant of share options may be accepted before or on 27 April 2021, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted commences after the vesting period and ends on a date which is not later than six years from the date of offer of the share options (the "Expiry Date") or the expiry date of the Pre-IPO Share Option Scheme, if earlier. The exercise of the share options is conditional upon the fulfillment of certain performance targets and the exercisable number of the share options is linked to the performance evaluation results of the grantees in the previous year determinable by the directors of remuneration committee.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 27 April 2021, the number of share options had been granted and remained outstanding as at 31 May 2021 under the Pre-IPO Share Option Scheme was 19,253,000. Details of specific categories of share options under the Pre-IPO Share Option Scheme are as follows:

Number of options *'000*	**Vesting period**	**Exercise period**	**Exercise price** *HKD*	**Fair value at grant date** *RMB'000*
5,776	Grant date to the Listing Date	Listing Date to the Expiry Date	0.42	4,178
5,776	Grant date to the first anniversary to the Listing Date	The first anniversary to the Listing Date to the Expiry Date	0.42	4,302
3,851	Grant date to the second anniversary to the Listing Date	The second anniversary to the Listing Date to the Expiry Date	0.42	2,918
1,925	Grant date to the third anniversary to the Listing Date	The third anniversary to the Listing Date to the Expiry Date	0.42	1,476
1,925	Grant date to the fourth anniversary to the Listing Date	The fourth anniversary to the Listing Date to the Expiry Date	0.42	1,487
19,253				14,361

The fair value of the share options granted during the five months ended 31 May 2021 was RMB14,361,000 (RMB0.75 each), of which the Group recognised a share option expense of RMB1,557,000 during the five months ended 31 May 2021.

The fair value of equity-settled share options granted during the five months ended 31 May 2021, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Pre-IPO Share Option
Expected dividend yield (%)	0.00
Expected volatility (%)	50.47
Expected life	6 years
Risk-free rate (%)	0.93
Forfeiture rate (%)	0.00

Expected volatility was determined by using historical quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
Wealth management products	54,176	200	130	20
Financial assets at amortised cost				
Cash and cash equivalents	686	57,563	109,502	106,751
Financial assets included in prepayments, deposits and other receivables	1,170	1,149	5,929	9,500
Trade receivables	12,839	7,489	35,699	42,003
	14,695	66,201	151,130	158,254

Financial liabilities

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Trade payables	1,560	1,788	10,564	10,132
Lease liabilities	136	583	358	5,656
Financial liabilities included in other payables and accruals	3,489	9,623	31,447	28,332
	5,185	11,994	42,369	44,120

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to their fair values, are as follows:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Wealth management products	54,176	200	130	20

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Assets measured at fair value

The fair values of wealth management products are measured using expectation return published by licensed banks. The fair value measurement hierarchy of the Group's financial assets at fair value through profit or loss measured at fair value required significant observable inputs (Level 2) as at 31 December 2018, 2019 and 2020 and 31 May 2021.

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables, other payables and accruals, amounts due from related parties and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. It is the Group's policy that receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from related parties.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, all of the bank deposits were deposited with major financial institutions incorporated in Mainland China, which management believes are of high credit quality without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, the Group expects that the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, the Group classified financial assets included in prepayments, deposits and other receivables as stage 1 when the credit quality is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	686	–	–	–	686
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,170	–	–	–	1,170
– Doubtful**	–	–	–	–	–
Trade receivables*	–	–	–	12,839	12,839
	1,856	–	–	12,839	14,695

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	57,563	–	–	–	57,563
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,149	–	–	–	1,149
– Doubtful**	–	–	–	–	–
Trade receivables*	–	–	–	7,512	7,512
	58,712	–	–	7,512	66,224

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	109,502	–	–	–	109,502
Financial assets included in prepayments, deposits and other receivables					
– Normal**	6,082	–	–	–	6,082
– Doubtful**	–	–	700	–	700
Trade receivables*	–	–	–	36,661	36,661
	115,584	–	700	36,661	152,945

As at 31 May 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	106,751	–	–	–	106,751
Financial assets included in prepayments, deposits and other receivables					
– Normal**	8,951	–	–	–	8,951
– Doubtful**	–	1,259	700	–	1,959
Trade receivables*	–	–	–	43,427	43,427
	115,702	1,259	700	43,427	161,088

* For trade receivables to which the Group applies the simplified approach for impairment, the information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful" (note 20).

All of the trade receivables, other receivables and amounts due from related parties have no collateral. The Group had no concentration of credit risks in respect of trade receivables, with exposure spread over a number of customers, who are residents in the residential communities and commercial property developers. However, the Group had a concentration of credit risks in respect of trade receivables due from related parties. The Group considered that the credit risk associated with trade receivables due from related parties is low since the related parties have a strong capacity to meet contractual cash flow obligations in the near term.

The Group assesses the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractual due date, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follows up disputes or amounts overdue, if any.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares 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. It considers available reasonable and supportive forward-looking information.

Liquidity risk

The Group's objective is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Except for lease liabilities as set out in note 15 to the Historical Financial Information, the Group's financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are repayable on demand or less than 3 months at the end of each of the Relevant Periods.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			**As at 31 May**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	23,913	31,218	92,452	96,121
Total assets	71,286	68,874	173,021	188,599
Debt to asset ratio	34%	45%	53%	51%

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2021.

38. EVENTS AFTER THE REPORTING PERIOD

In addition to the event detailed elsewhere in this report, the Group had the following event after the reporting period:

On 22 November 2021, written resolutions of the shareholders were passed to approve matters described in the paragraph headed "Statutory and General Information – Further Information about Our Group – Written resolutions of the Shareholders passed on 22 November 2021" included as Appendix V to the Prospectus.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHENGDU ZHONGNENG PROPERTY MANAGEMENT COMPANY LIMITED AND ITS SUBSIDIARY TO THE DIRECTORS OF DESUN REAL ESTATE INVESTMENT SERVICES GROUP CO., LTD. AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED

Introduction

We report on the historical financial information of Chengdu Zhongneng Property Management Company Limited ("Zhongneng") and its subsidiary (together, "Zhongneng Group") set out on pages IB-4 to IB-39, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Zhongneng Group for each of the years ended 31 December 2018 and 2019, and the eight months ended 31 August 2020 (the "Relevant Periods"), and the consolidated statements of financial position of Zhongneng Group as at 31 December 2018 and 2019 and 31 August 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-39 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Desun Real Estate Investment Services Group Co., Ltd. (the "Company") dated 30 November 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Zhongneng Group as at 31 December 2018 and 2019 and 31 August 2020 and of the financial performance and the cash flows of Zhongneng Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of Zhongneng Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid by Zhongneng in respect of the Relevant Periods and the eight months ended 31 August 2019.

No historical financial statements for Zhongneng Group

As at the date of this report, no statutory financial statements have been prepared for Zhongneng Group since its date of establishment.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2021

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Zhongneng Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Eight months ended 31 August	
	Notes	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	*5*	48,072	52,900	34,315	36,977
Cost of sales		(41,664)	(45,933)	(30,232)	(27,267)
Gross profit		6,408	6,967	4,083	9,710
Other income and gains	*5*	302	307	153	1,055
Administrative expenses		(7,517)	(6,902)	(4,340)	(4,134)
Impairment losses on financial assets, net		(74)	(202)	(197)	(1,046)
Other expenses		(674)	(266)	(158)	(115)
Finance costs		(3)	(2)	(2)	–
PROFIT/(LOSS) BEFORE TAX	*6*	(1,558)	(98)	(461)	5,470
Income tax expenses	*7*	(208)	(1,026)	(686)	(1,225)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(1,766)	(1,124)	(1,147)	4,245
OTHER COMPREHENSIVE INCOME		–	–	–	–
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(1,766)	(1,124)	(1,147)	4,245
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	*9*	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ZHONGNENG GROUP

	Notes	31 December 2018	31 December 2019	31 August 2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	10	94	74	102
Right-of-use assets	11	100	33	–
Investment in a joint venture	18	–	–	646
Deferred tax assets	12	137	166	323
Total non-current assets		331	273	1,071
CURRENT ASSETS				
Trade receivables	13	4,736	6,691	10,195
Prepayments, deposits and other receivables	14	2,181	1,848	2,315
Due from related parties	19	414	1,870	–
Cash and cash equivalents	15	9,110	10,507	18,579
Total current assets		16,441	20,916	31,089
CURRENT LIABILITIES				
Contract liabilities	5	4,361	5,757	6,527
Trade payables	16	1,940	2,651	3,397
Other payables and accruals	17	12,786	16,087	20,538
Due to related parties	19	413	–	40
Lease liabilities	11	68	20	–
Taxes payable		–	530	1,666
Total current liabilities		19,568	25,045	32,168
NET CURRENT LIABILITIES		(3,127)	(4,129)	(1,079)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,796)	(3,856)	(8)
NON-CURRENT LIABILITIES				
Contract liabilities	5	944	1,028	631
Lease liabilities	11	20	–	–
Total non-current liabilities		964	1,028	631
NET LIABILITIES		(3,760)	(4,884)	(639)
EQUITY				
Paid-in capital		5,000	5,000	5,000
Accumulated losses		(8,760)	(9,884)	(5,639)
Total deficit		(3,760)	(4,884)	(639)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	5,000	(6,994)	(1,994)
Loss and total comprehensive loss for the year	–	(1,766)	(1,766)
As at 31 December 2018 and 1 January 2019	5,000	(8,760)	(3,760)
Loss and total comprehensive loss for the year	–	(1,124)	(1,124)
As at 31 December 2019 and 1 January 2020	5,000	(9,884)	(4,884)
Profit and total comprehensive income for the period	–	4,245	4,245
As at 31 August 2020	5,000	(5,639)	(639)
As at 1 January 2019	5,000	(8,760)	(3,760)
Loss and total comprehensive loss for the period (Unaudited)	–	(1,147)	(1,147)
As at 31 August 2019 (Unaudited)	5,000	(9,907)	(4,907)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Eight months ended 31 August 2019 RMB'000 (Unaudited)	Eight months ended 31 August 2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(1,558)	(98)	(461)	5,470
Adjustments for:					
Depreciation of items of property, plant and equipment	6	21	26	18	18
Depreciation of right-of-use assets	6	50	67	45	33
Gain on a bargain purchase	5	–	–	–	(137)
Bank interest income	5	(31)	(22)	(12)	(90)
Interest on lease liabilities	6	3	2	2	–
Impairment losses/(reversal of impairment losses) on trade receivables	6	(38)	108	108	972
Impairment losses on other receivables	6	112	94	89	74
		(1,441)	177	(211)	6,340
Increase in trade receivables		(1,689)	(2,063)	(1,055)	(2,878)
Decrease/(increase) in prepayments, deposits and other receivables		(131)	35	(475)	(433)
Increase in contract liabilities		2,534	1,480	787	373
Increase in trade payables		1,052	711	636	746
Increase in other payables and accruals		3,940	3,301	1,688	3,325
Cash generated from operations		4,265	3,641	1,370	7,473
Bank interest received		31	22	12	13
Income tax paid		(807)	(321)	(304)	(246)
Net cash flows from operating activities		3,489	3,342	1,078	7,240
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(22)	(6)	(6)	(43)
Acquisition of a subsidiary	18	–	–	–	65
Decrease/(increase) in amounts due from related parties		(539)	(1,456)	(1,000)	830
Repayment of loans granted to independent third parties		–	30	–	–
Loans to independent third parties		(100)	(30)	(30)	–
Net cash flows from/(used in) investing activities		(661)	(1,462)	(1,036)	852
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(decrease) in amounts due to related parties		300	(413)	(413)	–
Principal portion of the lease liabilities		(62)	(68)	(68)	(20)
Interest portion of the lease liabilities		(3)	(2)	(2)	–
Net cash flows from/(used in)financing activities		235	(483)	(483)	(20)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,063	1,397	(441)	8,072
Cash and cash equivalents at beginning of year/period		6,047	9,110	9,110	10,507
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	15	9,110	10,507	8,669	18,579

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 CORPORATE INFORMATION

Zhongneng was established in Sichuan, the People's Republic of China (the "PRC") on 16 May 2006 with limited liability. The registered office of Zhongneng is located at Aiwa Kindergarten, Xiangyang Road, Wenjiang District, Chengdu, Sichuan, the PRC. The principal place of business is located at No. 1803 Unit 2, Tower 8, No. 1480 North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, Sichuan, the PRC.

Zhongneng Group is principally engaged in the provision of property management services and related value-added services in the PRC.

As at 31 August 2020, Zhongneng Group had a direct 100% interest in Chengdu Jinjie (as defined in note 18 to the Historical Financial Information), which is a private limited liability established in the PRC. The particulars of Chengdu Jinjie are further disclosed in note 18 to the Historical Financial Information.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2020, including IFRS 16 *Lease* together with the relevant transitional provisions, have been early adopted by Zhongneng Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information. Zhongneng Group also early adopted Amendment to IFRS 16 *Covid-19-Related Rent Concessions* on 1 January 2020 and elected not to apply lease modification accounting for rent concessions arising as a direct consequences of the covid-19 pandemic and any reduction in lease payments with payments originally due on or before 30 June 2021.

The Historical Financial Information has been prepared under the historical cost convention.

Going concern basis

As at 31 December 2018 and 2019 and 31 August 2020, Zhongneng Group had net current liabilities of RMB3,127,000, RMB4,129,000 and RMB567,000, respectively. As at 31 August 2020, Zhongneng Group had net current liabilities of RMB1,079,000.

Notwithstanding that Zhongneng Group recorded net current liabilities throughout the Relevant Period, the directors of Zhongneng Group have given consideration to the future liquidity and performance of Zhongneng Group and its available sources of finance in assessing whether Zhongneng Group will have sufficient financial resources to continue as a going concern. In order to improve Zhongneng Group's liquidity and cash flows to sustain Zhongneng Group's operation for the next twelve months from 31 August 2020, Desun Real Estate Investment Services Group Co., Ltd. has undertaken to provide adequate financial support to enable Zhongneng Group to meet its liabilities as and when they fall due. Accordingly, the Historical Financial Information of Zhongneng Group has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of Zhongneng and its subsidiary as at 31 August 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Zhongneng. Control is achieved when Zhongneng Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Zhongneng Group the current ability to direct the relevant activities of the investee).

When Zhongneng has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Zhongneng Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Zhongneng Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as Zhongneng, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which Zhongneng Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Zhongneng Group are eliminated in full on consolidation.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Zhongneng Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on Zhongneng Group's financial statements.

The management of the Zhongneng Group anticipates that the application of the new and revised IFRS will have no material impact on the Zhongneng Group's financial position and performance to the Zhongneng Group in foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Zhongneng Group's investment in a joint venture is stated in the consolidated statement of financial position at Zhongneng Group's share of net assets under the equity method of accounting, less any impairment losses.

Zhongneng Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, Zhongneng Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between Zhongneng Group and its joint venture are eliminated to the extent of Zhongneng Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of Zhongneng Group's investments in a joint venture.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by Zhongneng Group, liabilities assumed by Zhongneng Group to the former owners of the acquiree and the equity interests issued by Zhongneng Group in exchange for control of the acquiree. For each business combination, Zhongneng Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Zhongneng Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When Zhongneng Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of Zhongneng Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Zhongneng Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Zhongneng Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of Zhongneng Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Zhongneng Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Zhongneng Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Zhongneng Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Zhongneng Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Zhongneng Group;

(ii) has significant influence over Zhongneng Group; or

(iii) is a member of the key management personnel of Zhongneng Group or of a parent of Zhongneng Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Zhongneng Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Zhongneng Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Zhongneng Group or an entity related to Zhongneng Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Zhongneng Group or to the parent of Zhongneng Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Zhongneng Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Devices and equipment	19% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Zhongneng Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Zhongneng Group as a lessee

Zhongneng Group applies a single recognition and measurement approach for all leases, except for short-term leases. Zhongneng Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 years

If ownership of the leased asset transfers to Zhongneng Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Zhongneng Group and payments of penalties for termination of a lease, if the lease term reflects Zhongneng Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Zhongneng Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

Zhongneng Group applies the short-term lease recognition exemption to its short-term leases of staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Zhongneng Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Zhongneng Group has applied the practical expedient of not adjusting the effect of a significant financing component, Zhongneng Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Zhongneng Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Zhongneng Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases or sales of financial assets are recognised on the trade date, that is, the date that Zhongneng Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Zhongneng Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- Zhongneng Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Zhongneng Group has transferred substantially all the risks and rewards of the asset, or (b) Zhongneng Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Zhongneng Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Zhongneng Group continues to recognise the transferred asset to the extent of Zhongneng Group's continuing involvement. In that case, Zhongneng Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Zhongneng Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Zhongneng Group could be required to repay.

Impairment of financial assets

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

General approach

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

At each reporting date, Zhongneng Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, Zhongneng Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Zhongneng Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Zhongneng Group may also consider a financial asset to be in default when internal or external information indicates that Zhongneng Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Zhongneng Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, Zhongneng Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

(i) significant financial difficulties of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) likelihood that the borrower will enter into bankruptcy or other financial reorganization emerges.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, Zhongneng Group applies the simplified approach in calculating ECLs. Under the simplified approach, Zhongneng Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Zhongneng Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Zhongneng Group's financial liabilities include other trade and other payables, lease liabilities and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Zhongneng Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in a subsidiary and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in a subsidiary and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if Zhongneng Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which Zhongneng Group expects to be entitled in exchange for those goods or services.

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

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

Property management services

Property management services comprise: (i) residential and non-residential property management services; (ii) value-added services for non-property owners; and (iii) value-added services for property owners.

(i) Residential and non-residential property management services

Zhongneng Group charges property management fees in respect of the property management services on a lump sum basis and on a commission basis and they are recognized over time because the customer simultaneously receives and consumes the benefits provided by Zhongneng Group.

On a lump sum basis, Zhongneng Group is entitled to retain the full amount of received property management fees. From the property management fees, Zhongneng Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees Zhongneng Group collected is not sufficient to cover all the expenses incurred, Zhongneng Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, Zhongneng Group recognises as revenue as the gross amount of property management fees Zhongneng Group charged to the property owners and property developers.

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period.

On a commission basis, Zhongneng Group is entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The remainder of the management fees is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally repayable to the customer. In the event of a shortfall of working capital to pay for the relevant property management expenses, Zhongneng Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recover from the residents subsequently.

On a commission basis, Zhongneng Group essentially acts as an agent of the property owners and property developers and accordingly, Zhongneng Group charges a pre-determined percentage of the total property management fees received when the property owners are obligated to pay. Any direct cost under the property management service agreement shall be borne by property owners and property developers.

(ii) Value-added services for non-property owners

Value-added services for non-property owners mainly include sales assistance services and brokerage services. Revenue from value added services other than brokerage services is recognised over time, in the amount to which Zhongneng Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by Zhongneng Group. Revenue from brokerage services is recognised at the point in time when the services are rendered and accepted by the customers.

(iii) Value-added services for property owners

Community value-added services for property owners include housekeeping services, community management services, home-decoration management services and commercial operational services. Revenue from community value-added services for property owners is recognised when the related services are rendered, and the customer simultaneously receives and consumes the benefits provided by Zhongneng Group. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before Zhongneng Group transfers the related goods or services. Contract liabilities are recognised as revenue when Zhongneng Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of Zhongneng Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

Zhongneng Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on Zhongneng Group's historical observed default rates. Zhongneng Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Zhongneng Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on Zhongneng Group's trade receivables is disclosed in note 13 to the Historical Financial Information.

Provision for expected credit losses on other receivables

Zhongneng Group takes into account qualitative and quantitative reasonable and supportable forward-looking information of forecast economic conditions when assessing the provision for expected credit losses on other receivables. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Zhongneng Group's forecast of economic conditions might not be representative of the actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in note 14 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 12 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Zhongneng Group is principally engaged in the provision of property management services and value-added services. Information reported to Zhongneng Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of Zhongneng Group as a whole as Zhongneng Group's resources are integrated and no discrete operating segment information is available. Accordingly, no further operating segment information is presented. All assets of Zhongneng Group are located in the PRC.

Geographical information

During the Relevant Periods, Zhongneng Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no further geographical information is presented.

Information about a major customer

For the years ended 31 December 2018 and 31 December 2019 and the eight months ended 31 August 2019 and 2020, revenue from a customer of approximately RMB13,041,000, RMB12,737,000, RMB8,491,000 and RMB8,345,000, respectively was derived from services provided to one single customer which accounted for 10% or more of Zhongneng Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

Revenue represents income from the property management services and value-added services during each of the Relevant Periods and the eight months ended 31 August 2019.

An analysis of revenue from contracts with customers is as follows:

Disaggregated revenue information

	Year ended 31 December		Eight months ended 31 August	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Types of services				
Residential property management services	8,580	9,954	6,509	8,436
Non-residential property management services	27,534	31,754	20,502	22,524
	36,114	41,708	27,011	30,960
Value-added services to:				
Non-property owners	4,689	4,655	3,188	2,367
Property owners	7,269	6,537	4,116	3,650
	11,958	11,192	7,304	6,017
Total revenue from contracts with customers	48,072	52,900	34,315	36,977

	Year ended 31 December		Eight months ended 31 August	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Timing of revenue recognition				
Services transferred over time	48,038	52,893	34,315	36,967
Services transferred at a point in time	34	7	–	10
Total revenue from contracts with customers	48,072	52,900	34,315	36,977

Contract liabilities

Contract liabilities of Zhongneng Group mainly arise from the advance payments received from customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of Zhongneng Group's business.

Changes in contract liabilities during the Relevant Periods are as follows:

	Year ended 31 December		Eight months ended 31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	2,771	5,305	6,785
Acceptance of new management service project/(withdrawal from existing management project)	(184)	–	281
Revenue recognised that was included in the contract liabilities at 1 January	(2,440)	(4,361)	(5,757)
Increase due to cash received, excluding amounts recognised as revenue during the year/period	5,158	5,841	5,849
	5,305	6,785	7,158

Contract liabilities are expected to be recognised as revenue:

	Year ended 31 December		Eight months ended 31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within one year	4,361	5,757	6,527
After one year	944	1,028	631
	5,305	6,785	7,158

Performance obligations

Information about Zhongneng Group's performance obligations is summarised below:

For property management services and certain value-added services to non-property owners, Zhongneng Group recognises revenue in the amount that equals the right to invoice which corresponds directly with the value to the customer of Zhongneng Group's performance to date on a monthly basis. Zhongneng Group bills the amount for services provided on a quarterly basis or pre-charges a service fee on quarterly or annually and monthly basis or settlement cycle respectively and payment is due within 90 days of invoice. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Value-added services are rendered in a short period of time which is generally less than a year and there was no remaining performance obligation (unsatisfied or partially unsatisfied) at the end of each of the Relevant Periods. The payment is due immediately when the services are rendered to the customer.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		**Eight months ended 31 August**	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Government grants*	–	–	–	236
Additional input value-added tax ("VAT") deduction**	–	95	56	365
Interest income from bank balances	31	22	12	90
Gain on a bargain purchase *(note 18)*	–	–	–	137
Others	271	190	85	227
	302	307	153	1,055

* There are no unfulfilled conditions or contingencies relating to these grants.

** Tax incentives on VAT are related to additional 10% VAT input tax deduction for taxpayers of manufacturing and living service industries from 1 April 2019 to 31 December 2021.

6. PROFIT/(LOSS) BEFORE TAX

Zhongneng Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Eight months ended 31 August 2019 RMB'000 (Unaudited)	Eight months ended 31 August 2020 RMB'000
Cost of services provided*		41,664	45,933	30,232	27,267
Employee benefit expense (including directors' and chief executive's remuneration):					
Wages and salaries		29,442	29,276	18,608	19,682
Pension scheme contributions (defined contribution scheme)		4,558	5,883	4,343	926
		34,000	35,159	22,951	20,608
Depreciation of items of property, plant and equipment	*10*	21	26	18	18
Depreciation of right-of-use assets	*11(a)*	50	67	45	33
Lease payments not included in the measurement of lease liabilities	*11(c)*	84	123	81	65
Interest on lease liabilities		3	2	2	–
Impairment losses/(reversal of impairment losses) on trade receivables	*13*	(38)	108	108	972
Impairment losses on other receivables	*14*	112	94	89	74

* Amounts of RMB29,572,000, RMB31,480,000, RMB20,803,000 and RMB18,400,000 of employee benefit expenses were included in "Costs of services provided" in profit or loss during the years ended 31 December 2018 and 2019 and the eight months ended 31 August 2019 and 2020, respectively.

7. INCOME TAX

Zhongneng is located in Sichuan Province and engaged in the encouraged business of property services management. According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, Zhongneng is entitled to a preferential tax rate of 15% for each of the Relevant Periods and the eight months ended 31 August 2019.

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Eight months ended 31 August 2019 RMB'000 (Unaudited)	Eight months ended 31 August 2020 RMB'000
Current – Mainland China				
Charge for the year/period	220	1,055	714	1,382
Deferred tax *(note 12)*	(12)	(29)	(28)	(157)
Total tax charge/(credit) for the year/period	208	1,026	686	1,225

A reconciliation of tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate is as follows:

	Year ended 31 December		Eight months ended 31 August	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before tax	(1,558)	(98)	(461)	5,470
Tax at the statutory rate of 25%	(389)	(24)	(115)	1,367
Effect of the preferential tax rate	156	10	46	(547)
Expenses not deductible for tax	441	1,040	755	405
Tax charge/(credit) at the effective tax rate	208	1,026	686	1,225

8. DIVIDENDS

No dividend has been declared or paid by Zhongneng during the Relevant Periods.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful because Zhongneng is a limited liability company with no number of shares.

10. PROPERTY, PLANT AND EQUIPMENT

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Devices and equipment			
At beginning of year/period:			
Cost	191	213	219
Accumulated depreciation	(98)	(119)	(145)
Net carrying amount	93	94	74
At beginning of year/period, net of accumulated depreciation	93	94	74
Additions	22	6	43
Acquisition of a subsidiary *(note 18)*	–	–	3
Depreciation provided during the year/period *(note 6)*	(21)	(26)	(18)
At end of year/period, net of accumulate depreciation	94	74	102
At end of year/period:			
Cost	213	219	265
Accumulated depreciation	(119)	(145)	(163)
Net carrying amount	94	74	102

11. LEASES

Zhongneng Group as a lessee

Zhongneng Group have lease contracts for office premises used in their operations. Property leases are typically made for fixed periods of 2 years. Generally, Zhongneng Group are restricted from assigning and subleasing the leased assets outside Zhongneng Group.

(a) Right-of-use assets

The carrying amounts of Zhongneng Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	31 December		31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Office premises			
At beginning of year/period	–	100	33
Additions	150	–	–
Depreciation provided *(note 6)*	(50)	(67)	(33)
At end of year/period	100	33	–

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December		31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	–	88	20
New leases	150	–	–
Accretion of interest recognised during the year/period	3	2	–
Payments	(65)	(70)	(20)
Carrying amount at end of year/period	88	20	–
Analyzed into:			
Current portion	68	20	–
Non-current portion	20	–	–

The maturity analysis of lease liabilities is as follows:

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payment due:			
– within one year	70	20	–
– more than one year but not exceeding two years	20	–	–
	90	20	–
Less: future finance charges	(2)	–	–
Present value of lease liabilities	88	20	–

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December 2018	Year ended 31 December 2019	Eight months ended 31 August 2019	Eight months ended 31 August 2020
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	3	2	2	–
Depreciation charge on right-of-use assets	50	67	45	33
Expense relating to short-term leases (included in cost of sales)	84	123	81	65
Total amount recognised in profit or loss	137	192	128	98

(d) The total cash outflow for leases is disclosed in note 20(c) to the Historical Financial Information.

12. DEFERRED TAX ASSETS

	Impairment of financial assets
	RMB'000
At 1 January 2018	125
Deferred tax credited to profit or loss during the year *(note 7)*	12
At 31 December 2018	137
Deferred tax credited to profit or loss during the year *(note 7)*	29
At 31 December 2019	166
Deferred tax credited to profit or loss during the period *(note 7)*	157
At 31 August 2020	323

At 31 December 2018 and 2019 and 31 August 2020, Zhongneng had no unused tax losses. As at 31 August 2020, Zhongneng Group had unused tax losses arising in Mainland China from Chengdu Jinjie of RMB652,000, which will expire in three to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as Chengdu Jinjie has been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

13. TRADE RECEIVABLES

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	4,880	6,943	11,463
Impairment	(144)	(252)	(1,268)
	4,736	6,691	10,195

Trade receivables mainly arise from property management fees charged on a lump sum basis and value-added services.

Property management service income on a lump sum basis is received in accordance with the terms of the relevant property service agreements and due for payment upon the rendering of services and payment is due within 5-30 days of the demand note issue date. Value-added services are due for payment upon rendering the services on a monthly or quarterly basis depending on the nature of the services rendered and payment is due within 90 days. Zhongneng Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

All trade receivables are non-interest-bearing.

An ageing analysis of Zhongneng Group's trade receivables as at the end of each of the Relevant Periods, based on the demand note issue date and net of provisions for impairment of trade receivables, is as follows:

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,202	6,162	7,667
1 to 2 years	464	471	2,260
2 to 3 years	51	21	239
3 to 4 years	13	34	10
4 to 5 years	6	3	19
	4,736	6,691	10,195

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year/period	182	144	252
Impairment losses/(reversal of impairment losses) *(note 6)*	(38)	108	972
Acquisition of a subsidiary	–	–	44
At end of year/period	144	252	1,268

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The expected credit loss rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e. by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on Zhongneng Group's trade receivables using a provision matrix:

31 December 2018

	Ageing based on demand note issue date						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	1.8%	2.7%	23.9%	31.6%	64.7%	100.0%	
Gross carrying amount (RMB'000)	4,278	477	67	19	17	22	4,880
Expected credit losses (RMB'000)	76	13	16	6	11	22	144

31 December 2019

	Ageing based on demand note issue date						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	1.6%	13.7%	54.3%	37.0%	62.5%	100.0%	
Gross carrying amount (RMB'000)	6,261	546	46	54	8	28	6,943
Expected credit losses (RMB'000)	99	75	25	20	5	28	252

31 August 2020

	Ageing based on demand note issue date						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	7.5%	15.5%	39.9%	72.2%	61.2%	100.0%	
Gross carrying amount (RMB'000)	8,290	2,673	398	36	49	17	11,463
Expected credit losses (RMB'000)	623	413	159	26	30	17	1,268

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December		31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deposits	453	500	799
Cash in transit	146	315	96
Staff advances	521	623	726
Loans to individuals	700	700	700
Payments on behalf of residents to utilities service providers	330	438	563
Other receivables	32	3	22
Other prepayments	556	124	261
Interest receivables	–	–	77
Prepaid corporate income tax	204	–	–
	2,942	2,703	3,244
Impairment allowance	(761)	(855)	(929)
	2,181	1,848	2,315

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December		31 August
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year/period	649	761	855
Impairment losses *(note 6)*	112	94	74
At end of year/period	761	855	929

All the above receivables are interest-free and are not secured with collateral. As at 31 December 2018 and 2019 and 31 August 2020, apart from loans to three individuals and payments on behalf of residents to utility providers, none of the financial assets included in the above balances related to receivables was past due, with no recent history of default. Zhongneng Group has assessed that there was no significant increase of credit risk for the above financial assets, the loss allowance for the other financial assets was assessed to be minimal.

Zhongneng Group uses the expected credit loss model in note 13 to determine the expected loss provision for payments on behalf of residents to utility providers. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The unsecured and interest-free loans of RMB700,000 to individuals have been past due as at end of each of the Relevant Periods. Loans to individuals were considered credit impaired and were fully provided.

Excluding the fully impaired individual loans, the average loss rate applied for financial assets in prepayments, deposits and other receivables as at 31 December 2018 and 2019 and 31 August 2020 was 4.1%, 8.2% and 10.0%, respectively.

15. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	9,110	10,507	18,579

At the end of each of the Relevant Periods, all the cash and bank balances of Zhongneng Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. Zhongneng Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	1,613	2,390	1,148
3 – 12 months	317	178	2,167
Over 1 year	10	83	82
	1,940	2,651	3,397

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

17. OTHER PAYABLES AND ACCRUALS

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Receipts on behalf from community residents and tenants*	930	2,722	4,546
Payroll and social insurance payables	7,135	10,589	11,308
Deposits received	2,144	1,365	2,072
Other taxes payable	788	809	1,274
Other payables and accrued expenses	1,789	602	1,338
	12,786	16,087	20,538

* The amounts mainly represent advances received from property owners and tenants for settlement of utility charges.

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

18. BUSINESS COMBINATION

On 20 August 2020, Zhongneng acquired a 100% equity interest in Chengdu Jinjie Asset Management Co., Ltd. ("Chengdu Jinjie") from Mr. Liu Jun and other two independent individuals at nil consideration. Chengdu Jinjie is engaged in the provision of commercial consultancy services. The acquisition was made as part of Zhongneng Group's strategy to achieve synergy in its commercial property management services. The acquisition has been accounted for using the acquisition method.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*10*	3
Investment in a joint venture		646
Cash and cash equivalents		65
Trade receivables		1,598
Prepayments, deposits and other receivables		31
Due to the then shareholders		(40)
Due to a related party		(1,040)
Other payables and accruals		(1,126)
Total identifiable net assets at fair value		137
Gain on a bargain purchase recognised in other income and gains in profit or loss	*5*	(137)
Purchase consideration		–

An analysis of the cash flow in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	65
Net inflow of cash and cash equivalents included in cash flows from investing activities	65

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,598,000 and RMB31,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB1,642,000 and RMB31,000 respectively, of which trade receivables of RMB44,000 are expected to be uncollectible.

Had the acquisition been completed on 1 January 2020, revenue of Zhongneng Group for the eight months ended 31 August 2020 would have been RMB38,780,000, and profit for the eight months ended 31 August 2020 would have been RMB3,897,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of Zhongneng Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

19. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships

Related parties	Relationships
Mr. Liu Jun	One of the joint controlling shareholders
Mr. Yan Zhenhao	One of the joint controlling shareholders
Mr. Shao Jiazhen	One of the joint controlling shareholders
Chengdu Jinjie*	A company controlled by Mr. Liu Jun before 20 August 2020

* Zhongneng acquired Chengdu Jinjie on 20 August 2020.

(b) Balances with related parties

In addition to the balances detailed elsewhere in the Historical Financial Information, Zhongneng Group had the following balances with related parties at the end of each of the Relevant Periods:

Amounts due from related parties

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade nature			
Chengdu Jinjie	396	1,870	–
Mr. Yan Zhenhao	18	–	–
	414	1,870	–

The above non-trade nature balances were unsecured and interest-free with no fixed term of repayments.

Amounts due to related parties

	31 December		31 August
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade nature			
Mr. Liu Jun	208	–	40
Mr. Shao Jiazhen	205	–	–
	413	–	40

The above non-trade nature balances were unsecured, interest-free and repayable on demand.

(c) Acquisition from a related party

On 20 August 2020, Zhongneng acquired 100% equity interest in Chengdu Jinjie from Mr. Liu Jun at nil consideration (note 18).

20. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2018, Zhongneng Group had non-cash additions to right-of-use assets and lease liabilities of RMB150,000 and RMB150,000, respectively in respect of a lease arrangement for office premises.

(b) Changes in liabilities arising from financing activities

	Due to related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	113	–	113
Changes from financing cash flows	300	(65)	235
A new lease	–	150	150
Interest expense	–	3	3
At 31 December 2018 and 1 January 2019	413	88	501
Changes from financing cash flows	(413)	(70)	(483)
Interest expense	–	2	2
At 31 December 2019 and 1 January 2020	–	20	20
Changes from financing cash flows	–	(20)	(20)
Increase due to acquisition of a subsidiary *(note 18)*	40	–	40
At 31 August 2020	40	–	40
At 1 January 2019	413	88	501
Changes from financing cash flows (unaudited)	(413)	(70)	(483)
Interest expense (unaudited)	–	2	2
At 31 August 2019 (unaudited)	–	20	20

(c) Total cash outflow for leases

	Year ended 31 December		Eight months ended 31 August	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Within operating activities	56	126	104	126
Within financing activities	65	70	70	20

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Cash and cash equivalents	9,110	10,507	18,579
Financial assets included in prepayment, deposits and other receivables	1,421	1,724	2,054
Trade receivables	4,736	6,691	10,195
Due from related parties	414	1,870	–
	15,681	20,792	30,828

Financial liabilities

	31 December 2018	31 December 2019	31 August 2020
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Trade payables	1,940	2,651	3,397
Due to related parties	413	–	40
Lease liabilities	88	20	–
Financial liabilities included in other payables and accruals	4,863	4,689	7,956
	7,304	7,360	11,393

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Zhongneng Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for Zhongneng Group's operations. Zhongneng Group has various other financial assets and liabilities, such as trade receivables, other receivables, trade payables, other payables and accruals and amounts due from/to related parties, which arise directly from its operations.

The main risks arising from Zhongneng Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. It is Zhongneng Group's policy that receivable balances are monitored on an ongoing basis and Zhongneng Group's exposure to bad debts is not significant. Zhongneng Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, and amounts due from related parties.

Maximum exposure and year-end/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on Zhongneng Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end/period-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

31 December 2018

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	9,110	–	–	–	9,110
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,482	–	–	–	1,482
– Doubtful**	–	–	700	–	700
Trade receivables*	–	–	–	4,880	4,880
Due from related parties	414	–	–	–	414
	11,006	–	700	4,880	16,586

31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	10,507	–	–	–	10,507
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,879	–	–	–	1,879
– Doubtful**	–	–	700	–	700
Trade receivables*	–	–	–	6,943	6,943
Due from a related party	1,870	–	–	–	1,870
	14,256	–	700	6,943	21,899

31 August 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	18,579	–	–	–	18,579
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,283	–	–	–	2,283
– Doubtful**	–	–	700	–	700
Trade receivables*	–	–	–	11,463	11,463
	20,862	–	700	11,463	33,025

* For trade receivables to which Zhongneng Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 13 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2018 and 2019 and 31 August 2020, all cash and cash equivalents were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk.

Zhongneng Group assesses the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractual due date, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to Zhongneng Group and other factors. Management also regularly reviews the recoverability of these receivables and follows up disputes or amounts overdue, if any. Management is of the opinion that, except for those financial assets that are considered "doubtful", the risk of default by counterparties of other financial assets is low.

Zhongneng Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the Relevant Periods. To assess whether there is a significant increase in credit risk, Zhongneng Group compares 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. It considers available reasonable and supportive forward-looking information.

Liquidity risk

Zhongneng Group's objective is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance Zhongneng Group's operations and mitigate the effects of fluctuations in cash flows.

All of Zhongneng Group's liabilities except for lease liabilities set out in note 11 to the Historical Financial Information are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are repayable on demand or within one year from the end of each of the Relevant Periods.

Capital management

The primary objectives of Zhongneng Group's capital management are to safeguard Zhongneng Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Zhongneng Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Zhongneng Group may adjust the dividend payment to shareholders, return capital to shareholders. Zhongneng Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	31 December		**31 August**
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	20,532	26,073	32,799
Total assets	16,772	21,189	32,160
Debt-to-asset ratio	122.4%	123.0%	102.0%

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Zhongneng Group in respect of any period subsequent to 31 August 2020.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA for illustration purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the Company as of 31 May 2021 as if it had taken place on 31 May 2021.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of 31 May 2021 or at any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of 31 May 2021 as set out in the Accountants' Report in Appendix IA to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants' Report in Appendix IA to this prospectus.

	Consolidated net tangible assets attributable to the owners of the Company as of 31 May 2021(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as of 31 May 2021(3)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.10 per Offer share	74,870	116,547	191,417	0.32	0.38
Based on an Offer Price of HK$1.46 per Offer share	74,870	160,096	234,966	0.39	0.47

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 May 2021 is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB92,239,000 after deducting other intangible assets of RMB8,190,000 and goodwill of RMB9,179,000 as of 31 May 2021 as shown in the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 150,000,000 Offer Shares of an indicative Offer Prices of HK$1.10 and HK$1.46 per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme. The estimated net proceeds are converted into Renminbi at the rate of HK$1=RMB0.83148.

(3) The unaudited pro forma adjusted consolidated net tangible assets as of 31 May 2021 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 600,000,000 Shares were in issue assuming the Global Offering and the Capitalization Issue had been completed on 31 May 2021 without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options that may be granted under the Pre-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of the Shares as described in Appendix IV – Statutory and General Information. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of HK$1=RMB0.83148.

(4) No adjustment has been made to the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of 31 May 2021 to reflect any trading result or other transaction of the Group entered into subsequent to 31 May 2021.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Desun Real Estate Investment Services Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Desun Real Estate Investment Services Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 May 2021, and related notes as set out on pages II-1 to II-2 of Appendix II of the prospectus dated 30 November 2021 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2021 as if the transaction had taken place at 31 May 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the five months ended 31 May 2021, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

30 November 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2020 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, that since the Company is an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on 22 November 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resign;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:

(A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company’s adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend shall be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN COMPANIES ACT

The Company was incorporated in the Cayman Islands as an exempted company on 10 December 2020 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided our directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. Our directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, our directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from 19 April 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of our directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated on 10 December 2020 in the Cayman Islands as an exempted company with limited liability with the registered company number 369264. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III of this prospectus. Our registered office is at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

Our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 February 2021. Ms. Ng Ka Man has been appointed as the authorised representative of our Company for the acceptance of service of process and notice, on behalf of our Company in Hong Kong at the above address.

2. Changes in authorised and issued share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of USD50,000.00 divided into 500,000,000 Shares of USD0.0001 each.

The following sets out the changes in our Company's share capital since its incorporation:

(i) on 10 December 2020, our Company issued one Share to an initial subscriber, which was transferred to Sky Donna on the same date.

(ii) on 10 December 2020, our Company allotted and issued (i) 41,376 Shares to Sky Donna; (ii) 2,420 Shares to Pengna Holding; (iii) 2,500 Shares to Zhiyu Holding; (iv) 2,300 Shares to Binyang Holding; (v) 483 Shares to Lvy Holding; and (vi) 920 Shares to Zhirui Holding.

(iii) on 11 May 2021, our Company repurchased 1% of issued Shares from Pengna Holding at par value.

(iv) on 11 May 2021, our Company acquired the entire issued shares of WYGL Holding from Wellman Investments, and in consideration thereof, our Company issued and allotted 1% of the issued Shares (on a fully-diluted basis) to Wellman Investments.

Save as disclosed above and as mentioned in the paragraph headed "– 4. Written resolutions of the Shareholders passed on 22 November 2021" in this appendix below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in share capital of our subsidiaries

Our Company's subsidiaries are set out in the Accountants' Report in Appendix IA to this prospectus.

The following subsidiaries of our Company have been incorporated within two years immediately preceding the date of this prospectus:

Name of subsidiary	Place of incorporation	Date of incorporation
Chengdu Dexin Shangyu Property Management Co., Ltd (成都德新尚裕物業管理有限公司)	PRC	5 December 2019
Chengdu Dezheng Property Service Co., Ltd. (成都德正物業服務有限公司)	PRC	19 December 2019
Chongqing Funiu Property Service Co., Ltd (重慶福牛物業服務有限公司)	PRC	3 June 2020
Hunan Desun Houcheng Technology Service Co., Ltd (湖南德商厚誠科技服務有限公司)	PRC	26 August 2020
Xian Desun Aohui Property Service Co., Ltd. (西安德商奧暉物業服務有限公司)	PRC	25 September 2020
Chengdu Xiyueju Interior Design Co., Ltd. (成都璽悦居室內設計有限公司)	PRC	14 December 2020
Shanghai Jiede Property Service Co., Ltd. (上海捷德物業服務有限公司)	PRC	21 January 2021
Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悦企業管理諮詢有限公司)	PRC	12 March 2021
Chengdu Desun Qiming Property Service Co., Ltd. (成都德商啟銘物業服務有限公司)	PRC	18 March 2021
Chengdu Desun Jinshangmei Property Service Co., Ltd. (成都德商錦上美物業服務有限公司)	PRC	30 April 2021
Sichuan Kaizhou Depin Property Management Co., Ltd. (四川凱州德品物業管理有限公司)	PRC	30 April 2021
Sichuan Desun Xinjiang Commercial Management Co., Ltd. (四川德商鑫江商業管理有限公司)	PRC	7 July 2021
Chengdu Desun Lixiang Chantou Property Service Co., Ltd. (成都德商理想產投物業服務有限公司)	PRC	7 July 2021

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Written resolutions of the Shareholders passed on 22 November 2021

On 22 November 2021, resolutions of our Company were passed by the Shareholders that, among other things:

(a) the authorised share capital of our Company was increased from US$50,000 divided into 500,000,000 Shares of US$0.0001 each to US$200,000 divided into 2,000,000,000 Shares of US$0.0001 each by the creation of an additional 1,500,000,000 Shares of US$0.0001 each;

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" and pursuant to the terms set out therein:

(i) our Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Global Offering;

(ii) the Global Offering and the grant of the Over-allotment Option were approved and executive Director of our Company from time to time or (if applicable), any of his duly authorised attorney (the "**Authorised Signatory**") were authorised to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(iii) the Global Offering was approved and any Authorised Signatory would be authorised to implement the Global Offering;

(iv) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise a maximum amount of US$44,995 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par an aggregate of 449,950,000 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions), and our Directors were authorised to give effect to such capitalisation and distribution;

(v) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to our Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; (iii) the exercise or vesting of shares granted under the Pre-IPO Share Option Scheme or (iv) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and

(B) the aggregate number of Shares brought back by our Company (if any) under the general mandate to buy back Shares referred to in paragraph below,

(C) such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "**Relevant Period**");

(vi) a general unconditional mandate (the "**Repurchase Mandate**") would be granted to our Directors to exercise all the powers of our Company to buy back the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of our Company or the options granted under the Pre-IPO Share Option Scheme in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting; and

(vii) the general unconditional mandate mentioned in sub-paragraph (v) above be and is extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the Repurchase Mandate referred to in paragraph (vi) above up to 10% of the aggregate number of issued Shares immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme).

5. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed purchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on 22 November, 2021, a general unconditional mandate (the "**Buy-back Mandate**") was given to our Directors authorizing any purchase by us of Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Purchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Under the Cayman Companies Act, the par value of any Shares bought back by us may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a purchase over the par value of the Shares to be bought back must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

(iii) Trading restrictions

The total number of Shares which we may buy back is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a purchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from buying back Shares on the Hong Kong Stock Exchange if the purchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a purchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the purchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of bought-back Shares

All bought-back Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Act, a company's bought-back shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the bought back shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of buy back

Pursuant to the Listing Rules, we may not make any purchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not buy back Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, purchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding purchases of Shares made during the year, including a monthly analysis of the number of shares bought-back, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly buying back securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(a) Reasons for purchases

Our Directors believe that it is in the best interests of us and Shareholders for our Directors to have general authority from the Shareholders to enable our Directors to buy back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such purchases will benefit us and our Shareholders.

(b) Funding of purchases

In securities buy-back, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. Our Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Buy-back Mandate, on the basis of 600,000,000 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options), could accordingly result in 60,000,000 Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(c) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not bought back any Shares since our incorporation.

If, as a result of any purchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate. Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the

Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 31 August 2020 and entered into between Chengdu Desun Real Estate Investment Property Service Joint Stock Co., Ltd. (成都德商產投物業服務股份有限公司) and Mr. Liu Jun (柳軍), Mr. Shao Jiazhen (邵家楨), Mr. Yan Zhenhao (閆震浩) and Mr. Xiao Kun (肖琨), pursuant to which Mr. Liu Jun (柳軍), Mr. Shao Jiazhen (邵家楨), Mr. Yan Zhenhao (閆震浩) and Mr. Xiao Kun (肖琨) transferred to Chengdu Desun Real Estate Investment Property Service Joint Stock Co., Ltd. (成都德商產投物業服務股份有限公司) the entire equity interest in Chengdu Zhongneng Property Management Company Limited (成都中能物業管理有限責任公司) at a consideration of RMB15,000,000;

(b) an equity transfer agreement dated 26 November 2020 and entered into between Chengdu Jinjie Asset Management Co., Ltd. (成都金捷資產管理有限公司) ("**Chengdu Jinjie**"), Sichuan Zhongcheng Xinjia Commercial Management Co., Ltd. (四川中誠新佳商業管理有限公司) ("**Zhongcheng Xinjia**") and Chengdu Baiyuejiacheng Business Management Co., Ltd. (成都栢悅嘉誠商業管理有限公司) ("**Chengdu Baiyuejiacheng**"), pursuant to which (i) Zhongcheng Xinjia transferred 50% of the equity interest of Chengdu Baiyuejiacheng to Chengdu Jinjie at the consideration of RMB500,000; and (ii) Chengdu Baiyuejiacheng distributed a dividend in the amount of RMB147,320.02 to each of Chengdu Jingjie and Zhongcheng Xinjia;

(c) an equity transfer agreement dated 23 March 2021 and entered into between Mr. Zou Kang (鄒康), Mr. Zhang Zhicheng (張志成), Ms. Zou Jian (鄒健), Mr. Yang Bin (楊彬), Mr. Zhou Hongbo (周洪波), Mr. Zhong Xin (鍾馨) and Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悅企業管理諮詢有限公司), pursuant to which Mr. Zou Kang (鄒康), Mr. Zhang Zhicheng (張志成), Ms. Zou Jian (鄒健), Mr. Yang Bin (楊彬), Mr. Zhou Hongbo (周洪波) and Mr. Zhong Xin (鍾馨) transferred an aggregate of 99% of the equity interest in Chengdu Desun Real Estate Investment Property Service Co., Ltd (成都德商產投物業服務有限公司) to Chengdu Fuyue Corporate Management Consultation Co., Ltd. (成都福悅企業管理諮詢有限公司) at the consideration of RMB1;

(d) An instrument of transfer dated 11 May 2021 and entered into between Wellman Investments Limited (惠宏投資有限公司) and Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司), pursuant to which our Company agreed to purchase, and Wellman Investments Limited (惠宏投資有限公司) agreed to sell, the one fully paid ordinary share in WYGL Holding Limited at the consideration of 500 Shares being allotted and issued to Wellman Investments Limited (惠宏投資有限公司);

(e) Deed of Non-Competition;

(f) Deed of Indemnity; and

(g) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we were the owner of the following trademarks in the PRC which we consider to be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	德商	37	Chengdu Desun	PRC	19389532	20 March 2028
2.		42	Chengdu Desun	PRC	19389790	27 April 2027
3.		36	Chengdu Desun	PRC	19389053	20 July 2027
4.		35	Chengdu Desun	PRC	52280582	13 August 2023

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
5.		36	Chengdu Desun	PRC	52283113	13 August 2023
6.	德商产投	35	Chengdu Desun	PRC	52748445	13 September 2023
7.	德商产投	36	Chengdu Desun	PRC	52748445	13 September 2023
8.	中能物业 ZHONGNENG PROPERTY	45	Zhongneng	PRC	26508014	27 January 2029
9.	中能物业 ZHONGNENG PROPERTY	37	Zhongneng	PRC	26508015	27 October 2029
10.	中能物业 ZHONGNENG PROPERTY	36	Zhongneng	PRC	26508016	20 June 2029

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong which we consider to be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Trademark number	Class	Expiry Date
1.	A DESUN 德商产投服务 B DESUN 德商产投服务 C DESUN 德商产投服务 D DESUN 德商产投服务	Chengdu Desun	Hong Kong	305515812	35, 36, 37, 39, 42	24 January 2031

(b) Domain Names

As at the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1.	desunhui.com	Chengdu Desun	11 February 2020	11 February 2022

(c) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

No.	Name of Copyright	Registrant	Copyright Registration Number	Place of Registration	Registration Date
1.	智雲.資源運營管理系統	Ube Chuangfu	2020SR1244128	PRC	26 October 2020
2.	智雲.不動產數字化綜合服務系統	Ube Chuangfu	2020SR1244116	PRC	26 October 2020
3.	智雲.園區運營管理系統	Ube Chuangfu	2020SR1244127	PRC	26 October 2020
4.	智雲.產品銷售系統	Ube Chuangfu	2021SR0827931	PRC	3 June 2021
5.	智雲.計畫管理系統	Ube Chuangfu	2021SR0827656	PRC	3 June 2021
6.	智雲.全民行銷系統	Ube Chuangfu	2021SR0836857	PRC	4 June 2021
7.	智雲.收費管理系統	Ube Chuangfu	2021SR0836841	PRC	4 June 2021
8.	智雲.數位運營系統	Ube Chuangfu	2021SR0836840	PRC	4 June 2021
9.	智雲.客戶服務系統	Ube Chuangfu	2021SR0836842	PRC	4 June 2021
10.	智雲.市拓管理系統	Ube Chuangfu	2021SR0836820	PRC	4 June 2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and the chief executive

Immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Option), so far as our Directors are aware, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

(i) Long position in the Shares

Name of Director/Chief executive	Capacity/ Nature of interest	Long position in number of Shares	Approximate percentage of issued share capital
Mr. Zou Kang	Interest in controlled corporation; interest held jointly with another person (*Note 1*)	389,673,000	64.95%
Mr. Zhang Zhicheng	Interest in controlled corporation (*Note 2*)	22,500,000	3.75%
Mr. Zhou Youbo	Beneficial owner (*Note 3*)	7,701,000	1.28%
Ms. Xiong Jianqiu	Beneficial owner (*Note 4*)	1,765,000	0.29%
Ms. Wan Hong	Beneficial owner (*Note 5*)	1,765,000	0.29%

Notes:

1. These 389,673,000 Shares in which Mr. Zou Kang is interested consist of (i) 372,393,000 Shares held by Sky Donna, a company wholly-owned by Mr. Zou Kang, in which Mr. Zou Kang is deemed to be interested under the SFO; and (ii) 17,280,000 Shares in which Mr. Zou Kang is deemed to be interested as a result of being a party acting-in-concert with Ms. Zou Jian pursuant to the Concert Parties Confirmatory Deed.

2. These 22,500,000 Shares are held by Zhiyu Holding, the issued shares of which are wholly owned by Mr. Zhang Zhicheng. Under the SFO, Mr. Zhang Zhicheng will be taken to be interested in the Shares held by Zhiyu Holding.

3. Mr. Zhou Youbo is interested in 7,701,000 Shares which shall be allotted and issued to him upon full exercise of all Pre-IPO Share Options granted to him, subject to the terms of grant of the Pre-IPO Share Options.

4. Ms. Xiong Jianqiu is interested in 1,765,000 Shares which may be allotted and issued to her upon full exercise of all Pre-IPO Share Options granted to her, subject to the terms of grant of the Pre-IPO Share Options.

5. Ms. Wan Hong is interested in 1,765,000 Shares which may be allotted and issued to her upon full exercise of all Pre-IPO Share Options granted to her, subject to the terms of grant of the Pre-IPO Share Options.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Long position in number of shares in the relevant company	Approximate percentage of issued share capital
Mr. Zou Kang	Sky Donna	Beneficial owner	1	100%

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Particulars of Service Contracts

Each of Mr. Zhang Zhicheng, Mr. Zhang Qiang, Ms. Xiong Jianqiu, Ms. Wan Hong and Mr. Wu Da, being our executive Directors will enter into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our non-executive Director and independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Directors and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as the aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, allowances, benefits in kind, performance related bonuses and pension schemes contributions) payable to our Directors in respect of FY2018, FY2019, FY2020 and 5M2021 was approximately RMB1,558,000, RMB1,508,000, RMB3,354,000 and RMB2,976,000, respectively.

Save as the disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended 31 December 2020.

Pursuant to the existing arrangements that currently in force as at the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2021 is estimated to be approximately RMB4.2 million in aggregate.

4. Agent fees or commissions received

Save in connection the Underwriting Agreements, none of our Directors nor any of the parties listed in "Qualification of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this prospectus.

5. Disclaimers

(a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between our Directors and member of our Group);

(b) none of our Directors nor any of the parties listed in the section headed "Qualification of Experts" in this appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

(c) save as disclosed in the sections headed "Substantial Shareholders" and "Appendix IV – Statutory and General Information – C. Further information about our Directors and substantial Shareholders" in this prospectus, none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(d) save as disclosed in the sections headed "Substantial Shareholders" and "Appendix IV – Statutory and General Information – C. Further information about our Directors and substantial Shareholders" in this prospectus, so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interest in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;

(e) save as disclosed in the section headed "Connected Transactions" this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in "*Qualification of Experts*" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business in our Group;

(f) save in connection with the Underwriting Agreements, none of the parties listed in "*Qualification of Experts*" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) save as disclosed in the paragraphs headed "Customers" and "Suppliers" in the section headed "Business" in this prospectus, none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5.0% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme effective from 27 April 2021. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the Listing.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to further improve the corporate governance structure of our Company, promote the establishment and improvement of the incentive and constraints mechanism, fully mobilize the initiative, responsibility and sense of mission of the staff of our Company, effectively align the interests of Shareholders, our Company and the management staff, and attract common attention and joint efforts to the long-term development of our Company.

(b) Who may join

Mr. Zhou You Bo, Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong (the "**Eligible Persons**"), being our directors and/or senior management of the members of our Group, shall be eligible to take part in the Pre-IPO Share Option Scheme.

(c) Maximum number of Shares

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Pre-IPO Share Options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 19,253,000 Shares, representing approximately 3.21% of the total issued Shares immediately following the Capitalisation Issue and completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme) (the "**Scheme Limit**").

(d) Vesting Period

Subject to the provisions for early termination contained in the Pre-IPO Share Option Scheme and conditional upon the fulfillment of certain performance targets by the Eligible Persons, the Pre-IPO Share Option(s) granted to the Grantee (being the Eligible Person who accepts the offer of Pre-IPO Share Options) under the Pre-IPO Share Option Scheme shall become exercisable in accordance with the time as indicated below:

Vesting date	**Maximum percentage of the underlying Shares in respect of the Pre-IPO Share Options may be vested (the "Exercise Limit")**
On or after the Listing Date	30%
On or after the first anniversary date of the Listing Date	30%
On or after the second anniversary date of the Listing Date	20%
On or after the third anniversary date of the Listing Date	10%
On or after the fourth anniversary date of the Listing Date	10%

The actual number of Pre-IPO Share Options that each grantee can exercise is however linked to the performance evaluation results of the grantee in the previous year. The limit of the actual number of Pre-IPO Share Option for exercise in the current year = the Percentage of exercise by the relevant grantee (as detailed below) x the Exercise Limited of the relevant grantee in the current year, as detailed below:

Assessment result (S)	**S≥80**	**80>S≥65**	**S<60**
Individual year-end Performance	Excellent (A)	Good (B)	Moderate (C)
Percentage of exercise by individual grantee	1.0	0.8	0

The performance is assessed based on the criteria set out in the "Implementation of the assessment and management of the Pre-IPO Share Option Scheme" (公開發售前購股權計劃實施考核管理辦法) adopted by our Company.

Such part of the Pre-IPO Share Options that are not exercised in a given year would be cancelled by our Company.

All the Pre-IPO Share Options granted to the Grantees under the Pre-IPO Share Option Scheme that are entitled to be exercised by the Grantee but not exercised prior to the sixth anniversary date of the Listing Date shall lapse and be deemed as cancelled and void.

(e) Subscription price for options

A nominal consideration of HK$1.00 is payable by a Grantee upon acceptance of the grant of the Pre-IPO Share Options.

(f) Exercise of option

A Pre-IPO Share Option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme and the relevant offer letter at any time during a period to be determined and notified by our Directors to each Grantee, which period may be made in accordance with the vesting period above subject to the provisions for early termination under the Pre-IPO Share Option Scheme. The exercise price for each of the Pre-IPO Share Options is HK$0.42 per Share.

(g) Cancellation of options granted

The Board may cancel an Option granted but not exercised with the approval of the Grantee of such Pre-IPO Share Option.

No Options may be granted to an Eligible Person in place of his cancelled Options unless there are available unissued Options (excluding the cancelled Options) within the limit as mentioned in sub-paragraph (c) above.

(h) Lapse of an option

The right to exercise a Pre-IPO Share Option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the vesting period as set out in sub-paragraphs (d) above;

(ii) the expiry of the periods or dates referred to in sub-paragraphs (j), (k) or (l);

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (m);

(iv) subject to the compromise or arrangement referred to in sub-paragraphs (n);

(v) the date on which the Grantee ceases to be a director and/or employee of our Group by reason of resignation, summary dismissal for misconduct or other breach of the terms of his employment or other contract, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(vi) the date of the commencement of the winding-up of our Company;

(vii) the date on which the Grantee commits a breach of the exercise of option in accordance with the Pre-IPO Share Option Scheme; or

(viii) the date on which the Pre-IPO Share Option is cancelled by the Board.

(i) Term of the Pre-IPO Share Option Scheme

Subject to the termination provisions in the Pre-IPO Share Option Scheme, no further Pre-IPO Share Options will be granted after the Latest Practicable Date but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Pre-IPO Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and Pre-IPO Share Options which are granted on or before the Latest Practicable Date may continue to be exercisable in accordance with their terms of issue.

(j) Rights on ceasing employment

Where the Grantee of an outstanding Pre-IPO Share Option ceases to be a director or an employee of our Company or any Subsidiary for any reason, the Pre-IPO Share Option may be exercised within twelve months (or such other dates as stipulated) after the date of such cessation.

(k) Rights on death or permanently disabled

Where the Grantee of an outstanding Pre-IPO Share Option dies or becomes permanently disabled before exercising the Pre-IPO Share Option in full or at all, the Pre-IPO Share Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made by his personal representatives within twelve months after the date of his death or permanent disability or such longer period as the Board may determine.

(l) Rights by way of a take-over

If a general offer by way of takeover is made to our Shareholders and such offer becomes or is declared unconditional, the Grantee may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the Pre-IPO Share Option to its full extent or to the extent specified in such notice.

(m) Rights by way of scheme of arrangement

If a general offer for Shares by way of scheme of arrangement is made to all our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the Pre-IPO Share Option to its full extent or to the extent specified in such notice.

(n) Rights by way of compromise or arrangement

In the event of a compromise or arrangement, other than a general offer or a scheme of arrangement, between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice thereof to all Grantees on the same day or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Pre-IPO Share Options whether in full or in part, but the exercise of an Pre-IPO Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

(o) Rights on winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his Pre-IPO Share Options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(p) Effects of alterations in the capital structure of our Company

If our Company has issuance such as capitalisation issue, bonus issue, share subdivision, share consolidation, rights issue or additional issue of our Company prior to any exercise of the Pre-IPO Share Options, the number of Pre-IPO Share Options that have not been exercised shall be adjusted accordingly. The adjustment methods are as follows:

(i) In case of capitalisation issue, bonus issue, share subdivision:

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 is the number of Pre-IPO Share Options before adjustment; n is the ratio of increase per Share resulting from capitalisation issue, bonus issue or share subdivision (i.e. the number of increased Share(s) per Share upon capitalisation issue, bonus issue or share subdivision); Q is the number of Pre-IPO Share Options after adjustment.

(ii) In case of rights issue:

$$Q = Q_0 \times P_1 \times (1 + n)/(P_1 + P_2 \times n)$$

Where: Q_0 is the number of Pre-IPO Share Options before adjustment; P_1 is the closing price of the Pre-IPO Share Options on the registration date; P_2 is the subscription price of rights issue; n is the proportion of rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of our Company prior to the rights issue); Q is the number of Pre-IPO Share Options after adjustment.

(iii) In case of share consolidation:

$$Q = Q_0 \times n$$

Where: Q_0 is the number of Pre-IPO Share Options before adjustment; n is the ratio of consolidation of Shares (i.e. one Share of our Company be consolidated into n shares); Q is the number of Pre-IPO Share Options after adjustment.

In the event of any adjustment as set out above, the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) in this sub-paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees.

The Shares to be allotted and issued upon the exercise of a Pre-IPO Share Option shall be subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank pari passu with the other fully paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

(q) Others

The exercise of the Pre-IPO Share Options is conditional on (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Pre-IPO Share Option granted under the Pre-IPO Share Option Scheme; (ii) the commencement of dealings in the Shares on the Stock Exchange; and (iii) the fulfilment of the conditions set out in sub-paragraph (d) above. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any Pre-IPO Share Options.

The rights of the Grantee of a Pre-IPO Share Option referred to in sub-paragraphs (j) to (o) above are subject to the terms and conditions upon the Pre-IPO Share Option was granted.

Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of the Pre-IPO Share Option granted (except changes made to the terms and conditions of Pre-IPO Share Options granted at the request of the Stock Exchange and/or other regulatory authorities) must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Pre-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

(r) Outstanding options granted

As at 27 April 2021, Pre-IPO Share Options to subscribe for an aggregate of 19,253,000 Shares, representing approximately 3.21% of the total issued Shares immediately following the Capitalisation Issue and completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options) have been granted by our Company under the Pre-IPO Share Option Scheme to the five Grantees, being Mr. Zhou Youbo, Mr. Liu Jun, Mr. Shao Jiazhen, Ms. Xiong Jianqiu and Ms. Wan Hong (who are our directors and/or senior management of the members of our Group as at the Latest Practicable Date). As at the Latest Practicable Date, there were outstanding Pre-IPO Share Options to subscribe for an aggregate of 19,253,000 Shares, which were granted to a total of the said five Grantees under the Pre-IPO Share Option Scheme.

The table below sets out the details of outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme (*Note*):

Name of Grantee	Position with our Group	Address	Number of Shares under the Pre-IPO Share Options granted	First Vesting Date	Exercise Price	Approximate percentage of issued Shares immediately after completion of the Global Offering
Mr. Zhou Youbo	Chief executive officer of our Company	Huaqiaocheng Yuanan, No. 393, Section 1, North Third Ring Road, Jinniu District, Chengdu, Sichuan	7,701,000	Listing Date	HK$0.42 per Share	1.28%
Mr. Liu Jun	Director of Zhongneng	No. 502, Unit 2, Building 5, No. 879, Mudan Street, Jinjiang District, Chengdu	4,011,000	Listing Date	HK$0.42 per Share	0.67%
Mr. Shao Jiajun	Manager of Chengdu Jinjie	801, Building 15, Zhongtieludao Yishu City, Jinniu District, Chengdu	4,011,000	Listing Date	HK$0.42 per Share	0.67%
Ms. Xiong Jianqiu	Executive Director and chief financial officer of our Company	Room 1, 7/F Unit 2, Building 9, 10 Daxue Road, Wuhou District, Chengdu	1,765,000	Listing Date	HK$0.42 per Share	0.29%

Name of Grantee	Position with our Group	Address	Number of Shares under the Pre-IPO Share Options granted	First Vesting Date	Exercise Price	Approximate percentage of issued Shares immediately after completion of the Global Offering
Ms. Wan Hong	Executive Director and joint company secretary of our Company	No. 2, 3rd Floor, Unit 3, Building 12, No. 111, Baijin Road, Wuhou District, Chengdu	1,765,000	Listing Date	HK$0.42 per Share	0.29%
			Total: 19,253,000			**Total: 3.21%**

Note:

1. The above table assumes that the Over-allotment Option and the Pre-IPO Share Options are not exercised. The underlying Shares in respect of the Pre-IPO Share Options may be vested in the Grantee in five tranches, subject to the satisfaction of performance condition as determined by the Board at its discretion. For further details on the vesting schedule, please refer to the paragraph headed "(d) Vesting Period" in this appendix above. Notwithstanding the above, the Board may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the Pre-IPO Share Options.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, under a Deed of Indemnity referred to in the paragraph headed "B. Further Information about our business – 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company in connection with, amongst other things:

(a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Global Offering becomes unconditional (the "**Effective Date**"), save for any taxation to the extent that:

(i) full provision has been made for such taxation in the audited accounts of our Group for the Track Record Period (the "**Accounts**") as set out in Appendix IA to this prospectus and to the extent that such taxation is incurred or accrued since 1 June 2021 which arises in the ordinary course of business of our Group as described in the section headed "Business" in the prospectus;

(ii) falling on any member of our Group on or after 1 June 2021, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 June 2021;

(iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;

(iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(v) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of its business after the Listing Date.

(b) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws, rules and regulations in Hong Kong or the PRC or any jurisdictions in the course of its business occurred on or before the Listing Date; and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against any member of our Group and/or any act, non-performance, omission or otherwise of any member of our Group accrued or arising on or before the Listing Date.

Without prejudice to the foregoing, each of the Controlling Shareholders further agrees and undertakes jointly and severally, unconditionally and irrevocably, to indemnify the members of our Group and each of them and at all times keeps the same indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any members of our Group directly or indirectly as a result of or in connection with all incidents of non-compliance, violation or breach related to the decision letter for self-disciplinary regulatory measure (自律監管措施決定書) dated 7 February 2020 issued by the NEEQ as referred to in the paragraphs headed "Legal proceedings and compliance – Decision Letter received when we were quoted on the NEEQ" in the section headed "Business" in this prospectus.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

3. Litigation

Save as disclosed in the section headed "Business – Legal proceedings and compliance" of this prospectus, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options). Shenwan Hongyuan Capital (H.K.) Limited satisfies the independence criteria applicable to a sponsor set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of their services as a sponsor for the Listing are HK$2.0 million and are payable by us.

5. Preliminary Expenses

As at the Latest Practicable Date, our Company had not incurred any material preliminary expenses.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Binding Effect

This prospectus shall have effect, if an application is made pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Qualification of Experts

The following are the qualifications of experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	Licenced to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activity under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

Name	Qualifications
Jingtian & Gongcheng	PRC Legal Advisers
Walkers (Hong Kong)	Cayman legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

9. Consent of Experts

Each of the experts as referred to in the section headed "Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

10. Promotors

Our Company has no promoter.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

   (i) save as disclosed in the sections headed "History, Reorganisation and Corporate Structure" and "Appendix IV – Statutory and General Information" in this prospectus, neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

   (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since 31 May 2021 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospectus;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(iii) our Company has no outstanding convertible debt securities or debentures.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

(a) a copy of the **GREEN** Application Form;

(b) copies of each of the material contracts referred to in the section headed "Appendix IV – Statutory and general information – B. Further information about our business – 1. Summary of Material Contracts" in this prospectus; and

(c) the written consents referred to in the section headed "Appendix IV – Statutory and general information – E. Other information – 9. Consent of experts" in this prospectus.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.desunhui.com** up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountant's Report from Ernst & Young, in respect of the historical financial information of our Group for FY2018, FY2019, FY2020 and 5M2021, the text of which is set out in Appendix IA to this prospectus;

(c) the Accountant's Report from Ernst & Young, in respect of the historical financial information of Zhongneng Group for FY2018, FY2019 and the eight months ended 31 August 2020, the text of which is set out in Appendix IB to this prospectus;

(d) the assurance report on the compilation of pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2020 and five months ended 31 May 2021;

(f) the letter of advice prepared by Walkers (Hong Kong), our Cayman Islands legal advisers, summarising certain aspects of the Cayman Companies Act and the constitutional document of our Company referred to in Appendix III to this prospectus;

(g) the Companies Act;

(h) the material contracts referred to in the section headed "Appendix IV – Statutory and general information – B. Further information about our business – 1. Summary of material contracts" in this prospectus;

(i) the service contracts and letters of appointment referred to in the section headed "Appendix IV – Statutory and general information – Further information about our Directors and substantial Shareholders" in this prospectus;

(j) the F&S Report;

(k) the written consents referred to in the section headed "Appendix IV – Statutory and general information – E. Other information – 9. Consent of Experts" in this prospectus;

(l) the PRC legal opinion prepared by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of certain aspects of our Group and our property interests in the PRC; and

(m) the Pre-IPO Share Option Scheme.

DESUN 德商产投服务

创 造 美 好 福 流 生 活

德 商 產 投 服 務 集 團 有 限 公 司

DESUN REAL ESTATE INVESTMENT SERVICES GROUP CO., LTD.