Application Proof of

Redsun Services Group Limited
弘陽服務集團有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

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

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

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its sponsor, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange;

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

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, its sponsor, advisors or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

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

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

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

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

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

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

IMPORTANT

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

Redsun Services Group Limited
弘 陽 服 務 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	:	**HK$[0.01] per Share**
Stock code	:	**[•]**

Sole Sponsor

農銀國際
ABC INTERNATIONAL

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 document, 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 document.

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

The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for itself and on behalf of the other [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is currently expected to be not less than HK$[REDACTED] per [REDACTED], unless otherwise announced. Applicants for the [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK$[REDACTED] per [REDACTED], together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is less than HK$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the other [REDACTED]) and our Company by [REDACTED], the [REDACTED] will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the other [REDACTED]) may, with our consent, reduce the number of the indicative [REDACTED] range stated in this document and/or reduce the number of [REDACTED] being offered under the [REDACTED] at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published in [the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese)] and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.rsunservice.hk** not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set out in the sections headed "[REDACTED]" and "[REDACTED]" in this document.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors". The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the other [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED]" in this document. It is important that you refer to that section for further details.

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

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

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

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

Page

CONTENTS

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

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide whether to [REDACTED] in the [REDACTED].

OVERVIEW

We are a well-recognized comprehensive community service provider in Jiangsu province, China, with strong and balanced property management abilities in the management of residential and commercial properties. Through our continued development over the years, we have established our regional leading position in the property management market of Jiangsu province and are well-recognized nationwide. We were recognized as one of the Top 100 Property Management Companies by CIA for three consecutive years since 2017 and ranked 35th among the 2019 Top 100 Property Management Companies in terms of overall strength. In addition, we were awarded 2019 Leading Brand in Property Management Services in Eastern China in terms of branding value by CIA.

We have been providing community services in China for over 15 years with a regional focus on the Yangtze River Delta. In pursuit of our vision of "making lives warmer (讓生活更有溫度)," we have provided and endeavor to continue to "provide our customers with high-quality services with sincerity (以誠待客，卓越服務)" to serve customers' differentiated demands. We have been providing a variety of services with a broad geographic presence. As of December 31, 2019, our total contracted GFA reached approximately 27.6 million sq.m., comprising 167 projects in 41 cities across 14 provinces, municipalities and autonomous regions in China, among which, the aggregate GFA under management reached approximately 15.8 million sq.m., comprising 94 projects in 21 cities across seven provinces, municipalities and autonomous regions in China. In addition, the contracted GFA of properties for which we provided consulting services reached approximately 2.7 million sq.m., comprising 17 projects in three cities as of December 31, 2019.

BUSINESS MODEL

Since our inception in Nanjing in 2003, we have grown from a property management service provider to a well-recognized community service provider with national presence in China. We provide a wide range of property management services to property owners, residents and tenants. We also provide value-added services to non-property owners, primarily property developers and other property management companies and community value-added services to residential property owners and residents. Set forth below is a summary of our three main business lines during the Track Record Period and up to the Latest Practicable Date.

Property management services	We provide property owners, residents and tenants with a wide range of property management services, including, among others, security, cleaning, greening and gardening, facility management, and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we also provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme park. We also provide property management services to other properties such as office buildings and schools.
Value-added services to non-property owners	We also provide value-added services to non-property owners, including (i) consulting services to other property management companies, helping them provide better services to their customers, (ii) preliminary planning and design consultancy services to property developers for property development projects, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance, and (iv) other value-added services to property developers, such as inspection services.
Community value-added services	We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their properties. Our community value-added services for residential properties primarily include, among others, (i) property brokerage services, (ii) property decoration services, (iii) community convenience services, and (iv) common area value-added services and (v) assets management services.

The table below sets forth a breakdown of our total revenue by business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	222,917	86.7	279,884	80.2	354,767	70.5
Value-added services to non-property owners	21,899	8.5	54,097	15.5	121,352	24.1
Community value-added services	12,324	4.8	15,000	4.3	26,871	5.4
Total	**257,140**	**100.0**	**348,981**	**100.0**	**502,990**	**100.0**

We believe that our property management business serves as the basis for us to generate revenue and helps to enlarge our customer base for our value-added services to non-property owners and community value-added services. We believe our community value-added services, through the offer of diversified services, enhance the satisfaction and loyalty of our customers, enhance the market recognition of our brand and services and improve our profitability.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths are the key to our success and distinguish us from our competitors: (i) we are a fast-growing comprehensive community service provider focusing on the Yangtze River Delta, with balanced property management abilities in the management of residential and commercial properties, (ii) our comprehensive diversified services support our continuous growth and improve our profitability, (iii) our Redsun Town integrated platform (弘陽小鎮一體化平台) established based on the concept of "business integration + intelligent IOT (業務一體化+智慧物聯)" improves our operational efficiency and our overall customer experience, reduces our operating costs and enhances profitability, (iv) leveraging our standardized operations and quality control system, our services have been well-recognized by our customers and the industry, and (v) led by our dedicated management team with extensive experience in property management, our sustainable development is supported by our professional team and our comprehensive incentive plan and talent cultivation scheme.

OUR BUSINESS STRATEGIES

We endeavor to become a "venerable good life operator (受人尊敬的美好生活運營服務商)" through the implementation of the following strategies: (i) continue to implement the strategy of "penetrate Jiangsu province, explore the Yangtze River Delta and expand into urban agglomerations (做透大江蘇、深耕長三角、布局都市圈)" and expand our market share and property portfolio through different approaches, (ii) continue to extend our services along the value chain of property management to satisfy differentiated demands from our customers, (iii) continue to upgrade our intelligent system and equipment, enhance our intelligent community ecosystem for better service quality and operating efficiency, (iv) further improve our standardized services, service quality and customer satisfaction, and (v) enhance talent cultivation system and leverage "people-oriented" corporate culture, continue to attract and retain technical and management personnel and improve the management of our organization, talent, system, culture and services.

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of property developers, property owners, residents and tenants and other property management companies. We have established stable business relationships with most of our major customers. In 2017, 2018 and 2019, revenue derived from sales to our five largest customers accounted for approximately 54.3%, 48.4% and 50.5%, respectively, of our total revenue and revenue derived from sales to our single largest customer accounted for approximately 26.4%, 26.3% and 24.0%, respectively, of our total revenue during the same period. For details, see "Business — Customers."

Our suppliers primarily comprise sub-contractors providing security, cleaning, greening and gardening, and repair and maintenance services and vendors providing resident services. We have established stable and long-term business relationships with most of our major suppliers. In 2017, 2018 and 2019, purchases from our five largest suppliers accounted for approximately 36.1%, 45.9% and 30.5%, respectively, of our total purchases, and purchases from our single largest supplier accounted for approximately 16.5%, 19.5% and 14.0%, respectively, of our total purchases during the same period. For details, see "Business — Suppliers."

SUMMARY OF COMBINED FINANCIAL INFORMATION

The following tables set out our summary of financial information for the Track Record Period and should be read together with the combined financial information in Appendix I to this document, including the accompanying notes, and the information set out in the section headed "Financial Information" in this document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Summary of Combined Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	257,140	348,981	502,990
Cost of sales	(199,091)	(279,209)	(375,546)
Gross profit	58,049	69,772	127,444
Profit before tax	38,631	44,444	78,299
Income tax expenses	(9,919)	(11,453)	(21,232)
Profit for the year	28,712	32,991	57,067

During the Track Record Period, we recorded continuous increase in our revenue, primarily due to an increase in the revenue from property management services, which was mainly driven by the increase in the total GFA under management as a result of our success business expansion.

Summary of Combined Statements of Financial Position

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Total current assets	126,864	252,979	502,616
Total non-current assets	9,976	11,162	36,893
Total current liabilities	119,656	213,710	319,925
Net current assets	7,208	39,269	182,691
Total non-current liabilities	—	256	2,250
Total equity	17,184	50,175	217,334

Summary of Combined Statements of Cash Flows

	For the year ended December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash flows from operating activities	79,976	27,452	110,999
Net cash flows from/(used in) investing activities	71,337	(105,135)	(27,977)
Net cash flows (used in)/from financing activities	(110,850)	45,757	58,380
Net increase/(decrease) in cash and cash equivalent	40,463	(31,926)	141,402
Cash and cash equivalents at beginning of year	29,172	69,635	37,709
Cash and cash equivalents at end of year	69,635	37,709	179,111

Key Financial Ratios

	As of or for the year ended December 31,		
	2017	2018	2019
Current ratio[(1)]	1.06x	1.18x	1.57x
Liabilities to assets ratio[(2)]	87.4%	81.0%	59.7%
Gearing ratio[(3)]	—	10.0%	—
Return on total assets[(4)]	21.0%	12.5%	10.6%
Return on equity[(5)]	167.1%	65.8%	26.3%

Notes:

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

(2) Liabilities to assets ratio is calculated based on total liabilities divided by total assets as of the respective dates and multiplied by 100%. Total liabilities represent the sum of current liabilities and non-current liabilities. Total assets represent the sum of current assets and non-current assets.

(3) Gearing ratio is calculated based on the sum of long-term and short-term interest-bearing bank and other borrowings as of the respective dates divided by total equity as of the same dates.

(4) Return on total assets ratio is calculated based on our profit for the year divided by our total assets at the end of the year and multiplied by 100%.

(5) Return on equity ratio is calculated based on our profit for the year divided by total equity at the end of the year and multiplied by 100%.

Our current ratio increased from 1.06 times as of December 31, 2017 to 1.18 times as of December 31, 2018, primarily because the increase in current liabilities is less than the increase in current assets, primarily due to an increase in amounts due from related companies. Our current ratio further increased from 1.18 times as of December 31, 2018 to 1.57 times as of December 31, 2019, primarily due to an increase in cash and cash equivalents and amounts due from related parties.

Our liabilities to assets ratio decreased from 87.4% as of December 31, 2017 to 81.0% as of December 31, 2018, primarily due to the increase in total assets is less than the increase in total liabilities resulting from the increase in amounts due to related companies. Our liabilities to assets ratio further decreased to 59.7% as of December 31, 2019, primarily due to an increase in total assets caused by the increase cash and cash equivalents and amounts due from related companies and a decrease in total liabilities caused by increased other payables, deposits received and accruals and increased contract liabilities.

Our return on total assets decreased from 21.0% in 2017 to 12.5% in 2018, and further to 10.6% in 2019, primarily attributable to a continuous increase in total assets.

Our return on equity decreased from 167.1% in 2017 to 65.8% in 2018, and further to 26.3% in 2019, primarily attributable to an increase in equity.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Redsun Services Group (Holdings) will hold [REDACTED] Shares in aggregate, representing [REDACTED]% of the enlarged issued share capital of our Company. Redsun Services Group (Holdings) is an investment holding company wholly owned by Hong Yang Group Company, which is in turn wholly owned by Hong Yang International. Hong Yang International is owned by Mr. Zeng and Hong Yang Group (Holdings) as to 50% and 50%, respectively, and Hong Yang Group (Holdings) is directly wholly owned by Mr. Zeng. Accordingly, Mr. Zeng, Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Services Group (Holdings) will continue to be our Controlling Shareholders upon the [REDACTED]. Each of Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Services Group (Holdings) is an investment holding company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules following completion of the [REDACTED]. We [have applied] to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, see "Continuing Connected Transactions".

[REDACTED][1]

[REDACTED] size:	Initially [REDACTED]% of the enlarged issued share capital of our Company
[REDACTED] structure:	Initially [REDACTED]% for the [REDACTED] (subject to [REDACTED]) and [REDACTED]% for the [REDACTED] (subject to [REDACTED] and the [REDACTED])
[REDACTED]:	Up to [REDACTED]% of the number of [REDACTED] initially available
[REDACTED] per Share:	HK$[REDACTED] to HK$[REDACTED] per [REDACTED]

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
[REDACTED] of our Shares[2]	HK$[REDACTED] million	HK$[REDACTED] million
Unaudited pro forma adjusted net tangible assets per Share[3]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

(2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] assuming the [REDACTED] is not exercised.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" in this document and on the basis of [REDACTED] Shares to be in issue immediately following the completion of the [REDACTED].

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] range stated in this document), will be approximately HK$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to pursue selective strategic investment and acquisition opportunities and to further expand the scale of our property management business, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to acquire or invest in other property management companies focusing on residential properties which are suitable for and complementary to our business operations and strategies with a view to enlarge our business scale; (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to acquire or invest in other property management companies for non-residential properties, in order to strengthen our ability to serve non-residential properties and enrich our project portfolio. As of the Latest Practicable Date, we did not have any investment or acquisition target.

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to enhance research and development and upgrade intelligent system, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to purchase or upgrade hardware, equipment and intelligent system of residential and commercial properties under our management as well as maintenance and upgrade of existing intelligent system and hardware equipment; and (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used for research and development and upgrade of our intelligent system, in particular, (a) research and development of "Redsun Town (弘陽小鎮)" Integrated Platform, through which we aim to integrate various business terminals and improve the synergies among different platforms and enhance our big data analysis capability, and (b) recruitment and cultivation of technical expert and research and development team.

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to improve our service quality to ensure the delivery of high-end services to our customers, and further to diversify our revenue stream, among which,

  (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used for expansion of our "Chenxin (宸忻)" service pursuing the implementation of our high-end service system. In particular, we plan to hire high-end butler teams with professional background and launch "Chenxin (宸忻)" series in residential properties under our management. In addition, we also plan to invest in community activities to provide property owners and residents with better living experience through improving the volume and variety of the community activities; and

(ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to cooperate with third-party suppliers to improve the quality and variety of our value-added services;

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to continue to recruit talents and improve employee trainings and employee benefit system to support sustainable development of our business, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to facilitate the recruitment of mid and high-end managerial talents as well as reserve talents with high potential to supplement our business operation; and (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to optimize employee training and learning system, set up training team and incentive plans to provide our employees with comprehensive trainings and guidance.

- approximately [REDACTED] (or HK$[REDACTED] million) for working capital and general corporate purposes. We expect to have increasing needs of working capital as a result of the rapid and endogenous growth of our business and diversifying service offerings along with any investment or acquisition if and when suitable opportunities arise.

For details, see “Future Plans and Use of [REDACTED].”

DIVIDEND AND DISTRIBUTABLE RESERVE

We have not declared or paid any dividends since the date of our incorporation. We do not have a pre-determined pay-out ratio for dividend distribution. Our dividend policy is subject to compliance with the relevant laws of the Cayman Islands. Our Board has absolute discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, our Board will evaluate the Company’s earnings, cash flow, financial condition, capital requirements, prevailing economic conditions and any other factors that the Directors deem relevant. There can be no assurance that dividends will be paid in any amount in the future, or at all. As of December 31, 2017, 2018 and 2019, our distributable reserves were approximately RMB10.9 million, RMB40.5 million and RMB91.2 million, respectively.

RISK FACTORS

There are certain risks involved in our operations and in connection with the [REDACTED], many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industries, (ii) risks relating to doing business in the PRC, and (iii) risks relating to the [REDACTED]. The most significant risks are summarized as follow: (a) we may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations, (b) our historical results may not be indicative of our future prospects and results of operation and our future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on our business, financial condition and results of operations, (c) termination or non-renewal of our preliminary property management service contracts or property management service contracts could have a material adverse effect on our business, financial condition and results of operations, (d) we face certain risks associated with the outbreak of COVID-19, and (e) increase in staff costs and sub-contracting costs could slow our growth, harm our business and reduce our profitability.

NON-COMPLIANCE INCIDENT

During the Track Record Period, certain of our subsidiaries failed to make full social insurance and housing provident fund contributions for some employees as required by relevant PRC laws and regulations. See "Business — Legal Proceedings and Compliance."

[REDACTED] EXPENSES

The total [REDACTED] expenses (including [REDACTED] commissions) for the [REDACTED] of the Shares are estimated to be approximately RMB[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range and the [REDACTED] is not exercised), among which, approximately RMB[REDACTED] million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [REDACTED], and approximately RMB[REDACTED] million will be charged to our combined statement of profit or loss and other comprehensive income. During the Track Record Period, we incurred [REDACTED] expenses of approximately RMB[REDACTED] million, of which approximately RMB[REDACTED] million was included in prepayments and will be subsequently charged to equity upon completion of the [REDACTED] and approximately RMB[REDACTED] million was charged to combined statement of profit or loss and other comprehensive income. The [REDACTED] expenses above are the latest practicable estimates and are provided for reference only and actual amounts may differ. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2020.

COMPETITION

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. According to CIA, our property management services and value-added services to non-property owners primarily compete with large national, regional and local property management companies. Our community value-added services compete with other property management companies and engineering companies that provide similar services. According to CIA, we were ranked 35th among the 2019 Top 100 Property Management Companies in China in terms of overall strength. We believe that the PRC property management industry has relatively low entry barriers for the mid-tier and low-end segments but relatively higher entry barriers for the high-end segment. We believe that the principal competitive factors include operation scale, price and quality of services, brand recognition and financial resources. For more details about the industry and markets that we operate in, see "Industry Overview" in this document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Developments

New Property Management Service Contracts

From January 1, 2020 and up to the Latest Practicable Date, we had entered to property management service contracts for three projects with an aggregated GFA of 0.16 million sq.m., covering residential properties and school.

The Impact of COVID-19 on Our Business

In December 2019, the coronavirus disease (“**COVID-19**”) was first detected in Wuhan, Hubei province, which quickly spread in China and the world. On January 30, 2020, the World Health Organization (“**WHO**”) declared that the outbreak of COVID-19 constitutes a Public Health Emergencies of International Concern, explaining that its decision was based on the possible effects that the pathogen could have if it spreads to countries with weaker healthcare infrastructures. On March 12, 2020, WHO declared COVID-19 outbreak a pandemic.

As of the Latest Practicable Date, we had one residential project located in Wuhan, Hubei province with total GFA of 0.1 million sq.m. under management and one project located in Xiangyang, Hubei province for which we provide sales assistance services. We had a total of 58 employees located in Hubei province, as of the same date. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of nil, RMB0.2 million and RMB0.6 million, respectively, from our operations in Hubei province. Up to the Latest Practicable Date, we did not experience any labor shortage caused by the COVID-19.

To prevent the transmission of COVID-19 within the community under our management, we have promptly taken precautionary measures against the COVID-19 under our emergency response system, including distribution of protective masks and other equipment to our onsite employees, temperature screening at entry of buildings, hand and desk sanitizing and disinfection of common areas. Up to the Latest Practicable Date, none of our onsite employees in Hubei province was infected by the COVID-19.

Taking into account that: (i) our operations in Hubei province do not constitute a significant portion of our overall business, (ii) we did not experience any labor shortage caused by the COVID-19, (iii) we expect we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document, and (iv) we do not expect to experience any material difficulty in collect property management fees, we do not expect the outbreak of COVID-19 would have any material adverse impact on our business operation and results of operations for the year ending December 31, 2020. However, we are still subject to certain risks caused by the COVID-19. For details, see “Business —The Impact of COVID-19 on Our Business” and “Risk Factors — Risks Relating to Our Business and Industries — We face certain risks associated with the outbreak of COVID-19.”

No Material Adverse Change

Our business operations had remained stable after the Track Record Period and up to the date of this document.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2019 (being the date to which our Company’s latest combined audited financial results were prepared), and there has been no event since December 31, 2019 which would materially affect the information shown in the Accountant’s Report, the text of which is set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
[REDACTED]	
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on [•] which will take effect on the [REDACTED], as amended, supplemented or otherwise modified from time to time
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day" or "business day"	a day which is not a Saturday, a Sunday or a public holiday in Hong Kong and on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
[REDACTED]	
"Cayman Companies Law" or "Companies Law"	the Companies Law (2020 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
[REDACTED]	
[REDACTED]	
[REDACTED]	

DEFINITIONS

[REDACTED]

[REDACTED]

[REDACTED]

"China", "the PRC" or "the People's Republic of China"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Regions of the People's Republic of China and Taiwan
"China Index Academy" or "CIA"	China Index Academy (中國指數研究院)
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Redsun Services Group Limited (弘陽服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 12, 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Zeng, Redsun Services Group (Holdings), Hong Yang Group (Holdings), Hong Yang International and Hong Yang Group Company
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	director(s) of our Company
"Eastern China"	covers Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province and Shandong province
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 by the SCNPC
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
[REDACTED]	
[REDACTED]	
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by its present subsidiaries or its predecessor (as the case may be)
"HKD" or "HK$" or "HK dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	
[REDACTED]	
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	

DEFINITIONS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Hong Life Information Technology"	Hong Life Information Technology Co., Ltd. (南京弘生活信息科技有限公司), a limited liability company established in the PRC on June 29, 2015, and an indirect wholly-owned subsidiary of our Company
"Hong Life Property Management"	Hong Life Property Management Co., Ltd. (弘生活物業服務管理有限公司), a limited liability company established in the PRC on May 22, 2015, and an indirect wholly-owned subsidiary of our Company
"Hong Life Real Estate Consulting"	Nanjing Hong Life Real Estate Consulting Co., Ltd. (南京弘生活置業顧問有限公司), a limited liability company established in the PRC on June 5, 2015, and an indirect wholly-owned subsidiary of our Company
"Hong Yang Enterprise Management"	Hong Yang Enterprise Management Co., Ltd. (南京弘陽企業管理有限公司), a limited liability company established in the PRC on April 5, 2017, an indirect wholly-owned subsidiary of our Company
"Hong Yang Group Company"	Hong Yang Group Company Limited (弘陽集團有限公司) (previously known as Hong Kong Red Sun Group Investment Company Limited (香港紅太陽集團投資有限公司)), a limited liability company incorporated in Hong Kong on October 22, 2003, and a Controlling Shareholder
"Hong Yang Group (Holdings)"	Hong Yang Group (Holdings) Limited (弘陽集團(控股)有限公司), an exempted limited liability company incorporated under the laws of Cayman Islands on March 17, 2010, and a Controlling Shareholder

"Hong Yang International"	Hong Yang International Limited (弘陽國際有限公司) (previously known as Smart Step Development Limited (明進發展有限公司)), limited liability company incorporated in the British Virgin Islands on January 2, 2008, and a Controlling Shareholder
"IAS"	International Accounting Standards, which is endorsed and amended by the IASB
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	a person or persons, or entity or entities, who/which is/are not a connect person(s) of our Company under the Listing Rules
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
"Jiangsu Hong Yang Group Company"	Hong Yang Group Co., Ltd. (弘陽集團有限公司), a limited liability company established in the PRC on March 16, 2004 and owned as to 90% by Ms. Zeng Suqing (曾素清), sister of Mr. Zeng, and 10% by Ms. Chen Sihong (陳思紅), spouse of Mr. Zeng, and a connected person of our Company

"Latest Practicable Date"	March 18, 2020, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
[REDACTED]	
"Listing Committee"	the Listing Committee of the Stock Exchange
[REDACTED]	
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company [conditionally] adopted on [•], with effect from the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this document
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zeng"	Mr. Zeng Huansha (曾煥沙), founder of our Group and a Controlling Shareholder
"Nanjing Hong Cheng Property Management"	Nanjing Hong Cheng Property Management Co., Ltd. (南京弘誠物業管理有限公司), a limited liability company established in the PRC on October 15, 2018, and an indirect wholly-owned subsidiary of our Company
"Nanjing Hong Life Investment Management"	Nanjing Hong Life Investment Management Co., Ltd. (南京弘生活投資管理有限公司), a limited liability company established in the PRC on June 29, 2015, and an indirect wholly-owned subsidiary of our Company
"Nanjing Hong Yang Property Management"	Nanjing Hong Yang Property Management Co., Ltd. (南京弘陽物業管理有限公司) (previously known as Nanjing Redsun Property Management Co., Ltd. (南京紅太陽物業管理有限公司)), a limited liability company established in the PRC on July 30, 2003, and an indirect wholly-owned subsidiary of our Company
"Nanjing Redsun"	Redsun Properties (Group) Co., Ltd. (弘陽置地(集團)有限公司) (previously known as Nanjing Redsun Real Estate Development Co., Ltd. (南京紅太陽房地產開發有限公司)), a limited liability company established in the PRC on December 30, 1999, and an indirect wholly-owned subsidiary of Redsun Properties

DEFINITIONS

“Nanjing Ya Dong Property Management”	Nanjing Ya Dong Property Management Co., Ltd. (南京亞東物業管理有限公司), a limited liability company established in the PRC on March 26, 2003, and an indirect subsidiary of our Company which is owned as to 51% by Nanjing Hong Life Investment Management and 49% by Nanjing Ya Dong International Industrial Co., Ltd. (南京亞東國際實業有限公司)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
”NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
[REDACTED]	
[REDACTED]	
[REDACTED]	
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

"PRC Legal Advisors"	Jingtian & Gongcheng, our legal advisors on PRC law
[REDACTED]	
[REDACTED]	
"Public Health Emergencies of International Concern"	an extraordinary event which is determined, as provided in International Health Regulations, that (i) constitutes a public health risk to other States through the international spread of disease; and (ii) potentially requires a coordinated international response
"Redsun Materials City"	Jiangsu Redsun Industrial Raw Materials City Co., Ltd. (江蘇紅太陽工業原料城有限公司), a limited liability company established in the PRC on June 21, 2005 and an indirect wholly-owned subsidiary of Hong Yang Group Company
"Redsun Materials City Group"	Redsun Materials City and its subsidiaries
"Redsun Properties"	Redsun Properties Group Limited (弘陽地產集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on December 21, 2017, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1996)
"Redsun Properties Group"	Redsun Properties and its subsidiaries
"Redsun Services Group (Holdings)"	Redsun Services Group (Holdings) Limited (弘陽服務集團(控股)有限公司), a limited liability company incorporated under the laws of the BVI on December 6, 2019, and a Controlling Shareholder
"Redsun Services (Hong Kong)"	Redsun Services (Hong Kong) Limited (弘陽服務(香港)有限公司), a limited liability company incorporated in Hong Kong on December 30, 2019, and an indirect wholly-owned subsidiary of our Company
"Redsun Services Investment"	Redsun Services Investment Limited (弘陽服務投資有限公司), a limited liability company incorporated under the laws of the BVI on December 6, 2019, and a wholly-owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act

"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization of the Group in preparation of the [REDACTED], details of which are set out in the section headed "History, Reorganization and Group Structure" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC (中華人民共和國全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	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) in the share capital of the Company, with a par value of HK$0.01 each
"Shareholder(s)"	holder(s) of our Share(s)
[REDACTED]	
[REDACTED]	
[REDACTED]	
"Sole Sponsor"	ABCI Capital Limited
"Southwest China"	covers Yunan province, Guizhou province, Sichuan province and Chongqing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
[REDACTED]	
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2017, 2018 and 2019
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
[REDACTED]	
[REDACTED]	
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
[REDACTED]	
[REDACTED]	
[REDACTED]	
"Yangtze River Economic Belt"	an economic region in the PRC that encompasses Shanghai, Sichuan, Yunnan, Chongqing, Hubei, Hunan, Anhui, Jiangsu, Jiangxi, Zhejiang and Guizhou
"Yangtze River Delta"	the triangular-shaped territory that comprises Shanghai, Jiangsu province and Zhejiang province of China

[REDACTED]

"%" per cent

The English names of the PRC entities, PRC laws or regulations or the PRC governmental authorities mentioned in this document are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise expressly stated or the context otherwise requires, all data in this document are as of the Latest Practicable Date.

In this document, unless otherwise stated, certain amounts denominated in RMB have been translated into HK dollars at an exchange rate of RMB1.00 = HK$1.1039 for illustration purposes only. Such conversions shall not be construed as representations that amounts in RMB were or may have been converted into HK dollars at such rate or any other exchange rates.

Certain amounts and percentage figures included in this document 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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document in connection with our Company and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"AIOT"	artificial intelligence and Internet of Things
"average property management fee"	weighted average property management fee of properties calculated on the basis of GFA of each property under our management
"CAGR"	compound annual growth rate
"commercial property"	buildings intended to generate a profit, either from capital gain or rental income, for residential or commercial use
"commission basis"	a revenue generating model for our property management business line whereby our fee income from property management consists only a specified percentage of the total management fees payable by the property owners or property developers while the remainder of such management fees would be used to procure services to the property from other service providers
"common area" or "communal area"	common areas in properties, including parking lots, advertisement bulletin, lobbies and clubhouses
"contracted GFA"	GFA managed/to be managed by the Company under operating property management service agreements, which includes both GFA under management and GFA yet to be managed by the Company
"GFA"	gross floor area
"GFA under management"	GFA managed by our Company under operating property management service agreements
"Internet of Things"	a network of physical objects or items embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data
"ISO"	The International Organization of Standardization, world-wide federation of rational standard system
"lump sum basis"	a revenue generating model for our property management business line whereby we charge a pre-determined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the "all-inclusive" fees for all of the property management services provided by our teams and subcontractors

"overall strength" — China Index Academy ranks the overall strength of property management companies by evaluating the following aspects:

- property management scale, taking into account total assets, number of properties under management, GFA under management and number of cities where the company operates;
- operational performance, taking into account the total revenue, net profit, revenue per employee and operating costs as a percentage to total revenue;
- service quality, taking into account customer satisfaction rate, property management fee collection rate, property management contract renewal rate and number of star-level communities;
- growth potential, taking into account revenue growth, growth of GFA under management, contracted GFA of reserved projects and number and composition of employees; and
- social responsibility, taking into account amount of tax paid, number of job opportunities created, total GFA under management of affordable housing and amount of enterprise donation

"residential communities" or "residential properties" — properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties

"sq.m." — the measurement unit of square meters

"Top 100 Property Management Companies" — an annual ranking of China-based property management companies by overall competitiveness published by CIA based on a number of key indicators, including management scale, operational performance, service quality, development potential and social responsibility which comprised 210, 200 and 220 such companies, respectively, for 2017, 2018 and 2019, where the number of companies for each of 2017, 2018 and 2019 exceeded 100 as multiple companies with very close scores were assigned the same ranking

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not materialize or may change. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Some of the risks and uncertainties are listed in the section headed "Risk Factors" and elsewhere in this document. In some case, you can identify these forward-looking statements by words or phrases such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forwards", "intend", "may", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions, or their negatives. These forward-looking statements include, but are not limited to, the following:

- our future business development, financial condition and results of operations;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the industry and in markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- the effects of the global financial markets and economic crisis;
- our ability to identify and integrate suitable acquisition targets;
- 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;
- exchange rate fluctuations and restrictions;
- the actions and developments of our competitors; and
- risks identified under the section headed "Risk Factors" of this document.

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

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

An [REDACTED] in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our combined financial statements and related notes, before you decide to [REDACTED] our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

We may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

Our GFA under management increased from approximately 9.1 million sq.m. as of December 31, 2017 to approximately 9.9 million sq.m. as of December 31, 2018, which further increased to 15.8 million sq.m. as of December 31, 2019. We have been expanding our property management portfolio primarily through securing new property management engagements and, to a lesser extent, strategically acquiring local property management companies with attractive property management portfolio. We seek to continue to grow our property management portfolio. However, there is no assurance that we can grow our property management portfolio as planned. Our growth may be affected by a number of factors beyond our control, such as China's general economic condition, developments in the real estate market, supply and demand dynamics of the property management industry and our ability to obtain sufficient financing for our growth. In addition, our future growth depends on our management's ability to improve our operational and financial conditions. Our ability to grow also depends on our ability to successfully hire, train, manage additional employees, manage and cultivate our relationships with a growing number of customers, sub-contractors, suppliers and other business partners. In circumstances where we expand into a new market, we may have limited knowledge of the local property management service market, which could be substantially different from those in our established markets. We may not have established relationships with local sub-contractors, suppliers and other business partners as we do in our established markets. We may be unable to leverage our brand equity in a new market as we have done so in our established markets, and may face intense competition from the local property management companies. Any of the foregoing will defer us from growing our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

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

We have experienced rapid growth and significantly expanded our business in recent years. The GFA under our management increased from 9.1 million sq.m. as of December 31, 2017 to 9.9 million sq.m. as of December 31, 2018 and further to 15.8 million sq.m. as of December 31, 2019, representing an CAGR of 31.8%. As a result, our total revenue grew from RMB257.1 million in 2017 to RMB349.0 million in 2018 and further to RMB503.0 million in 2019, representing a CAGR of 39.9% from 2017 to 2019. Our rapid growth has placed and will continue to place significant demands on our management and our administrative, operational and financial resources. To accomplish our growth strategies and manage the future growth of our operations, we will be required to enhance our service quality, improve our operational and financial systems, and expand, train and manage our growing employee base. We will also need to maintain and expand our relationships with our customers, sub-contractors, suppliers and other third parties. However, our expansion is based upon our forward-looking assessment of market prospect. We cannot assure you that our assessment will always turn out to be correct or we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control and our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth and expansion. Our historical results may not be indicative of our future prospects and results of operation and there can be no assurance that our future growth will materialize and that we will be able to manage our future growth effectively. If we are unable to execute our growth strategies or manage our growth effectively, we may not be able to take advantage of market opportunities or respond to competitive pressures, which may materially and adversely affect our business prospects and results of operations.

Termination or non-renewal of our preliminary property management service contracts or property management service contracts could have a material adverse effect on our business, financial condition and results of operations.

Revenue from our property management services amounted to RMB222.9 million, RMB279.9 million and RMB354.8 million, representing approximately 86.7%, 80.2% and 70.5% of our total revenue in 2017, 2018 and 2019, respectively. Our property management services for residential properties are provided in accordance with preliminary property management service contracts we enter into with property developers or property management service contracts we enter into with the property owners' associations. In 2017, 2018 and 2019, seven, seven and 17, respectively, communities under our management had established property owners' associations, the GFA of which accounting for approximately 17.2%, 15.8% and 19.6%, respectively, of the total GFA of communities under our management. Our preliminary property management service contracts expire when the property owners' associations enter into the property management service contracts. In relation to our preliminary property management service contracts, there is no assurance that the relevant property owners' associations will decide to enter into property management service contracts with us instead of other property management companies. Once the property owners' association is formed and a new property management contract is entered into, our preliminary property management service contracts will automatically terminate. In relation to our property management service contracts, they generally have fixed terms which will need to be renewed upon expiry. For more information, please see "Business — Property Management Services — Property Management Contract" in this Document. There is no assurance that such contracts will not be terminated prior to the expiration or renewed upon expiration. In the event of such terminations or non-renewals, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, the growth of our community value-added services depends in part on the number of communities we manage under our property management services. As a result, terminations or non-renewals of our preliminary property management service contracts or property management service contracts could also adversely affect the performance of our community value-added services.

We face certain risks associated with the outbreak of COVID-19.

In December 2019, the COVID-19 was first detected in Wuhan, Hubei province and quickly spread across China and the world. On January 30, 2020, WHO declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern, explaining that its decision was based on the possible effects that the pathogen could have if it spreads to countries with weaker healthcare infrastructures. On March 12, 2020, WHO declared COVID-19 outbreak a pandemic. As of March 19, 2020, the COVID-19 outbreak has spread to 168 countries and regions, affected 209,839 individuals and caused 8,778 deaths worldwide, according to WHO's situation report dated March 19, 2020. The recent outbreak of COVID-19 has endangered the health of many people in China, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government has adopted a series of measures nationwide, including among others, locking down Wuhan, restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement schedules of construction in new and exiting construction sites. As of the Latest Practicable Date, we had one residential project with total GFA of 0.1 million sq.m. under management located in Wuhan and one project for which we provide sales assistance services located in Xiangyang, Hubei province. We had a total of 58 employees located in Hubei province, as of the same date. In addition, we had a significant portion of our operations concentrated in Jiangsu province where there were many confirmed cases of COVID-19. Therefore, we are subject to certain risks, which include among others:

- we may not be able to collect property management fees from property developers, property owners and residents in Wuhan and other cities subject to lockdown due to COVID-19 as scheduled on time in the near future;

- we may not be able to provide on-site services, including property brokerage services, property decoration services, community convenience services in the near future and our sales assistance services at property sales venue in Hubei province may be affected;

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

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

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

- the delivery of properties for which we have been contracted to provide property management services may be delayed; and
- we may be required to quarantine some or all of our employees, or disinfect the community to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease.

The occurrence of any of the above event may adversely affect our operations and results of operations. The overseas patients who visit the cities in which we operate may affect the local population and our local operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world. In response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. As the pandemic continue to spread worldwide, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measure may, however, adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

Increase in staff costs and sub-contracting costs could slow our growth, harm our business and reduce our profitability.

Staff costs included in cost of sales amounted to RMB129.7 million, RMB178.3 million and RMB242.8 million, representing the single largest component of our cost of sales and accounted for approximately 65.1%, 63.9% and 64.7% of our cost of sales in 2017, 2018 and 2019, respectively. Staff costs included in administrative expenses amounted to RMB12.9 million, RMB19.6 million and RMB36.4 million, representing the single largest component of our administrative expenses and accounted for approximately 75.7%, 80.8% and 71.4%, respectively, of our administrative expenses in 2017, 2018 and 2019. In addition, we outsource certain functions, such as security, cleaning and maintenance services, to sub-contractors. In 2017, 2018 and 2019, sub-contracting costs amounted to RMB38.8 million, RMB64.6 million and RMB86.0 million, respectively, representing approximately 19.5%, 23.1% and 22.9% of our cost of sales, respectively. To maintain and improve our profitability, it is important for us to control and manage our staff costs and sub-contracting costs. However, we face rising pressures in relation to staff costs and sub-contracting costs from various aspects. The general level of compensation in the regions where we operate has been increasing in recent years, resulting in upward pressure on our staff costs and the fees we pay to our sub-contractors. In addition, during the Track Record Period and up to the Latest Practicable Date, we also charged our property management fees on a lump sum basis, under which we retained all the property management fees we collected, but we also bore all the expenses associated with providing our property management services, including staff costs and sub-contracting costs. To the extent we are unable to increase the level of our property management fees sufficiently to pass the increases in staff costs or sub-contracting costs onto our customers, our business, financial condition and results of operations may be materially and adversely affected.

As we continue to expand our operations, we also expect to increase our total headcount by retaining and continuously recruiting qualified employees. The competition for recruiting qualified employees in the Chinese property management industry is intense and could require us to pay higher wages in our recruitment and employee retention efforts, resulting in an increase in our staff costs and sub-contracting costs. Any future inability to recruit and retain qualified employees and sub-contractors may also delay the growth in our property management portfolio, and could also materially and adversely impact our property management operations at our existing property management portfolio.

We may not be able to successfully collect property management fees from our customers, which may lead to impairment losses on our receivables.

We may encounter difficulties in collecting property management fees from our customers in communities where the vacancy rate is relatively high. Even though we seek to collect overdue property management fees through various collection measures, we cannot assure you that such measures will be effective. Though before accepting new engagements, we assess the historical collectability of management fees in these properties, there is no assurance that such assessment would enable us to accurately predict our future collection rate. Moreover, property management fees are regulated by PRC laws and regulations and any change in the relevant laws and regulations may also affect our ability to successfully collect our property management fees.

Our allowance for impairment of trade receivables amounted to RMB0.4 million, RMB0.5 million and RMB0.5 million as of December 31, 2017, 2018 and 2019, respectively. During the same periods, our impairment loss recognized on trade receivables amounted to nil, RMB33,000 and RMB20,000, respectively. Our Directors confirm our management's estimation and the related assumptions have been made in accordance with the information currently available to us. However, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial condition and results of operations.

We rely on sub-contractors and other suppliers to perform some of our services to customers, and we may be exposed to liabilities arising from or relating to disputes and claims in relation to products and services provided by our sub-contractors and other suppliers.

We rely on sub-contractors to perform some of our property management, pre-delivery and consulting and smart solution services, primarily including cleaning, security, gardening, repair and maintenance services. In 2017, 2018 and 2019, sub-contracting costs amounted to RMB38.8 million, RMB64.6 million and RMB86.0 million, respectively, representing approximately 19.5%, 23.1% and 22.9% of our cost of sales, respectively. We may not be able to monitor such services as directly and efficiently as with our own services. Sub-contractors may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations in accordance with the sub-contracting agreements. For example, if our sub-contractors fail to provide safe working environment to the staffs and result in work injuries, this would prevent them from providing the contracted services and we may need to pay compensation to the staffs. The substandard services provided by our sub-contractors could damage our reputation, result in additional expenses and business disruptions and potentially expose us to litigation and damage claims from our customers. In addition, we could also be required to indemnify customers for work performed by our sub-contractors. Though we may be able to recover such amounts from the sub-contractor pursuant to the sub-contracting agreement, there is no guarantee that we will be able to do so. In addition, when our existing sub-contracting agreements expire, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms favorable to us, or at all. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial condition and results of operations.

Moreover, for the community value-added services we provide, we may become, or may be joined as, a defendant in litigation or other proceedings brought against merchants that sell community products or services by purchasers or users of their products and services, government authorities or other third parties. These proceedings could involve claims alleging, among other things, the failure of products and services provided by our suppliers to conform to required quality standards, false or misleading representations made by our suppliers in relation to the products and services provided, property damage or personal injuries arising from the products and services provided by our suppliers and infringement of third parties' intellectual property rights by our suppliers in connection with the products and services provided. We may be required to pay damages as a result of such litigation or other proceedings. We may also be subject to administrative fines and ordered to cease sales of the relevant products and services. In the event of serious offenses, our business license may be suspended or revoked, and we may be investigated or even prosecuted under PRC criminal laws. Although our agreements with suppliers provide that they will indemnify us for any liability attributable to their own or their employees' conduct, we may not be able to effectively enforce or collect under such contractual obligations. Any of the foregoing events could materially affect the operation of our community value-added services, harm our brand and reputation, divert our management's attention and other resources and have a material adverse effect on our business, financial condition and results of operations.

Our provision of property management services on a lump sum basis could subject us to losses.

During the Track Record Period, we charged all of our property management fees on a lump sum basis and we were paid a pre-negotiated amount of management fees regardless of the actual amount of property management expenses we incurred. In the event that the property management fees we collect are insufficient to cover all the management expenses incurred, we may be unable to collect the shortfall from property developers and owners. During the Track Record Period, we incurred loss in an aggregate amount of approximately RMB3.5 million, RMB6.1 million and RMB5.7 million, respectively, with respect to five, seven and 15 projects, respectively. Since such number and loss amount were relatively small compared with our business scale, we consider that we have not experienced any material loss-making contracts under the lump sum basis during the Track Record Period and up to the Latest Practicable Date. However, there is no assurance that our existing property management service contracts will generate revenue as expected and we may continue to suffer losses in the future, which could result in a material adverse effect on our profitability, financial condition and results of operations.

Damage to the common areas of our managed properties could adversely affect our reputation, business, financial condition and results of operations.

The common areas of our managed properties, such as the lobby, hallway, outdoor open space, stairway, car park, elevator shaft and equipment room, may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters and intentional or unintentional human actions. Under PRC laws and regulations, each residential community is required to establish a maintenance fund to pay for the costs for the repair and maintenance of common areas that are jointly-owned by all property owners. However, there is no assurance that such special fund will be sufficient to cover all of the repair and maintenance costs. We may need to pay the shortfall on behalf of the property owners in case the special fund is not sufficient to cover all of the repair and maintenance costs and then attempt to collect the shortfall from the property owners' associations. If we face any difficulties in the collection process, our business, financial condition and results of operations could be materially and adversely affected. In addition, we may also need to divert management attention and resources to assist the police and other governmental authorities in their investigations in connection with any damage to the common areas of our managed properties. Furthermore, as we intend to continue to grow our property management portfolio, we cannot assure you that the likelihood of such incidents occurring will not increase as our business scale increases.

Our pricing of property management fees under preliminary property management service contracts is subject to PRC laws and regulations.

For our managed properties, approximately 49.7%, 51.6% and 45.0%, respectively, of our total GFA under management was under price control in 2017, 2018 and 2019. Approximately 24.3%, 26.9% and 28.7%, respectively, of our revenue from property management services was generated from properties subject to price control during the same years. For more details, see "Regulatory Overview — Fees charged by Property Management Enterprises." In December 2014, the National Development and Reform Commission of the PRC issued the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (the "**Circular**") (《國家發展改革委關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), which requires provincial-level price administration authorities to abolish all price control or guidance policies on residential properties with certain exceptions. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for preliminary property management service in light of the actual situation. As such, our property management fees will continue to be subject to price controls until local regulations implementing the Circular are passed. We may be subject to administrative penalties if we fail to comply with relevant government price control. Also, we cannot guarantee that the PRC Government will not reverse its policy and re-impose limits on property management fees in the future. Government price control policies may have a negative impact on our earnings and profitability as such restrictions may lower the prices we may charge. In addition, since we charge property management fees for the properties managed by us in terms of the GFA under management on a lump sum basis, our business, financial condition and results of operations may be materially and adversely affected if we are unable to increase the level of our property management fees sufficiently to pass any increases in costs to our customers.

Our acquisitions or investments may not be successful and we may face difficulties in integrating acquired operations with our existing business that may have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we acquired 51% of the equity interest in Nanjing Ya Dong Property Management and Shanghai Andi. In the future, we plan to evaluate opportunities to acquire other property management companies and other businesses that complement our existing businesses to expand our business scale and integrate their operations into our business. However, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities in connection with the target, inability to apply our business model or standardized business processes on the acquisition targets, failure to achieve the intended acquisition objectives or benefits, diversion of resources and management attention from managing our existing business operations, and increase in depreciation and amortization costs arising from the acquired property, plant and equipment and intangible assets as a result of the acquisition. In addition, there can be no assurance that we will be able to identify suitable acquisition opportunities. Even if we can, we may not be able to complete the acquisitions on terms favorable to us, in a timely matter, or at all. As a result, our competitiveness and growth prospects could be materially and adversely affected.

Furthermore, we may face difficulties in integrating acquired operations as we continue to expand our operations through acquisition. Our ability to integrate the acquired business may be affected by a variety of factors. These factors include, but are not limited to, the complexity and size of the acquired business, risks of operating in new markets, unfamiliarity with new regulatory regimes, differences in corporate cultures, inability to retain the acquired company' personnel, as well as additional hidden costs associated with the acquisition. Such difficulties could disrupt our business operations, distract our management or increase our operating expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

Approximately [REDACTED], or HK$[REDACTED] million, of the [REDACTED] raised from this [REDACTED] will be used to acquire or invest in other property management companies. See "Future Plans and Use of [REDACTED] — Use of [REDACTED]" for details. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our [REDACTED] from this [REDACTED] may not be effectively used.

We operate in a highly competitive industry with numerous competitors and we may not be able to compete successfully against our competitors.

The property management industry is fragmented and highly competitive, with nearly 130,000 companies operating in the industry in 2019 according to CIA. For details, please see "Industry Overview — The Property Management Industry in the PRC — Competition — Competitive Landscape" in this document. We compete against other property management companies in the PRC, especially the Top 100 Property Management Companies, with respect to a wide range of factors including, among others, service quality, brand recognition, innovation, cost efficiency and financial resources. Moreover, our community value-added services face competition from other companies providing similar services to consumers. Competition in our industry may intensify as our competitors expand their product or service offerings, or as new competitors enter our existing or new markets. Our competitors may have better track records, longer operating histories and greater financial, technical and other resources. They may also have greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion and sale of their services. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our operations is concentrated in Jiangsu province, and we are susceptible to trends and developments in these regions.

A significant portion of our operations is concentrated in Jiangsu province. As of December 31, 2017, 2018 and 2019, the total GFA under management located in Jiangsu province (including Nanjing) represented approximately 100.0%, 100.0% and 87.9% of the total GFA under management, respectively. Our property management services revenue generated from our managed properties in Jiangsu province (including Nanjing) amounted to approximately 100.0%, 100.0% and 98.5% of the total property management services revenue, respectively, in 2017, 2018 and 2019. Though we have further expanded to other key economics regions and cities in China such as Anhui province, Shanghai, Shandong province and Zhejiang province, we expect that Jiangsu province will still continue to account for a significant portion of our operations in the near future. If the Jiangsu province experiences any adverse economic conditions, such as an economic downturn, natural disaster, contagious disease outbreak or terrorist attack, or if the local governmental authorities adopt regulations that place additional restrictions or burdens on us or on the property management industry in general, our business, financial condition and results of operations could be materially and adversely affected.

We may not procure new property management service contracts as planned or at desirable pace or price.

During the Track Record Period, we generally procured new property management service contracts through a tender or bidding process. The selection of a property management company depends on a number of factors, including but not limited to the quality of services provided, the level of pricing and the operating history of the property management company. There is no assurance that we will be able to procure new property management service contracts in the future.

A majority of our revenue is generated from property management services we provide to projects developed by Redsun Properties Group, which we do not have control over.

Furthermore, a significant portion of our property management service contracts during the Track Record Period were related to the management of properties developed by Redsun Properties Group. As of December 31, 2017, 2018 and 2019, properties developed by Redsun Properties Group accounted for 73.1%, 72.3% and 61.8%, respectively, of our total GFA under management. We cannot assure you that Redsun Properties Group will actually engage us as their property management service provider or prioritize us when selecting their future property management service provider for any property they develop, particularly because the appointment of property management companies is generally subject to a tender process under PRC laws. However, we do not have control over the Redsun Properties Group's management strategy, nor the macroeconomic or other factors that affect their business operations and financial positions. Any adverse development in the operations of Redsun Properties Group or its ability to develop new properties may affect our ability to procure new property management service contracts. If we are not able to maintain the number of our managed properties developed by Redsun Properties Group, our results of operations and growth prospects may be materially and adversely affected.

We are affected by PRC policies, laws and regulations on the real estate industry, which may limit our growth potential.

We derived the majority of our revenue from our property management services during the Track Record Period and up to the Latest Practicable Date. The performance of our property management services is primarily dependent on the amount of our GFA under management and number of our managed properties. Therefore, the growth potential of our property management services is, and will likely continue to be, affected by PRC policies, laws and regulations on the real estate industry. The PRC Government has implemented a series of measures to regulate the economic growth in recent years. In particular, the PRC Government has continued to introduce various restrictive measures to discourage speculative investments in the real estate market, such as imposing controls over the land supply for property development, foreign exchange controls, restrictions against property development financing, additional taxes and levies on property sales and foreign investments in the Chinese real estate market. Such government measures may negatively affect sales and the delivery schedules of the properties we service, thus limiting our growth potential and resulting in a material adverse effect on our business, financial condition and results of operations.

Our success depends on our ability to retain our key management team and to recruit, train and retain qualified personnel.

Our success depends upon the efforts of our Directors, senior management and other key employees as a whole. If any of our Directors, senior management and other key employee leaves and we are unable to promptly identify and appoint or employ a qualified replacement, our business, financial condition and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend in part on our ability to recruit, train and retain qualified personnel in all aspects of our business, such as corporate management personnel, property management personnel and information technology personnel. If we are unable to recruit, train and retain qualified personnel, our growth may be limited and our business, financial condition and operating results could be materially and adversely affected.

Expansion of our business may expose us to increased risks of non-compliance with the laws and regulations in new geographic markets and new products and services.

As we expand our operations into new geographic markets and new products and services, we expect to become subject to an increasing number of laws and regulations. In addition, as the size and scope of our operations increase, the difficulty of ensuring compliance with the various laws and regulations and the potential for penalties or fines from non-compliances increase. If we fail to comply with applicable laws and regulations, we may be subject to penalties 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 condition and results of operations.

If we fail to protect our intellectual property rights, our business, financial conditions and results of operations would be severely harmed.

We consider our intellectual property rights are crucial business assets, key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. We rely on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and preventing unauthorized 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 involve substantial risks to us. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the proper operation of our information technology systems. Any malfunction of which for extended periods could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems, such as our Red Life App. We plan to attract increased usage by property owners and residents in the properties we manage and local merchants around such properties. We regularly seek to introduce different products and services from local merchants on Red Life App and roll out new mobile app features from time to time, which may present new and significant technical and operational challenges. If our Red Life App fails to provide satisfied products and service in order to attract or retain sufficient interests from property owners and residents as planned, property owners and residents may cease using Red Life App or turn to competing service platforms. In such event, we will not be able to successfully develop our services or introduce more revenue-generating services through Red Life App, and our business, financial condition and results of operations could be adversely affected. In addition, depending on the type of the services provided, the operation of information technology systems may be subject to requirements of obtaining and/or renewing certain licenses, approvals or permits. We cannot assure you that we will be able to obtain and/or renew such licenses, approvals or permits as required, the failure of which may restrict us from providing certain services and adversely affect our business and results of operations.

In addition, we employ various automation devices, such as Hongzhi Cloud Monitor (弘智云眸), smart access control systems and smart parking systems. Many factors such as power outages and damage to our equipment may cause interruptions to our centralized intelligent platform and other intelligent equipment. For example, if we experience any power outage, our information technology system, which is a key component of our Hongzhi Cloud Monitor (弘智云眸), may not function properly. Our equipment may also be subject to damages caused by unforeseeable events and unexpected natural disasters. In addition, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology system will always operate without interruption.

Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our information technology system can withstand intrusions from or prevent improper usage by third parties. Any malfunction to a particular part of our information technology system may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our results of operations. Furthermore, we may not always be successful in developing, installing, running or implementing new software or advanced information technology systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these may have a material adverse impact on our profitability.

We rely on third-party service providers that we cooperate with to provide certain services.

We collaborate with third-party merchants to provide certain services for properties under our management, for example, we may conduct transactions through third-party online payment platforms. We select third-party service providers based on factors such as professional qualifications, industry reputation, service quality, and price competitiveness. However, we cannot assure you that they will always perform in accordance with our expectations. We may not be able to monitor their services or control over the security measures of third-party online payment platforms as directly and efficiently as with our own services. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may have disputes with third-party service providers, or may be held responsible for their actions, for example, security breaches of the online payment platforms, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. We cannot assure you that upon the expiration of our agreements with our current third-party service providers, we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all.

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

We are exposed to risks related to concentration of suppliers.

We experienced concentration of suppliers during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019, purchases from our five largest suppliers accounted for approximately 36.1%, 45.9% and 30.5% of our total purchase, respectively, and our single largest supplier accounted for 16.5%, 19.5% and 14.0% of our total purchase during the same periods, respectively. Our five largest suppliers primarily comprised sub-contractors providing security, cleaning, greening and gardening, and repair and maintenance services and vendors providing resident services. We cannot assure you that there are suppliers at comparable prices within a reasonable period in case of interruption of our major suppliers' business or our business relationship with them. In the event of the above-mentioned situation, our financial condition and results of operations may be materially and adversely affected.

We may fail to recover all payments on behalf of property owners residents and tenants, which could adversely affect our reputation, business, financial condition and results of operations.

During the Track Record Period, we have made payments on behalf of property owners, residents and tenants for properties we manage in specific circumstances such as utility expenses. Management judgment is required to determine whether the management offices have the ability to settle such payments on behalf of property owners, residents and tenants. We take into consideration a number of indicators to determine the recoverable amount, including, among other things, the default probability and the recovery probability. For the balances that our management believes may not be recovered within a reasonable time frame, we make provisions for impairment on receivables. However, there is no guarantee that we will maintain or improve the recoverability of our payments on behalf of property owners, residents and tenants through our collections policy, or that the financial performance of the properties will be maintained or improved. There can be no assurance that payments on behalf of property owners, residents and tenants will not increase in the future, especially in light of our growth and geographic expansion. A substantial increase in the payments on behalf of property owners, residents and tenants and impairment loss from the same could adversely affect our business, financial condition and results of operations.

We may be required to make additional contributions of social insurance and/or housing provident fund under PRC laws and regulations.

Under relevant PRC laws and regulations, we are required to make social insurance and housing provident fund contributions for our employees. During the Track Record Period, certain of our subsidiaries failed to make full contribution to social insurance and housing provident funds for some employees as required by relevant PRC laws and regulations. As advised by our PRC Legal Advisors, the relevant governmental authorities may demand for payment of the outstanding social insurance contributions within a stipulated deadline 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 fine of one to three times the amount of the outstanding contributions. In addition, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed period, and if we fail to make such payments, application may be made to a people's court in the PRC for compulsory enforcement. For details, please see "Business — Legal Proceedings and Compliance — Historical Non-compliance Incident" in this document."

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the housing provident funds against us, or that we will not receive any claims in respect of housing provident funds under PRC laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC Government or relevant local authorities.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our operations.

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

We may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, China's Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the "**Taxation Collection Reform Plan**"). Effective from January 1, 2019, the plan places the responsibility of calculating and collecting social insurance contribution solely with the tax bureau, which is expected to improve social insurance compliance since the tax bureau is better resourced to monitor and collect contribution. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain. We may incur additional cost to comply with this new plan and may be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on our business, financial condition and results of operations.

Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our leased agreements, which may result in a disruption of our operations and subject us to penalties.

We lease certain properties from third parties mainly for our business operations and staff dormitories or to be used as offices. As of the Latest Practicable Date, we had not received sufficient or valid ownership certificates or other ownership documents of six properties from lessors. These leased properties are being used for our business operations or to be used as offices. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, we believe that there are alternative properties at comparable rental rates readily available on the market and the estimated total relocation cost and time will not be material. In addition, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

In addition, according to applicable PRC administrative regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we failed to register nine lease agreements. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations. However, there can be no assurance that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, as advised by our PRC Legal Advisors we may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. Our Directors have confirmed that the estimated total maximum penalty is approximately RMB80,000.

The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. There can be no assurance that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

We may not be able to sustain the gross profit margins of our services at the levels we had during the Track Record Period.

We have experienced decrease in gross profit margin in 2018. The gross profit margin of our property management services decreased from 21.9% in 2017 to 19.0% in 2018, which was primarily due to increased staff cost resulted from the increased number of staff whom we hired in 2018 for projects to be delivered in 2019. As a result, our overall gross profit margin decreased from 22.6% in 2017 to 20.0% in 2018. For details, please see "Financial Information — Results of Operations."

There can be no assurance that our gross profit margin will not decrease again or we will be able to maintain the gross profit margins at the levels we had during the Track Record Period. We may, from time to time, operate our business through cooperation with third parties in the future which may affect our gross profit margin. Furthermore, there is no guarantee that we will be able to control or reduce our cost and expenses or improve our cost efficiency and accordingly, our gross profit margin. If there is any decline in our gross profit margins in the future, or if we fail to sustain the margin levels, our profitability and financial condition may be materially and adversely affected.

We may require additional funding to finance our operations and future acquisitions, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your [REDACTED] in us may be negatively impacted.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities and the estimated [REDACTED] available to us from the [REDACTED], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

We believe our insurance coverage is in line with the industry practice in China and we did not experience any material insurance claims in relation to our business during the Track Record Period and up to the Latest Practicable Date. For more details regarding our insurance policies, see "Business — Insurance." In addition, we typically require our sub-contractors to purchase accident insurance policies for their employees who provide services to our Group or to otherwise be responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. However, our insurance coverage may not adequately protect us against all potential losses and liabilities that we may incur in the course of our business operations, which may result in adverse effects on our business. Moreover, there are certain types of losses or liabilities for which there are no insurance policies in China available at 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 due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial condition and results of operations.

We are required to adhere to national health and safety standards, and in the event that we are unsuccessful at meeting these standards, our business, financial condition, results of operations and brand image would be negatively affected.

We cannot guarantee that our procedures, safeguards and training will be completely effective in meeting all relevant health and safety requirements. A failure to meet relevant government requirements could occur in our operations or those of our sub-contractors or suppliers. During the Track Record Period, we had complied with PRC laws in relation to workplace safety in all material respects and no fines or penalties for non-compliance of PRC environmental laws had been imposed on us, and we had not been subject to any material administrative penalties due to violation of environmental laws in the PRC. Nevertheless, there can be no assurance that we will not be subject to any administrative penalties due to non-compliance with laws and regulations in relation to labor, safety and environment protection matters in the future. Any material non-compliance could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against our Company and/or our management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims. Any of these failures or occurrences could negatively affect our business, financial condition, results of operations and brand image.

We are exposed to risks in relation to work safety and occurrence of accidents, which could materially and adversely affect our reputation, business, financial condition and results of operations.

Work injuries and accidents may occur in the course of our business. For example, we provide repair and maintenance services to property developers and managed properties through our own employees and third party sub-contractors, which may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. Any incident or accident could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and we may be held liable for the losses. In addition, we are exposed to claims of negligent or reckless behavior on the part of our employees or employees of our sub-contractors. We may also experience interruptions to our business operations and may be required by government authorities to change the manner in which we operate following any incidents or accidents. Any of the foregoing could materially and adversely affect our reputation, business, financial condition and results of operations.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may, from time to time, be involved in disputes with and subject to claims from, among others, the residents, guests and property owners of our managed properties. For example, property owners may take legal action against us if they believe that our services are below the standards set forth in the relevant preliminary property management service contracts or property management service contracts. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties associated with our business operations, such as our sub-contractors, suppliers and employees, or other third parties who sustain injuries or damages at the premises of our managed properties. Such disputes and claims may lead to legal or other proceedings or result in negative publicity against us and damage our reputation. We may also incur substantial costs and have to divert management attention and other resources from our business operations to defend ourselves in such proceedings. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

All of our business operations are in China and all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasizing market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in China is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy, growth rates have begun to decelerate, and growth may not continue. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by changes in economic conditions in China, or the PRC Governmental monetary policies, interest rate policies, tax regulations or policies and regulations.

In addition, the outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt; the effect of the exit of the United Kingdom from the European Union (the "**Brexit**") remains uncertain. In the United States, the recovery in the housing market remains subdued. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the PRC Government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC Government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). It remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. The lasting impact the trade war may have on China's economy and the real estate industry remains uncertain. Moreover, the outbreak of COVID-19 may materially and adversely affect the global economy. For details, please see "— We face certain risks associated with the outbreak of COVID-19."

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the overall PRC economy, which would in turn affect our business.

The national and regional economies in China and our prospects may be adversely affected by health epidemics and other natural disasters.

Our business could be affected by the outbreak of H1N1, or the swine flu, avian influenza, severe acute respiratory syndrome, or SARS, or, most recently, COVID-19 or another epidemic. Any recurrence of those diseases or occurrence outbreak of any other similar diseases could result in a widespread health crisis that could adversely affect the economy and financial markets of China. For more details regarding the risks of COVID-19, please see “— We face certain risks associated with the outbreak of COVID-19”. Such disruptions could adversely affect our business operations and earnings.

Our operations are also vulnerable to natural disasters or other catastrophic events, including wars, terrorist attacks, snowstorms, earthquakes, typhoons, fire, floods, power failures and shortages, water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. If any natural disaster or catastrophic event were to strike in the future in China, especially in the areas where our operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the [REDACTED] from the [REDACTED] or any further [REDACTED], as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing procedures, our ability to use the [REDACTED] of the [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our combined subsidiaries incorporated in China. We rely on dividends paid by these combined subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC Enterprise Income Tax Law, or EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on August 21, 2006, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on the Determination of "Beneficial Owners" in the Tax Treaties, or Notice 9, which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and the EIT Implementation Rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號》), or the "**China-Hong Kong Tax Arrangement**") are met, the withholding rate could be reduced to 5%. However, the Notice 9 provides that "Beneficial Owners" refer to persons who engaged in substantial business operations. It is unclear whether Notice 9 applies to dividends from our PRC operating subsidiaries paid to us through Profit Victor Investments (Hong Kong) Limited, our direct subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Notice 9, Profit Victor Investments (Hong Kong) Limited were not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favorable 5% rate applicable under the China-Hong Kong Tax Arrangement. In that case, our financial condition and results of operations may be materially and adversely affected.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realized from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from "sources within the PRC." According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders' investments in our Shares may be materially and adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as "resident enterprises" clarified that dividends and other income paid by such "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for 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》) ("SAT Circular No. 7") issued by the PRC State Administration of Taxation

On February 3, 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers (《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》) ("**SAT Circular No. 698**"), previously issued by the State Administration of Taxation on December 10, 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

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

Most of our Directors and executive officers reside within China, and all of our assets and substantially all of the assets of those persons are located within China. It may not be possible for [REDACTED] to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts unless in accordance with the provisions of the international treaties concluded or acceded to by the foreign country and the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《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》) are met. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Fluctuations in the value of the Renminbi and the PRC Government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

All of our revenue and expenditures are denominated in Renminbi, while the [REDACTED] from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 Renminbi traded within a narrow range against U.S. Dollar. In June 2010 the People's Bank of China announced the removal of the *de facto* peg. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits or inject capital and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident ("**PRC Resident**") to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Offshore SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC Government has implemented various policies from time to time to control inflation. For example, the PRC Government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC Government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC Government measures, our cost of services will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC Government to control inflation may also slow economic activity in the PRC and reduce demand for our products and decrease our revenue growth and adversely affect our results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the [REDACTED], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [REDACTED]. The initial [REDACTED] range for our Shares was the result of, and the [REDACTED] will be the result of, negotiations among us and the [REDACTED] (for itself and on behalf of the other [REDACTED]) and may not be indicative of prices that will prevail in the trading market after the [REDACTED].

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being [REDACTED] on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [REDACTED], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the [REDACTED].

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED].

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;

- market developments affecting us or the property management industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

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

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be [five] Hong Kong business days after the [REDACTED]. As a result, [REDACTED] may not be able to [REDACTED] in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the [REDACTED] when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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

Based on the [REDACTED], the [REDACTED] is expected to be higher than the net tangible book value per Share prior to the [REDACTED]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may [REDACTED] additional Shares or equity-related securities in the future or to raise additional funds, finance acquisitions or for other purposes. If we [REDACTED] additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future.

Subject to Shareholders' approval, our Board of Directors shall, at their discretion, formulate the distribution of dividends. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under Cayman Companies Law, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy and Distributable Reserves" for more details of our dividend policy.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the [REDACTED], our Controlling Shareholders will together control approximately [REDACTED] of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the [REDACTED]. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed "[REDACTED]". Our existing Shareholders may dispose of the Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Facts and statistics in this document relating to the PRC economy and the industry in which we operate may not be fully reliable, and statistics in the document provided by CIA are subject to assumptions and methodologies set out in the section headed "Industry Overview".

Facts and statistics in this document relating to China and the industry in which we operate, including those relating to the PRC economy and the property management industry in China, are derived from various publications of governmental agencies or industry associations, or an industry report prepared by CIA and commissioned by us. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to its accuracy and completeness. [REDACTED] should not place undue reliance on such facts or statistics.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

There may have been prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [REDACTED], press and/or media regarding us, our business, our industry and the [REDACTED]. None of us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], or any other person involved in the [REDACTED] has authorized the disclosure of information about the [REDACTED] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the [REDACTED], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Group’s principal business and operations are located, managed and conducted in the PRC through our PRC subsidiaries and none of our executive Directors is ordinarily based in Hong Kong and they will continue to be based in the PRC after the [REDACTED]. As a result, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Further, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate its existing PRC-based executive Directors to Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we put in place the following measures:

(i) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as its principal channel of communication with the Stock Exchange and ensure that our Company will comply with the Listing Rules at all times. The two authorized representatives are Mr. He Jie, the chairman of the Board and a non-executive Director, and Mr. Wong Yu Kit, the company secretary of our Company. Mr. Wong Yu Kit is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email (if applicable) to deal promptly with any enquiries which may be made by the Stock Exchange;

(ii) each of the authorized representatives has means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Group will implement a policy that (i) each of our Directors has provided his/her mobile phone number, office phone number, facsimile number and email address (if applicable) to the authorized representatives and the Stock Exchange; and (ii) each of our Directors will provide his/her phone numbers or means of communication to the authorized representatives when he/she is traveling;

(iii) in addition, each of our Directors (including the independent non-executive Directors) not being ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to come to Hong Kong and meet with the relevant officers of the Stock Exchange within a reasonable period, when required; and

(iv) in compliance with Rule 3A.19 of the Listing Rules, our Company has appointed ABCI Capital Limited to act as our compliance advisor who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [REDACTED] and ending on the date that our Company publishes our financial results for the first full financial year after the [REDACTED] pursuant to Rule 13.46 of the Listing Rules. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules following completion of the [REDACTED]. We [have applied] to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, see "Continuing Connected Transactions".

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. YANG Guang (楊光)	Room 1003, Unit 2, Building 1 No. 32, Dingjiaqiao, Gulou District Nanjing Jiangsu Province, the PRC	Chinese
Ms. ZENG Zixi (曾子熙)	Building 28 Phase 2 Zhongshan Golf Villa Nanjing Jiangsu Province, the PRC	Chinese
Non-executive Directors		
Mr. HE Jie (何捷)	Room 603, No. 6, Lane 422 East Huanghua Road Minhang District Shanghai, the PRC	Chinese
Mr. JIANG Daqiang (蔣達強)	Room 2201, No. 25, Lane 666 Gulong Road, Minxing District Shanghai, the PRC	Chinese
Mr. LUO Yanbing (羅艷兵)	Room 502, No. 47, Lane 710 Laohumin Road Xuhui District Shanghai, the PRC	Chinese
Independent non-executive Directors		
Mr. JING Zhishan (景志山)	2–2, No. 136 Wu Zhou Xin Cun Jiangbei District Chongqing, the PRC	Chinese
Ms. WANG Fen (王奮)	Room 902, Unit 1, Building 3 Bishuiyuntian Wanquanzhuang Road Haidian District Beijing, the PRC	Chinese
Mr. YIM Kai Pung (嚴繼鵬)	Flat B, 4/F, Block 6, Julimount Garden 1–5 Hin Tai Street Sha Tin Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

For further information regarding our Directors, please see the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Legal Advisors to our Company	*As to Hong Kong law* **Paul Hastings** 21–22/F, Bank of China Tower 1 Garden Road Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing China *As to Cayman Islands law* **Walkers (Hong Kong)** 15/F, Alexandra House 18 Chater Road Central Hong Kong
Legal Advisors to the Sole Sponsor and [REDACTED]	*As to Hong Kong law* **Sidley Austin** Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong

	As to PRC law **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing The PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22nd CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Compliance Advisor	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Industry Consultant	**China Index Academy** Block A, No.20 Courtyard Guogongzhuang Middle Street Fengtai District Beijing The PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Principal Place of Business and Head Office in the PRC	25th Floor Hong Yang Building No. 9 Daqiao North Road Nanjing Jiangsu Province, the PRC
Registered Office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Unit 3712–13, 37/F The Center No. 99 Queen's Road Central Hong Kong
Website Address	www.rsunservice.hk *(the contents of the website do not form a part of this document*)
Company Secretary	Mr. Wong Yu Kit (黃儒傑) *(ACS, ACIS)* 40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. He Jie (何捷) Room 603, No. 6, Lane 422 East Huanghua Road Minhang District Shanghai, the PRC Mr. Wong Yu Kit (黃儒傑) 40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Board Committees	**Audit Committee** Mr. Yim Kai Pung (嚴繼鵬) *(Chairman)* Mr. He Jie (何捷) Mr. Luo Yanbing (羅艷兵) Ms. Wang Fen (王奮) Mr. Jing Zhishan (景志山)
	Nomination Committee Mr. He Jie (何捷) *(Chairman)* Mr. Yang Guang (楊光) Mr. Yim Kai Pung (嚴繼鵬) Ms. Wang Fen (王奮) Mr. Jing Zhishan (景志山)
	Remuneration Committee Ms. Wang Fen (王奮) *(Chairman)* Mr. Jiang Daqiang (蔣達強) Ms. Zeng Zixi (曾子熙) Mr. Yim Kai Pung (嚴繼鵬) Mr. Jing Zhishan (景志山)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Principal Banks	Agriculture Bank of China Nanjing Qiaobei Branch No. 48 Daqiao North Road Pukou District, Nanjing The PRC
	Industrial and Commercial Bank of China Nanjing Qiaobei Branch No. 48 Daqiao North Road Pukou District, Nanjing The PRC

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research reports prepared by CIA, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact omitted will render such information false or misleading in any material respect. We, the Sole Sponsor, the [REDACTED], the [REDACTED] or any of our or their respective directors, senior management, representatives and any other persons (other than CIA) involved in the [REDACTED] have not independently verified such information and made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

CIA AND ITS METHODOLOGIES

We purchased the right to use and quote various data from publications by CIA at a total cost of RMB0.8 million. Established in 1994, CIA is a property research organization in the PRC with over 500 analysts. It covers more than 600 cities across the five regions of North China, East China, South China, Central China and Southwest China with 17 branches. CIA has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. In its research, CIA primarily considers property management companies that have managed at least ten properties or an aggregate GFA of 500,000 sq.m. or above for the previous three years. CIA uses research parameters and assumptions and gathers data from a multitude of primary and secondary sources, including data from property management companies (including data from reported statistics, websites and marketing materials), surveys conducted, data from the China Real Estate Index System, public data from governmental authorities and data gathered for prior published reports. CIA derives its rankings of overall strength of property management companies primarily by evaluating each property management company's management scale, operational performance, service quality, development potential and social responsibility. CIA assesses the growth potential of a property management company primarily in terms of revenue growth rate, growth rate of total GFA under management, total contracted GFA, total number of employees and composition of employees. In this section, the data analysis is primarily based on that of the Top 100 Property Management Companies.

THE PROPERTY MANAGEMENT INDUSTRY IN THE PRC

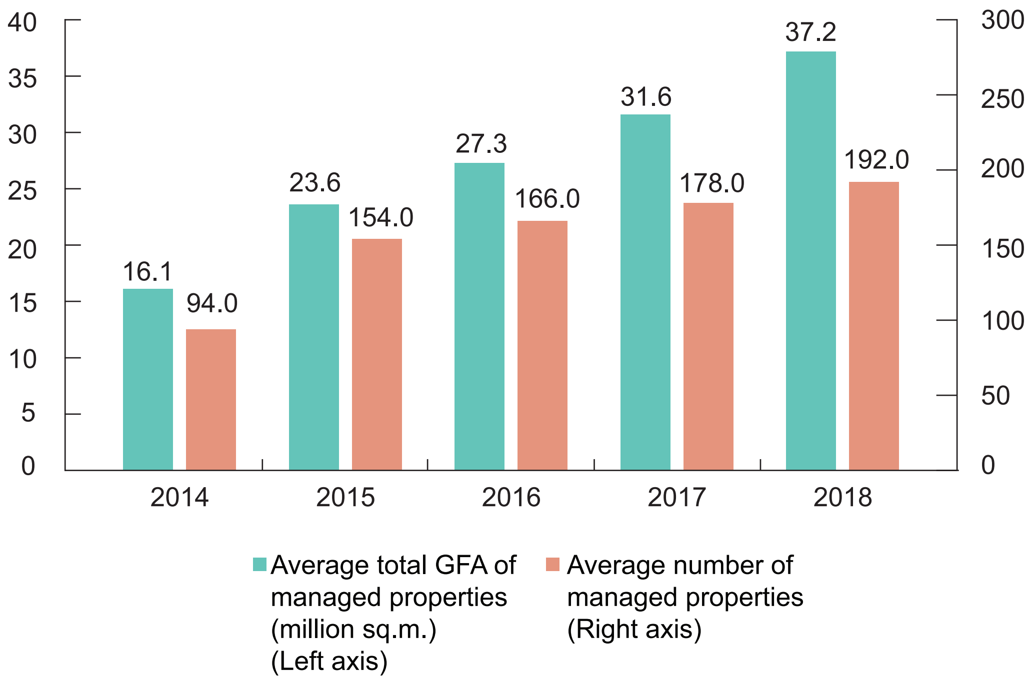
Overview

The history of the PRC property management industry can be traced back to the early 1980s with the establishment of the first property management company in China. Since then, the PRC property management industry has experienced rapid growth. In June 2003, the Provisions on Property Management (《物業管理條例》) were promulgated, providing a regulatory framework for the property management industry. According to CIA, in 2012, the

State Council issued the 12th Five-Year Plan for the Development of the Service Industry (《服務業發展「十二五」規劃》), proposing to "encourage property management companies to develop diversified businesses". As more regulations were promulgated, an open and fair market system for the industry was established, further encouraging the significant growth of the PRC property management industry. The PRC property management industry now serves a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals, among others.

Overview of the Top 100 Property Management Companies

In recent years, following the rapid urbanization and continuous growth in per capita disposable income, the GFA and number of properties managed by the Top 100 Property Management Companies have increased rapidly. The average total GFA of properties managed by the Top 100 Property Management Companies increased to approximately 37.2 million sq.m. as of December 31, 2018 from approximately 16.1 million sq.m. as of December 31, 2014, representing a CAGR of 23.3%, according to CIA. The average number of properties managed by the Top 100 Property Management Companies increased to 192 as of December 31, 2018 from 94 as of December 31, 2014, representing a CAGR of 19.5%, according to CIA. The chart below sets forth the average total GFA and the average number of properties managed by the Top 100 Property Management Companies for the years indicated.

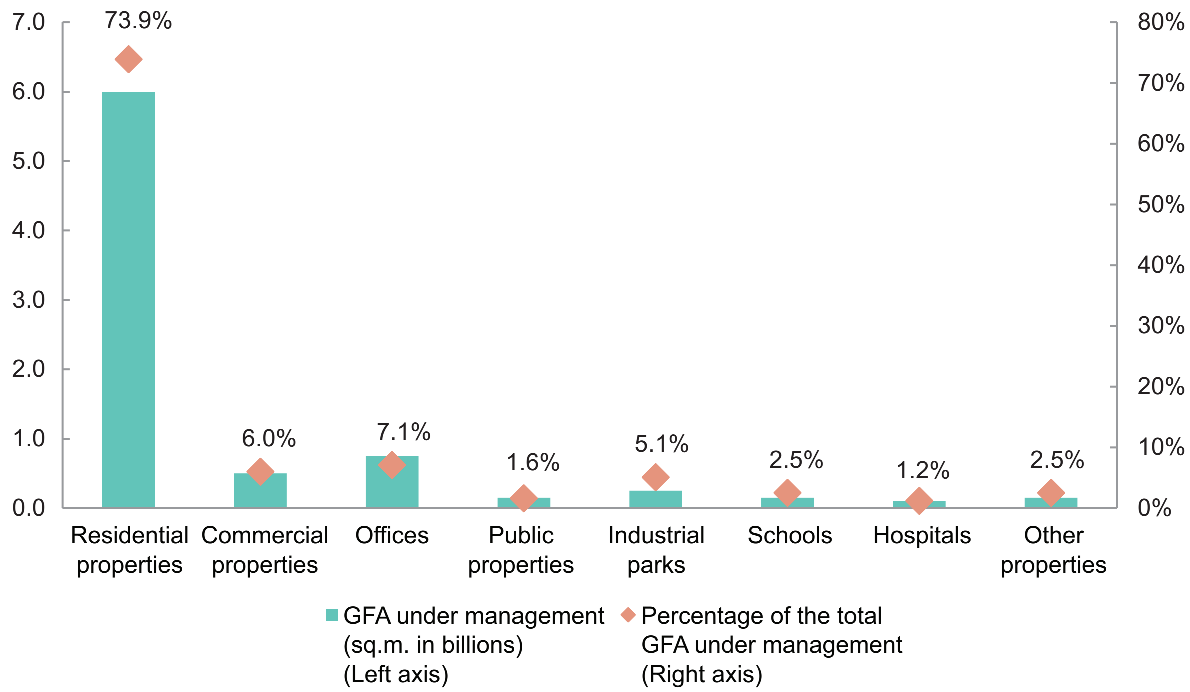


Source: CIA.

According to CIA, the geographical coverage of the Top 100 Property Management Companies has also been expanding in the recent years. As of December 31, 2018, the average number of cities in which the Top 100 Property Management Companies had operations increased to 29, representing a CAGR of 4.8% since 2014.

As a result of the significant growth in the GFA and number of properties under management, as well as geographical coverage, the average revenue of the Top 100 Property Management Companies increased to approximately RMB886.2 million in 2018 from approximately RMB425.0 million in 2014, representing a CAGR of 20.2%.

Among the properties under management, residential properties continue to be the dominant type of property. The chart below sets forth the total GFA of each type of properties managed by the Top 100 Property Management Companies as of December 31, 2018.

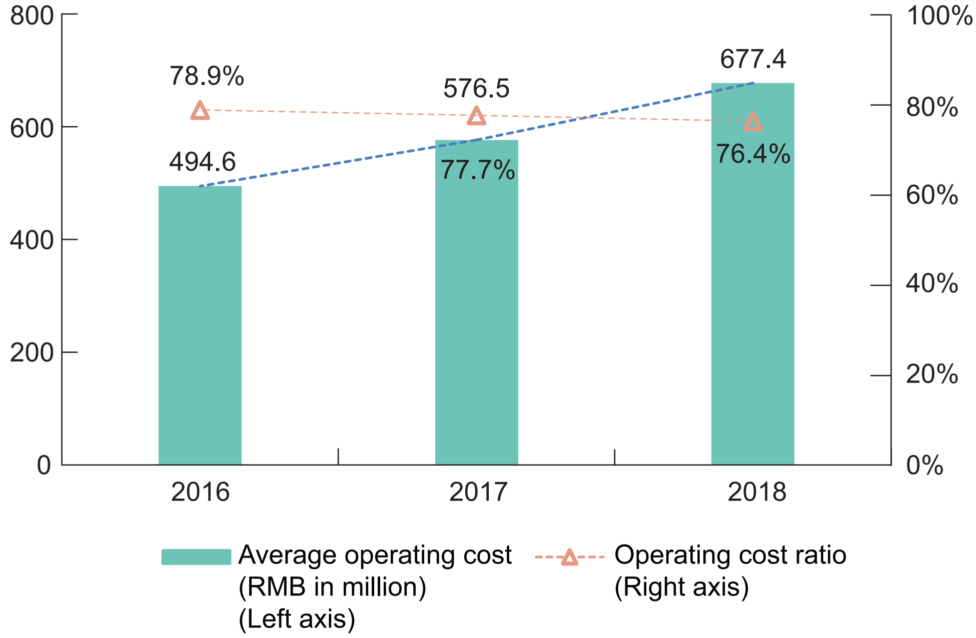


Source: CIA.

While residential properties still accounts for the largest percentage of the total GFA of properties under management, property management companies have sought to diversify the types of properties under their management. The total GFA of non-residential properties managed by the Top 100 Property Management Companies increased by 11.7% to approximately 2,131.7 million sq.m. as of December 31, 2018 from approximately 1,907.8 million sq.m. as of December 31, 2017.

Driven by customer demand and intense competition, property management companies have invested to improve their service quality and increased attention on their customers' requirements. In terms of traditional property management services, property management companies have introduced the concepts of "steward service," "one-stop service" and "all-round service" to meet various needs in their customers' daily life. In terms of value-added services, property management companies are in the process of promoting the concept of "Internet +" to establish an online and offline community service platform and integrate resources of the surrounding business circle to diversify offerings of products and services and increase customer loyalty. Improved service quality and diversified services help increase the customer retention rates of the Top 100 Property Management Companies.

According to CIA, the Top 100 Property Management Companies grow their profitability by offering traditional property management services and other diversified services. According to CIA, the average net profit of Top 100 Property Management Companies grew by 26.0% to RMB72.2 million in 2018 from 2017. The average net profit of property management services of Top 100 Property Management Companies grew by 20.3% to RMB40.2 million in 2018 from 2017, while the average net profit of other diversified services grew by 33.9% to RMB32.0 million in 2018 from 2017. Through diversifying their services and adopting technology, standardization and automation, the Top 100 Property Management Companies have been able to reduce their operating costs and achieve cost efficiency. According to CIA, the operating cost ratio of the Top 100 Property Management Companies was 77.7% and 76.4% in 2017 and 2018, respectively. The chart below sets forth the average operating cost and the operating cost ratio of the Top 100 Property Management Companies for the years indicated.



Source: CIA.

Major Revenue Models in the PRC Property Management Industry

In the PRC, property management companies generate revenue from the property management services. In addition, property management companies also generate revenue from other value-added services, including, among others, consultancy services, engineering services and community value-added services such as common area operation, finance, property agency, e-commerce, housekeeping and cleaning, elderly care and nursing services.

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

Industry Growth Drivers

The growth of China's property management industry depends on various key drivers.

Favorable Policies

In June 2003, the PRC Government promulgated the Regulations on Property Management (《物業管理條例》), establishing a regulatory framework for the property management industry. Since then, a number of laws and rules have come into effect regulating various aspects of the property management industry and numerous policies enacted to promote its development. These include, but are not limited to, the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) promulgated in December 2014 and the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) promulgated in November 2015. The State Council also promulgated the Recommendations on Strengthening and Improving the Governance of Urban and Rural Communities (《關於加強和完善城鄉社區治理的意見》) in June 2017, encouraging property management companies to expand their business operations and bring their expertise into rural areas. These laws and policies jointly create and will continue to improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC. For further details, see "Regulatory Overview".

Growth in Demand for Property Management Services

China's significant growth in urbanization and per capita disposable income has been the principal driver for the growth of the property management industry, according to CIA. The urbanization rate (being the projected average rate of change of the size of the urban population over the given period of time) in China increased from 33.4% as of December 31, 1998 to 59.6% as of December 31, 2018. The PRC property management industry is expected to continue to grow in tandem with a rising level of urbanization of the country. Moreover, China's rapid economic growth has spurred continuous growth in the per capita disposable income for urban population, which increased to RMB39,251 per annum as of December 31, 2018, representing a CAGR of 9.6% since December 31, 2009. Such continuous growth in the per capita disposable income stimulated Chinese consumers' demand for better living conditions and quality property management services, which is another underlying reason for the growth of the PRC property management industry. The economic growth in the PRC has also led to the formation of a mid to high-income class. As a result, we expect Chinese consumers to become increasingly sophisticated and willingly pay a premium for quality. Moreover, we expect that more Chinese consumers will consider higher discretionary spending on goods and services besides basic necessities. We believe the emerging middle- to high-income class in the PRC and their growing spending power will have substantial influence on the development of mid- to high-end property management services in the PRC.

Growth in Supply for Commodity Properties

Following rapid urbanization and continuous growth in per capita disposable income, the supply of commodity properties also surged. The total GFA of commodity properties sold increased from approximately 1,305.5 million sq.m. in 2013 to approximately 1,716.5 million sq.m. in 2018, representing a CAGR of 5.6%. The total GFA of commodity residential properties newly constructed in China increased by 17.2% from 1,786.5 million sq.m. in 2017 to 2,093.4 million sq.m. in 2018.

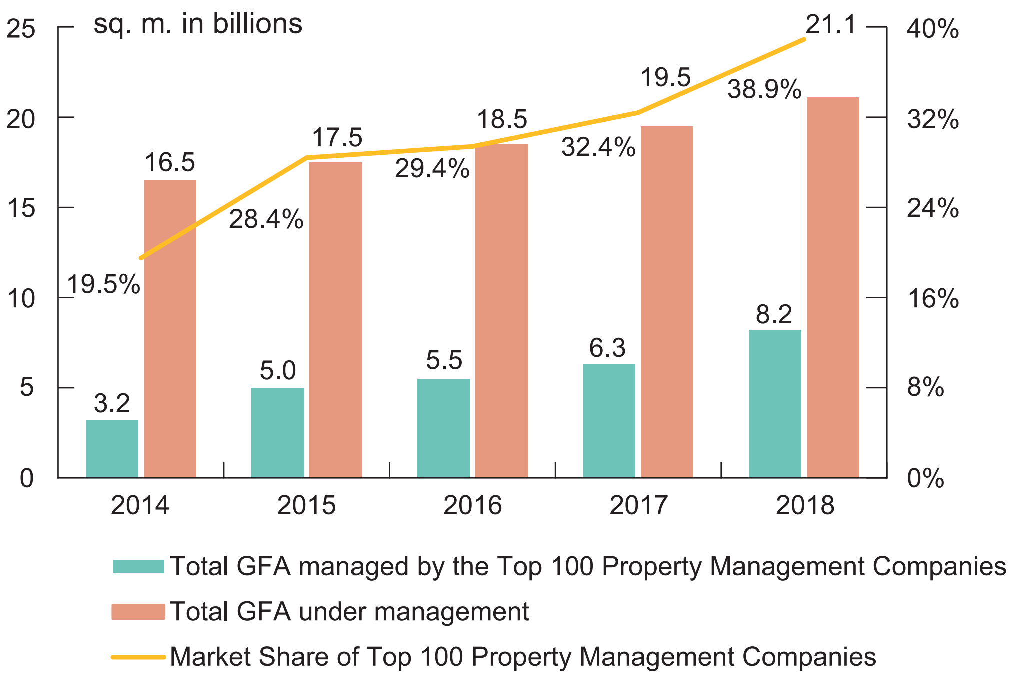
Further Development of Capital Markets

Further development of the PRC capital markets provides growth opportunities and diversified funding channels for the property management industry. A number of policies regulating the capital markets have come into effect to improve the regulatory environment of capital markets, such as Several Opinions of CSRC on Further Regulating the Exercise of Issuance Examination Power (《關於進一步規範發行審核權力運行的若干意見》), Several Opinions of CSRC on Further Promoting the Development of National Equities Exchange and Quotations (《關於進一步推進全國中小企業股份轉讓系統發展的若干意見》) and the Measures for Hierarchical Management of Companies Listed on the NEEQ (《全國中小企業股份轉讓系統掛牌公司分層管理辦法(試行)》). As of February 29, 2020, there was one property management company listed on the Shanghai Stock Exchange, two property management companies listed on the Shenzhen Stock Exchange, 42 property management companies listed on NEEQ and 21 property management companies listed on the Stock Exchange. The development of capital markets enables the property management companies to obtain further funding, diversify funding sources and achieve business expansion.

Trends in the PRC Property Management Industry

Increased Market Concentration

The property management market continues to become more concentrated. In the fragmented and competitive property management industry, large-scale property management companies actively improve their strategic layout and accelerate their expansion in order to increase their market share and achieve better results of operations, primarily through organic growth as well as mergers and acquisitions. The chart below sets forth the total GFA managed by property management companies in China, the total GFA managed by the Top 100 Property Management Companies and the aggregate market share of the Top 100 Property Management Companies in terms of the total GFA managed for the years indicated.



Source: CIA.

Increasing Adoption of Intelligent Technology in Business and Diversified Services

With the aid of information technologies such as cloud application, e-commerce, Internet of Things, big data and Artificial Intelligence, many property management companies reduced labor costs and enhanced profitability. For example, artificial intelligence technologies such as smart entrance pass, smart building management, smart energy management, patrol robots, delivery robots and consultancy robots largely reduced the labor costs of property management companies. In addition, by adopting service platforms such as WeChat public accounts and mobile applications, property management companies could effectively integrate and allocate resources to provide diversified community value-added services, establish comprehensive community service platforms and further expand their community value-added services to common space management, community finance, property agency, e-commerce, housekeeping, etc. According to CIA, the Top 100 Property Management

Companies have continuously developed their value-added services, in particular, dedicating more resources to innovate value-added services models, providing different community products and services, and improving the quality and variety of value-added services. The average revenue generated from value-added services among Top 100 Property Management Companies increased by 28.0% from 2017 to 2018, which is higher than that of traditional property management services, being 17.5% for the same period. With the extensive adoption of intelligent technology and data digitalisation, the revenue generated from value-added services increasingly becomes an important source of revenue for property management companies.

Increasing Need for Professional Staff

On one hand, with the rapid technology developments, the property management companies need to recruit more qualified professional talents with management and technological skills. On the other hand, property management companies also increasingly outsource labor-intensive aspects of their operations such as cleaning, greening and security to sub-contractors while placing greater emphasis on recruiting and training professional and skilled employees to improve the property service quality and meet the residents' demands.

Increasing Support from Capital Markets

The development of capital markets continues to heat up. There are increasing number of property management companies participate in capital markets to expand their financing channels. By doing so, such listed property management companies are able to increase investment in technology innovation, build up intelligent platforms, strengthen the cooperation with other property management companies, improve service quality and increase operational efficiency. In addition, diversified capital sources enable the property management companies to accelerate selective and strategic mergers and acquisitions, and to further expand the scale of business.

Increasing Adoption of Independent Market-based Operation

Traditionally, property management companies are better able to expand their business and market coverage through undertaking contracts for properties developed by large property developers if they are affiliated with such property developers. In recent years, as the marketization degree of the property management industry deepens, property management services are gradually charged based on market-regulated price. As a result, property management companies need to adopt market-based operational strategies and develop new property management services and value-added services in line with the market discipline.

Increasing standardization of services

Standardization allows property management companies to improve their service quality, and is the foundation for the sustainable expansion of business operations across regions. The PRC Government has issued Guidelines for Accelerating the Development of Consumer Services and Promoting the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》). According to CIA, such policy is to introduce the idea of standardizing the quality of property management services. Many of the Top 100 Management Companies in China have established internal standardized operating procedures to guide their provision of services.

Information technology has played an increasingly important role in property management services in recent years. Property management companies use information technology to implement technological solutions for automating key business operations. Technological solutions minimize human error and allow property management companies to consistently apply their standardized procedures and quality standards. In turn, this reduces their reliance on manual labor and therefore the costs involved in hiring employees and sub-contractors as well. Furthermore, centralized information technology enables property management companies to monitor the administrative and financial business operations of their branches, subsidiaries and offices, as well as ensure that they are consistently applying our policies, procedures and quality standards.

THE IMPACT OF THE OUTBREAK OF COVID-19

Due to the outbreak of COVID-19 in the PRC since January 2020, the PRC real estate market is expected to experience a downward trend in the short term due to the overall slowing real estate market development and postponed delivery of real estate projects, according to CIA. As such, the outbreak of COVID 19 is expected to result in delays in the property delivery in the near term. However, according to CIA, it will also present opportunities for project management companies. For example, (i) project management companies are more capable to meet the higher demand of products and services quality in light of the outbreak of COVID-19 such as better air circulation, better sunlight and better environment to promote the health and well-being of property residents, which enable them to receive positive recognition and enhance the satisfaction and loyalty of customers, further to increase the property management fee collection rate, (ii) project management companies, which mostly have developed their own mobile applications or online service platforms, can better adapt to challenges and increase earnings and profitability such as taking initiatives to enhance the functionality of such online service platform and roll out new online products and services based on the needs of managed community, and (iii) since the outbreak of COVID-19, a series of policies have been enacted to support property management companies, including, among others, extension of social insurance contribution period, reduction of taxes, relaxation of financing constraints, reduction of corporate financing costs, increase in government grant. These policies and measures jointly create and will continue to improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC. As a result, according to CIA, the project management industry in China is expected to continue its stable growth even after taking into account the outbreak of COVID-19 if the COVID-19 can be under control by the second half of 2020.

HISTORICAL PRICE TRENDS

Property management services market is labor-intensive and labor cost is a large component of property management services companies' cost of services. Property management companies constantly balance ever-rising labor costs with the necessity of providing quality services. A property management business relies on the availability of cheap and abundant manual labor.

According to CIA, from 2016 to 2018, the labor cost of the Top 100 Property Management Companies accounted for 53.4%, 55.8% and 57.8% of their total cost of sales, respectively. The minimum wage in China is mainly set according to the standards issued by governments at provincial and local levels. In recent years, the minimum wage has increased significantly in various regions, which directly increases the labor costs. In addition, the number of employees of the Top 100 Property Management Companies constantly increases with the necessity of business expansions, the fees on training and labor management also have increased correspondingly in the last few years.

According to CIA, property management companies may reduce their overall cost of sales by innovating with technological solutions and appropriately increasing the proportion of services performed by sub-contractors. In recent years, the Top 100 Property Management Companies have actively experimented with and employed technological solutions to automate their business operations.

By doing so, the Top 100 Property Management Companies are able to increase operational efficiency and raise service quality. According to CIA, sub-contracting allows property management companies to reduce overall labor costs as well as leveraging the expertise of sub-contractors in their respective fields to enhance service efficiency.

COMPETITION

Competitive Landscape

The property management market in China is highly fragmented and increasingly concentrated. Our property management services and value-added services to non-property owners primarily compete with large national, regional and local property management companies. Our community value-added services compete with other property management companies and engineering companies that provide similar services. For example, our community value-added services to property owners and residents may compete with vendors and e-commerce businesses that sell food and groceries, and may also compete with property agents in selling and leasing services as well as with advertising companies for advertising services.

Major property management companies in China experienced steady growth in GFA under management in the past years. According to CIA, we were recognized as one of the Top 100 Property Management Companies for three consecutive years from 2017 and ranked 35th among the 2019 Top 100 Property Management Companies in China in terms of overall strength, representing an improvement of 15 places upwards from our rank of 50th in 2017. According to CIA, the GFA under management of our Group was approximately 9.9 million sq.m. as of December 31, 2018, representing a CAGR of 27.3% from 2016 to 2018, higher than the CAGR for average GFA under management by the Top 100 Properties Management Companies.

As of December 31, 2018, we recognized revenue of approximately RMB349.0 million, increasing by 35.7% from December 31, 2017 to December 31, 2018. The year-to-year increasing rate of our revenue is higher than that of the Top 100 Property Management Companies, being 19.4% for the same period. We had GFA contracted to manage but undelivered of 5.9 million sq.m. as of December 31, 2018, increasing by 86.0% from December 31, 2017, which is higher than that of the Top 100 Property Management Companies, being 11.2% for the same period. For the same period, our number of projects contracted to manage but undelivered increased by 105.0%, which is considerably higher than the industry average of 9.4% for the Top 100 Property Management Companies.

With the increasing diversification of services, our revenue from value-added services to non-property owners and community value-added services in 2018 was approximately RMB69.1 million, increasing by 101.9% from December 31, 2017, which is higher than that of the Top 100 Property Management Companies, being 28.0% for the same period, according to CIA. In addition, our revenue from value-added services in 2018 accounted for approximately 19.8% of our total revenue, which is higher than the industry average for the Top 100 Property Management Companies.

In addition, according to the customer satisfaction survey conducted by CIA, we obtained an average score of 80.1% in 2019, which is higher than the average satisfaction rate in the industry according to a survey of residential satisfaction for Chinese urban residents conducted by CIA, being 75.4% for the same year.

Entry Barriers

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

— ***Brand:*** Brand reputation is an important factor for property management services companies. In selecting property management service providers, consumers are likely to prioritize companies that have years of good management operations, strong brand reputation and recognized service quality. Therefore, new participants, without any established brand or cultivated business relationship with industry participants, face increasing difficulty in penetrating the market.

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

— ***Quality of management:*** experience and expertise of management team may significantly contribute to the competitiveness of property management companies. Property management companies with profound management experience are at an advantages in managing more properties and post-investment companies.

— ***Talent specialization and technical expertise:*** as the big data and Internet technologies emerge, qualified employees in the property management industry are in increasing demand. Both recruiting and retaining high-quality professional employees are considered as a main hurdle for new participants.

DIRECTORS' CONFIRMATION

As of the Latest Practicable Date, after taking reasonable care, our Directors confirm that there was no adverse change in the market information since the respective dates of the various data contained herein, which may qualify, contradict or have an impact on the information in this section.

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws and regulations applicable to our business in PRC.

LAWS AND REGULATIONS RELATING TO PROPERTY MANAGEMENT SERVICES AND OTHER RELATED SERVICES

Foreign Invested Property Management Enterprises

On January 1, 2020, the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was jointly issued by MOFCOM and State Administration for Market Regulation came into effect and replaced The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprise (2018 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2018年修正)》). It sets out the prescribed procedures for the establishment and modifications of foreign-invested enterprise to be registered or filed with delegated commerce authorities through enterprise registration system and specifies the procedures and requirements for online submission in detail.

According to Regulations on Foreign Investment Guidelines 《(指導外商投資方向規定》) (Order No. 346 of the State Council), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects shall be classified into four categories, namely "encouraged", "permitted", "restricted" and "prohibited". Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guideline Catalog of Foreign Investment Industries, while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to the category of permitted foreign investment projects.

On June 30, 2019, the MOFCOM and the NDRC promulgated the Catalog of Industries for Encouraging Foreign Investment (Edition 2019) (《鼓勵外商投資產業目錄》) and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單) (2019年版)》), both of which came into effect on July 30, 2019, property management industry is an industry that allows foreign merchants to make investments.

On March 15, 2019, the NPC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") which became effective on January 1, 2020, the Foreign Investment Law replaced the Law on Chinese-foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-owned Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC. Under the Foreign Investment Law, the PRC Government shall implement the management system of pre-entry national treatment and a negative list for foreign investments, and shall give national treatment to foreign investments which do not fall into Negative List.

Qualification of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007, February 6, 2016 and March 19, 2018, the construction administration authority of the State Council shall, jointly with the relevant authorities, established a join honesty incentives and joint dishonesty punishment mechanism, and strengthen industry creditworthiness administration.

According to Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (Order No.125 of the Ministry of Construction), which was promulgated by the Ministry of Construction on March 17, 2004, came into effect on May 1, 2004, was amended on November 26, 2007 and was abolished on March 8, 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise was classified into first, second and third grades based on specific conditions.

According to Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on January 12, 2017, the examination and approval of second grade or below qualifications of property management enterprises were canceled. According to the Decision of the State Council on Canceling 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 by the State Council on September 22, 2017, the examination and approval of first-grade qualification of property management enterprises were canceled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jianbanfang [2017] No.75), which was promulgated by the General Office of the Ministry of Housing and Urban-Rural Development (the "**MOHURD**") on December 15, 2017, application for, 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 real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal. The Decision of Ministry of Housing and Urban-Rural Development on Abolishing Measures for the Administration on Qualification of Property Management Enterprise (《住房和城鄉建設部關於廢止＜物業服務企業資質管理辦法＞的決定》) (Order No. 39 of Ministry of MOHURD) which was promulgated and came into effect on March 8, 2018, abolished Measures for the Administration on Qualifications of Property Management Enterprises and canceled the accreditation of qualifications of property management enterprises.

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 March 19, 2018, deleted the requirements on qualifications of property management enterprises in the Regulation on Property Management.

Appointment of Property Management Enterprises

According to Property Law of the PRC (《中華人民共和國物權法》) (Order No. 62 of the President), which was promulgated by the NPC on March 16, 2007 and came into effect on October 1, 2007, the owners of a building may manage the building and its affiliated facilities by themselves or by entrusting a property management enterprise or other management personnel. The owners are entitled to change the property management enterprise or any other management personnel hired by the property developer according to law.

Property management enterprises or other management personnel shall manage the building and its ancillary facilities within the building area upon the entrustment of the owners and be subject to the supervision of the owners.

According to the Regulation on Property Management (《物業管理條例》), the selecting, engaging and dismissing of property management enterprise shall be 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. Where the construction entity selects any property management enterprise before the owners and/or the owners' general meeting do so, it shall conclude a written preliminary property management contract with the enterprise. A sales contract concluded by the construction entity and the realty buyer shall include the contents stipulated in the preliminary property management contract, and when the property management contract concluded by the owners' association and the property management enterprise takes effect, the preliminary property management contract shall be terminated.

According to Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130), which was promulgated by the Ministry of Construction on June 26, 2003 and came into effect on September 1, 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the owners or the owners' general meeting select a property management enterprise at its own discretion. The construction entity of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through bid-invitation and bidding. The bid inviter shall establish tender evaluation committee consisting of an odd number of no less than five members, among which the experts in property management other than the representatives of the bid inviter shall be no less than two-thirds of total members. The property management experts shall be confirmed by the means of random sampling from the expert name list set up by the administrative departments of real estate, and person of interest with the bidder shall not be a member of the Bidding Evaluation Commission of the relevant project. In cases where there are no more than three bidders or the residence scale is relatively small, the construction entity may select the property management enterprise with corresponding qualifications through agreement upon approval by the administrative department of real estate of the people's government of the district or county of the place where the property is located.

In addition, Interpretation of the Supreme People's Court on Several Issues on the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fashi [2009] No. 8), which was issued by the Supreme People's Court on May 15, 2009 and came into effect on October 1, 2009, stipulates the principles applied by the court when hearing disputes on specific matters between property owners and property management companies. For example, the preliminary property management contract signed according to the relevant laws and regulations by the property developer and the property management company and the property management contract signed by the property owners' association and property management companies hired according to the relevant laws and regulations by the general meeting are legally binding on property owners, and the people's court shall not support a claim if property owners plead on the basis that they are not a party to the contract. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management companies or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Fees Charged by Property Management Enterprises

According to Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge 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 unique nature and characteristics of the different property 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 governments of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《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 July 19, 2004 and came into effect on October 1, 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services 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's any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the "**Decontrolling Service Price Opinions**"), which was promulgated by NDRC and became effective on December 17, 2014, price control on property services of non-government-supported houses and parking services in residential community was liberalized, including fees charged by a property service company from property owners for the maintenance, conservation and management of non-government supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established.

According to the Circular of the NDRC and the Ministry of Construction on Issuing the Measures for the Supervision and Examination of Pricing Costs of Property Services (Trial) (《國家發展改革委及建設部關於印發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 the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, competent pricing department of people's government shall formulate or regulate property management charging standards and implements 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 the people's government. With the assistance of a competent real estate administrative department, competent pricing department is responsible for organizing the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Notice of Price Bureau of Jiangsu Province on Publishing the Pricing Catalog of Jiangsu Province (《江蘇省物價局關於印發＜江蘇省定價目錄＞的通知》) (Su Jia Gui [2017] No. 10), which was promulgated on December 26, 2017 and came into effect on February 1, 2018, government guidance prices continue to be applicable to the preliminary property public service of ordinary housing and ancillary parking facilities.

Regulations on the Internet Information Services

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

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

Where an entity provides commercial internet information service without a license or provides service beyond the scope of the license, the competent 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 3 times and less than 5 times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial internet information service without a filing, the competent 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.

Regulations on Mobile Internet Application Information Services

According to the Provisions on Administration of Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) which was issued by the Cyberspace Administration of China (國家互聯網信息辦公室) on June 28, 2016 and came into effect on August 1, 2016, entities providing information services through mobile Internet applications shall obtain relevant qualifications according to laws and regulations. Mobile Internet application provider shall not use mobile Internet application programs to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing on other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations. The Cyberspace Administration of China shall be responsible for the supervision and administration of information on mobile Internet applications. The local cyberspace administrations shall be responsible for the supervision and administration of information on mobile Internet application program within the administrative regions.

Regulations on Real Estate Brokerage Business

In Accordance with the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) issued by the SCNPC on July 5, 1994, amended on August 30, 2007, August 27, 2009 and August 26, 2019, which became effect on January 1, 2020, 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 organization; (2) have a fixed business site; (3) have the necessary assets and funds; (4) have a sufficient number of professionals; (5) 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》) which was jointly issued by MOHURD, NDRC and the Ministry of Human Resources and Social Security on January 20, 2011, came into effect on April 1, 2011and revised on March 1, 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 housing and urban-rural development authority for handling the filing formalities within 30 days the date of receiving business licenses.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax (the "EIT")

According to the EIT Law (《中華人民共和國企業所得稅法》) (Order No. 63 of the President), which was promulgated by the NPC on March 16, 2007 and then amended respectively on February 24, 2017 and December 29, 2018, and came into effect on December 29, 2018, and the EIT Implementation Rules (《企業所得稅法實施條例》) (Order No. 512 of the State Council), which was promulgated by the State Council on December 6, 2007 and became effective from January 1, 2008 and was amended on April 23, 2019, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from January 1, 2008. An enterprise established outside the PRC with its "de facto management body" located in the PRC is considered a "resident enterprise", which means it can be treated as domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10%.

Income Tax in Relation to Dividend Distribution

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on 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》), which was promulgated by the SAT and became effective on December 8, 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company; the 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that directly holds less than 25% of the capital of the PRC company.

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》) promulgated by the SAT and became effective on February 20, 2009, all of the following requirements must be satisfied for a resident enterprise to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the PRC resident enterprise directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage.

Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-Resident Taxpayers《(非居民納稅人享受稅收協定待遇管理辦法》), which was issued on November 1, 2015 and revised on June 15, 2018 and October 14, 2019 by the SAT, and became effect on January 1, 2020, according to which, a non-resident taxpayer who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and material stipulated in Article 7 of the measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

The Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (the "**Announcement 9**"), which was promulgated by the SAT on February 3, 2018 and took effect on April 1, 2018, provides the methods to determine the "beneficial owners" under the treaty articles on dividends, interest and royalties. Pursuant to Announcement 9, a "beneficial owner" generally must be engaged in substantive business activities and, for determining such a "beneficial owner", a comprehensive analysis shall be conducted based on the factors set out in the Announcement 9 and in combination with the actual conditions of the specific case.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 5, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (No. 65 Order of the Ministry of Finance), which were issued on December 25, 1993 by the Ministry of Finance, and became effective on the same day and revised on December 15, 2008 and October 28, 2011 (collectively, the "**VAT Law**"), the organizations and individuals engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as "**labor services**"), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax ("**VAT**"), 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, labor services, or tangible movable property leasing services or importing goods shall be 11%.

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

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 Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

According to Regulations on Foreign Exchange Administration of the PRC 《(中華人民共和國外匯管理條例》) (Order No. 193 of the State Council) (the "**Foreign Exchange Administration Regulations**"), which was promulgated by the State Council of on January 29, 1996 and came into effect since April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by the SAFE or its local counterparts is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles 《(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》) (Hui Fa [2014] No. 37) ("**SAFE Circular No. 37**"), promulgated and effective on July 4, 2014, (a) a PRC individual resident (a "**PRC Resident**") must register with the local SAFE branch for foreign exchange registration of overseas investment before he or she contributes domestic or overseas lawful assets or interests into a special purpose vehicle (the "**SPV**"); (b) if the basic information (such as domestic individual resident shareholder, name, operating period) of the registered SPV changes, or upon the occurrence of material changes in the SPV's capital, such as capital increases or decreases, share transfers or swaps, mergers and divisions, the foreign exchange registration of overseas investments shall be updated timely with the foreign exchange office. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to Circular of the State Administration of Foreign Exchange 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》) (Hui Fa [2015] No. 13) ("**SAFE Circular 13**"), which was promulgated on February 13, 2015 and implemented June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau, and the SAFE Circular 13 also simplifies some procedures relating to foreign exchange for direct investments.

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) ("**SAFE Circular 19**"), which was promulgated on March 30, 2015 and became effective on June 1, 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, SAFE 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 State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) ("**SAFE Notice 16**"), which was promulgated and became effective on June 9, 2016, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-funded enterprises, but excluding financial institutions) may also covert their foreign debt from foreign currency into RMB on self-discretionary basis. And SAFE Notice 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debt and funds recovered from overseas listing) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

LABOR LAWS AND REGULATIONS

Enterprises in China are mainly subject to the following PRC labor laws and regulations: the Labor Law of the People's Republic of China 《(中華人民共和國勞動法》) (the "**PRC Labor Law**"), the PRC Labor Contract Law 《(中華人民共和國勞動合同法》), the Social Insurance Law of the People's Republic of China 《(中華人民共和國社會保險法》) (the "**PRC Social Insurance Law**"), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Regulations on Unemployment Insurance 《(失業保險條例》), the Provisional Measures on Insurance for Maternity of Employee (《企業職工生育保險試行辦法》), the Interim 《(社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums 《(社會保險費徵繳暫行條例》), the Administrative Regulation on Housing Provident Fund 《(住房公積金管理條例》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to the PRC Labor Law, which was promulgated by the SCNPC on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labor Contract Law, which was promulgated by the SCNPC on June 29, 2007 and was amended on December 28, 2012 and came into effect on July 1, 2013. Pursuant to the PRC Labor Contract Law, employers shall establish an employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the PRC Social Insurance Law, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on

Housing Provident Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident fund.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council) issued by the State Council on April 3, 1999 and became effective on the same day, and amended on March 24, 2002 and March 24, 2019, the hosing provident fund contributions 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 payment and deposit registration in the housing provident fund administrative center. 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 center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within 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 center will 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 will be made to the People's Court for mandatory enforcement.

According to the Measures of the Ministry of Labor on Examination and Approval for the Flexible Working Hour System and the Working Hour System of Comprehensive Calculation Adopted by Enterprise (《勞動部關於企業實行不定時工作制和綜合計算工作制的審批辦法》) (Lao Bu Fa [1994] No. 503), which was promulgated on December 14, 1994, and came into effect on January 1, 1995, enterprises that practice the irregular working hour system due to the nature of their operation may adopt the working hour system of comprehensive-calculated working hours and other methods of work and rest.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

According to the Trademark Law of the PRC 《(中華人民共和國商標法》) (Order No.10 of SCNPC), which was promulgated on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementation Regulations on the Trademark Law of the PRC 《(中華人民共和國商標法實施條例》) (Order No.358 of the State Council) which was promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, the trademark registrant may, by concluding a trademark licensing contract, authorize others to use the registered trademark. The licensor shall supervise the quality of the goods on which the licencee uses the licensor's registered trademark, and the licencee shall guarantee the quality of the goods on which the registered trademark is used. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the trademark bureau, while non-filing of the licensing of a trademark shall not be contested against a good faith third party.

Copyright Law

The Copyright Law of the PRC 《(中華人民共和國著作權法》) (No. 31 Order of the President), which was issued by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001 and February 26, 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including but not limited to the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright 《(計算機軟件著作權登記辦法》) (No. 1 Order of the National Copyright Administration), which was issued by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software 《(計算機軟件保護條例》) (No. 339 Order of the State Council) (issued by the State Council on December 20, 2001, came into effect on January 1, 2002 and revised on January 8, 2011 and January 30, 2013).

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

Domain Name

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Our History

The history of our Group can be traced back to 2003 when Nanjing Hong Yang Property Management, our principal operating subsidiary, was established. At the initial stage of our development, we focused on providing property management services to the residential properties developed by Hong Yang Group Company and its subsidiaries (excluding our Group). Benefiting from the business growth of Hong Yang Group Company and its subsidiaries (excluding our Group), we have expanded our geographic coverage from our initial footprint in Nanjing to other cities in the Yangtze River Delta since 2011, and further to other regions across the PRC since 2016. In 2015, we started to engage in the provision of management services to properties developed by third-party property developers. We have also gradually extended our scope of services to cover commercial properties developed by Hong Yang Group Company and its subsidiaries (excluding our Group). As of December 31, 2019, we managed 94 property projects with an aggregate GFA under management of approximately 15.8 million sq.m. and total contracted GFA of approximately 27.6 million sq.m., covering 41 cities across 14 provinces or municipalities in the PRC.

On top of the conventional property management services, we also offer a variety of community value-added services to property owners and residents of the properties we manage and value-added services to non-property owners. For further information of our business, see "Business — Overview". We position ourselves as a well-recognized comprehensive community services provider in Jiangsu Province, the PRC, with strong and balanced property management abilities in the management of residential, and commercial properties. With over 15 years of experience in providing management services, we are recognized as a fast-growing property management services providers in the industries. According to CIA, we were recognized as one of the Top 100 Property Management Companies for three consecutive years since 2017. In 2019, we were ranked 35th among the Top 100 Property Management Companies by CIA in terms of overall strength.

Mr. Zeng, the founder of our Group and our ultimate Controlling Shareholder, began his involvement in the business of construction and building materials in 1995. In 1999, Mr. Zeng established Nanjing Redsun, the principal operating subsidiary of Redsun Properties and began engaging in residential property development in Nanjing, Nanjing Redsun Commenced the sale of its first residential property project, Hua Impression Golden Garden (旭日華庭), in Nanjing in 2003, which was also the first residential property project we provided property management services to. Since then, Mr. Zeng has dedicated his time and commitment in the development and expansion of the Redsun Properties Group. Through his leadership, the Redsun Properties Group has since developed into one of the leading comprehensive property developers in Jiangsu Province, China.

Over the years, Mr. Zeng has not served as director or member of the senior management of the operating subsidiary of our Group and has not involved in the active day-to-day operation and management of our Group. Instead, he has entrusted the operation and management of our Group to the core management team of our Group, which allowed him to focus on his other business interests and goals, including the business of real estate development and commercial properties operation and management through Redsun Properties, of which Mr. Zeng acts as an executive director and chairman. Given the success our Group has achieved Mr. Zeng has an intention of being appointed as a Director or member of our senior management to participate in our day-to-day operation and management. For further details, see "Relationship with our Controlling Shareholders".

Our Milestones

The following table sets out a summary of our Group's key business development milestones:

Year	Milestone event
2003	Nanjing Hong Yang Property Management was established in Nanjing
	We commenced to provide property management services to Hua Impression Golden Garden (旭日華庭), a residential property project developed by Nanjing Redsun in Nanjing
2009	We were accredited with the ISO9001 quality management system certification, ISO14001 environmental management system certification and OHSAS18001 occupational health and safety management system certification
2011	We were awarded with the Level One Property Management Qualification (一級物業管理企業資質) from the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) of the PRC
	We commenced to provide property management services to Hong Yang Glorious Residence (常熟弘陽尊邸) in Changshu and Hong Yang Upper City (南通弘陽上城) in Nantong, marking our expansion out of Nanjing in the residential sector
2015	Hong Life Property Management was established and we started to develop integrated community service platform and extend our scope of services to cover community value-added services to property owners and residents and value-added services to non-property owners
	We launched our "Red Life APP" (弘生活APP), our one-stop service platform to offer integrated smart solutions to our customers
	We commenced to provide management services to commercial properties, including Hong Yang Tower (弘陽大廈), an office building in Nanjing, Nanjing Hong Yang Plaza (南京弘陽廣場), a commercial complex and Nanjing Hong Yang Decoration Town (南京弘陽裝飾城), a furniture and construction materials center
	We commenced to engage in the provision of property management services to residential properties developed by third-party property developers

Year	Milestone event
	We were recognized as one of the "2015 China Featured Brand Property Services Enterprises" (2015中國物業服務特色品牌企業) by China Index Academy
	Hong Yang Sanwan Qing (弘陽 • 三萬頃), a high-end residential project in Wuxi that we served, was named as a "2015 Five-star Property Service Project" by China Index Academy
2016	We commenced to provide property management services to Wuxi Hong Yang Home (無錫弘陽家居), marking our expansion out of Nanjing in the commercial sector
2017	We commenced to provide residential property management services in Hefei, Anhui Province, marking our expansion out of Jiangsu Province
	We were ranked 50th out of the Top 100 Property Management Companies (全國百強物業管理企業) by China Index Academy for the first time
2018	We were ranked 44th out of the Top 100 Property Management Companies (全國百強物業管理企業) by China Index Academy
2019	We were ranked 35th out of the Top 100 Property Management Companies (全國百強物業管理企業) by China Index Academy
	We expanded the geographical coverage of our commercial property management business across the PRC including the Shandong Province and Hunan Province
	We acquired 51% equity interest in Nanjing Ya Dong Property Management and 51% equity interest in Shanghai Andi Property Management Co., Ltd. (上海安邸物業管理有限公司) ("**Shanghai Andi**") to further expand our scale of business

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 12, 2019. Upon its incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. On the same day, one Share was allotted and issued at par value to the initial subscriber which is an Independent Third Party and subsequently transferred to Mr. Zeng at par value. Upon completion of the Reorganization, our Company became the holding company of our subsidiaries. See "— The Reorganization" below for details.

Our Major Subsidiaries

Details of our major subsidiaries, including major shareholding changes, are set out below.

1. Hong Yang Enterprise Management

Hong Yang Enterprise Management was established as a limited liability company in the PRC on April 5, 2017 with an initial registered capital of RMB10 million to be paid up pursuant to its articles of association. Upon its establishment, it was wholly owned by Hong Yang Group Company. It is principally engaged in investment holding.

On November 25, 2019, the registered capital of Hong Yang Enterprise Management was increased to RMB100 million to be paid up pursuant to its articles of association.

As part of the Reorganization, Hong Yang Enterprise Management became our wholly-owned subsidiary. See "— The Reorganization — (2) Acquisition of Equity Interest in Hong Yang Enterprise Management from Hong Yang Group Company" below for details.

2. Nanjing Hong Yang Property Management

Nanjing Hong Yang Property Management was established as a limited liability company in the PRC on July 30, 2003 with an initial registered capital of RMB1 million, which was fully paid up in cash. Upon its establishment, it was wholly owned as to 90% by Nanjing Redsun and 10% by Ms. Chen Sihong (陳思紅), spouse of Mr. Zeng. It is principally engaged in the provision of property management services.

Following a series of increase in registered capital and equity transfers, as of January 1, 2017, Nanjing Hong Yang Property Management was wholly owned by Nanjing Redsun, with a registered capital of RMB5 million fully paid in cash.

On May 18, 2017, as part of corporate restructuring of Hong Yang Group Company and its subsidiaries, Hong Yang Enterprise Management acquired the entire equity interest in Nanjing Hong Yang Property Management from Nanjing Redsun at nominal consideration of RMB1 as both Hong Yang Enterprise Management and Nanjing Redsun were directly wholly owned by Hong Yang Group Company at the time of transfer. Upon completion of the equity transfer, Nanjing Hong Yang Property Management became wholly owned by Hong Yang Enterprise Management. On April 22, 2019, the registered capital of Nanjing Hong Yang Property Management was increased to RMB100 million. As of the Latest Practicable Date, Nanjing Hong Yang Property Management was wholly owned by Hong Yang Enterprise Management with a registered capital of RMB100 million, out of which RMB5 million was paid up in cash and the remaining RMB95 million will be paid up pursuant to its articles of association.

3. Nanjing Hong Cheng Property Management

Nanjing Hong Cheng Property Management was established as a limited liability company in the PRC on October 15, 2018 with a registered capital of RMB5 million to be paid up pursuant to its articles of association. Upon its establishment, it was wholly owned by Hong Yang Enterprise Management. It is principally engaged in the provision of property management services.

On December 24, 2018, as part of corporate restructuring of Hong Yang Group Company and its subsidiaries, Nanjing Hong Yang Property Management acquired the entire equity interest in Nanjing Hong Cheng Property Management from Hong Yang Enterprise Management at nil consideration since the registered capital of Nanjing Hong Cheng Property Management was not paid up at the time of the transfer. Upon completion of the equity transfer and as of the Latest Practicable Date, Nanjing Hong Cheng Property Management was wholly owned by Nanjing Hong Yang Property Management.

4. Hong Life Property Management

Hong Life Property Management was established as a limited liability company in the PRC on May 22, 2015 with an initial registered capital of RMB100 million, out of which RMB6 million was fully paid up in cash and the remaining registered capital of RMB94 million will be paid up by May 21, 2025 pursuant to its articles of association. Upon its establishment, it was wholly owned by Jiangsu Hong Yang Group Company. It is principally engaged in the provision of property management services.

On May 26, 2017, to further expand our scale of operation in relation to provision of management services to residential properties, Nanjing Hong Yang Property Management acquired the entire equity interest in Hong Life Property Management from Jiangsu Hong Yang Group Company at a consideration of RMB2,082,875, which was determined with reference to then total equity value of Hong Life Property Management. Upon completion of the equity transfer and as of the Latest Practicable Date, Hong Life Property Management was wholly owned by Nanjing Hong Yang Property Management.

5. Nanjing Hong Life Information Technology

Hong Life Information Technology was established as a limited liability company in the PRC on June 29, 2015 with a registered capital of RMB5 million, out of which RMB3 million was paid up in cash and the remaining RMB2 million will be paid up pursuant to its articles of association. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by Hong Life Property Management. It is principally engaged in the provision of advertising and software development services.

6. Nanjing Hong Life Investment Management

Nanjing Hong Life Investment Management was established as a limited liability company in the PRC on June 29, 2015 with a registered capital of RMB5 million which was fully paid up in cash. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by Hong Life Property Management. It is principally engaged in investment management.

7. Nanjing Ya Dong Property Management

Nanjing Ya Dong Property Management was established as a limited liability company in the PRC on March 26, 2003 with an initial registered capital of RMB2 million, which was fully paid up in cash. Upon its establishment, it was owned as to 95% by Nanjing Ya Dong International Industrial Co., Ltd. (南京亞東國際實業有限公司) ("**Nanjing Ya Dong International**"), an Independent Third Party save for its interest in Nanjing Ya Dong Property Management, and 5% Nanjing Kaideli Decoration Co., Ltd. (南京凱得利裝飾有限公司), an Independent Third Party. It is principally engaged in the provision of property management services.

Following a series of increases in registered capital and equity transfers, as of October 15, 2013, Nanjing Ya Dong Property Management was owned as to 50% by Nanjing Ya Dong International and 50% by Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司) (the sole shareholder of Nanjing Ya Dong International), with a registered capital of RMB6 million which was fully paid up in cash.

To further expand our scale of operations, on August 7, 2019, Nanjing Hong Life Investment Management acquired 50% and 1% equity interests in Nanjing Ya Dong Property Management from Jiangsu Ya Dong Construction Development Group Co., Ltd. and Nanjing Ya Dong International at considerations of RMB22.55 million and RMB0.45 million, respectively. The considerations were determined after arm's length negotiations with reference to the then total shareholders' equity of Nanjing Ya Dong Property Management as well as its business prospects. The considerations were fully settled in cash on December 6, 2019. Upon completion of such transfers and as of the Latest Practicable Date, Nanjing Ya Dong Property Management was owned as to 51% by Nanjing Hong Life Investment Management and 49% Nanjing Ya Dong International Industrial Co., Ltd., and became our non-wholly owned subsidiary.

MAJOR ACQUISITIONS DURING THE TRACK RECORD PERIOD

On May 26, 2017, we acquired the entire equity interest in Hong Life Property Management. For further details, see "— Our Corporate Development — Our Major Subsidiaries — 4. Hong Life Property Management" above.

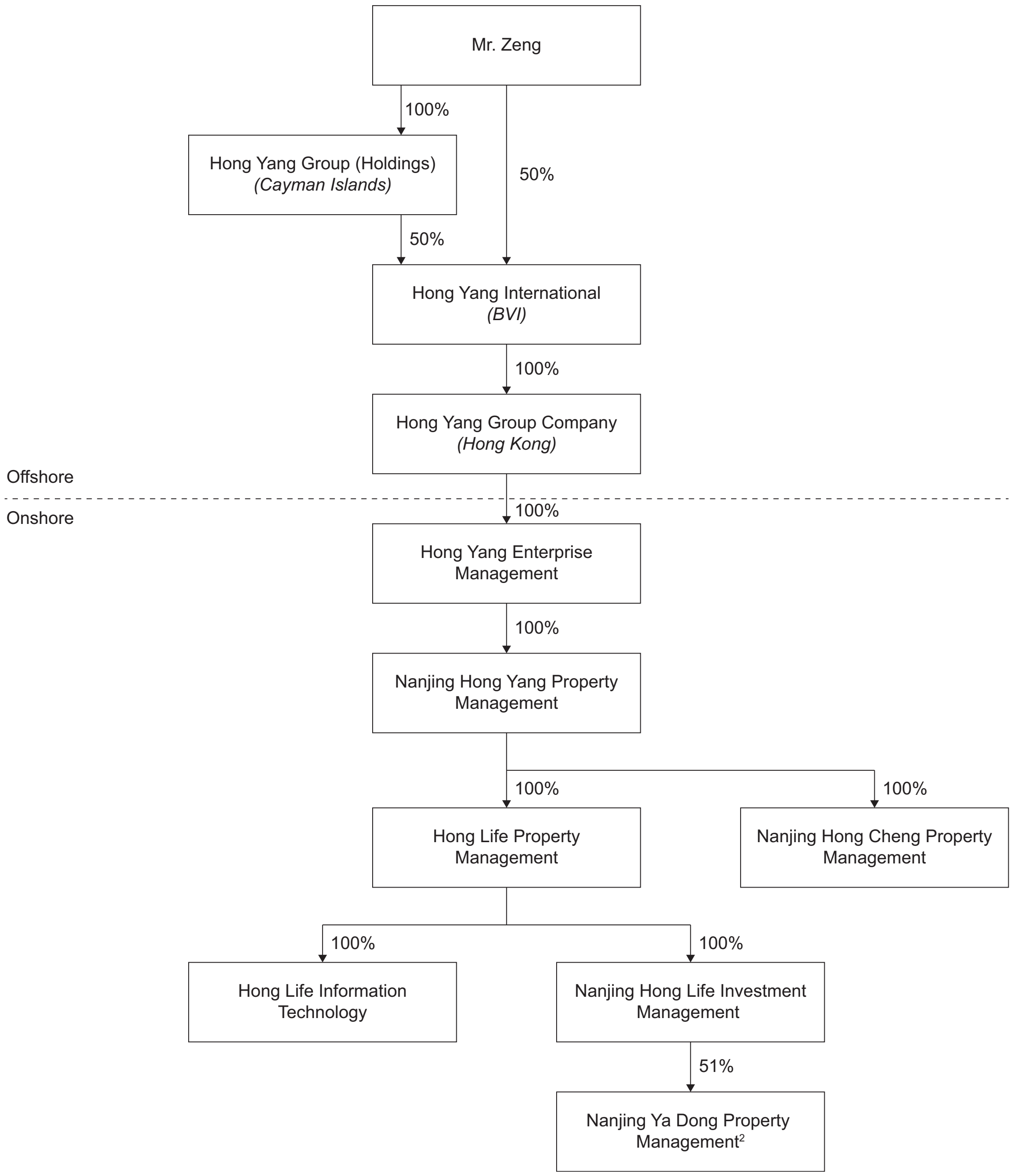
Shanghai Andi was established as a limited liability company in the PRC on March 24, 2011. It is principally engaged on the provision of property management services in Shanghai. To further develop our property management business for properties developed by third-party property developers in Shanghai, on August 5, 2019, we, through Nanjing Hong Life Investment Management, acquired 51% equity interest in Shanghai Andi from Mr. Chen Xiao Feng (陳曉峰), an Independent Third Party (other than being a substantial shareholder and director of Shanghai Andi), at a consideration of RMB1.785 million, with was determined with reference to the then equity value of Shanghai Andi. The transfer was completed on August 5, 2019 when Nanjing Hong Life Investment Management acquired control over Shanghai Andi in accordance with the terms and conditions of the relevant equity transfer agreement and the relevant shareholder's rights attached to the 51% equity interest of Shanghai Andi. Following the completion, the accounts of Shanghai Andi have been consolidated into those of our Group. The consideration was fully settled in cash on January 16, 2020. As of the Latest Practicable Date, Shanghai Andi was owned as to 51% by Nanjing Hong Life Investment Management and 49% Mr. Chen Xiao Feng.

On August 7, 2019, we acquired 51% equity interest in Nanjing Ya Dong Property Management. For further details, see "— Our Corporate Development — Our Major Subsidiaries — 7. Nanjing Ya Dong Property Management" above.

Save as disclosed above, we did not conduct any other major acquisition, disposal or merger which we consider to be material to the operations and performance of our Group. For details on the accounting implications regarding our acquisitions during the Track Record Period, see note 29 of the Accountant's Report set out in Appendix I to this document.

THE REORGANIZATION

As part of our restructuring in contemplation of the [REDACTED], we implemented the Reorganization, pursuant to which our Company became the holding company of our subsidiaries. The following chart sets forth the shareholding structure of our Group immediately before the commencement of the Reorganization:



Notes:

1. The above chart includes shareholding information related to our major subsidiaries, entities involved in the Reorganization and intermediate holding companies. For details of our major subsidiaries, see "— Our Corporate Development — Our Major Subsidiaries" above. For details of our other subsidiaries, please refer to Note 1 to the Accountants' Report set out in Appendix I.

2. The remaining 49% equity interest of Nanjing Ya Dong Property Management was held by Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司), an Independent Third Party save for its interest in Nanjing Ya Dong Property Management.

(1) Incorporation of Our Company and Our Offshore Subsidiaries

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 12, 2019. Upon its incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. On the same day, one subscriber Share was allotted and issued as fully paid at par value to WNL Limited, our initial subscriber and an Independent Third Party, which then transferred such Share to Mr. Zeng at par value. On December 20, 2019, Mr. Zeng transferred such Share at par value to Redsun Services Group (Holdings), a company indirectly wholly owned by Mr. Zeng. Upon completion of such share transfer, our Company became wholly-owned by Redsun Services Group (Holdings).

Redsun Services Investment

Redsun Services Investment was incorporated in the BVI with limited liability on December 6, 2019 and was authorized to issue no more than 50,000 ordinary shares of US$1.00 each. On the same day, Redsun Services Investment allotted and issued one ordinary share to Mr. Zeng, credited as fully paid. On December 20, 2019, Mr. Zeng transferred such share at par value to our Company and as a result, Redsun Services Investment became our wholly-owned subsidiary.

Redsun Services (Hong Kong)

Redsun Services (Hong Kong) was incorporated in Hong Kong with limited liability on December 30, 2019. On the same day, Redsun Services (Hong Kong) allotted and issued one ordinary share at HK$1 to Redsun Services Investment. As a result, Redsun Services (Hong Kong) became a wholly-owned subsidiary of Redsun Services Investment.

(2) Acquisition of Equity Interest in Hong Yang Enterprise Management from Hong Yang Group Company

On January 13, 2020, Redsun Services Group (Holdings) acquired the entire equity interest in Hong Yang Enterprise Management from Hong Yang Group Company in consideration of the allotment and issue of 99 ordinary shares by Redsun Services Group (Holdings) to Hong Yang Group Company on January 21, 2020. As a result, Hong Yang Enterprise Management became a wholly-owned subsidiary of Redsun Services Group (Holdings).

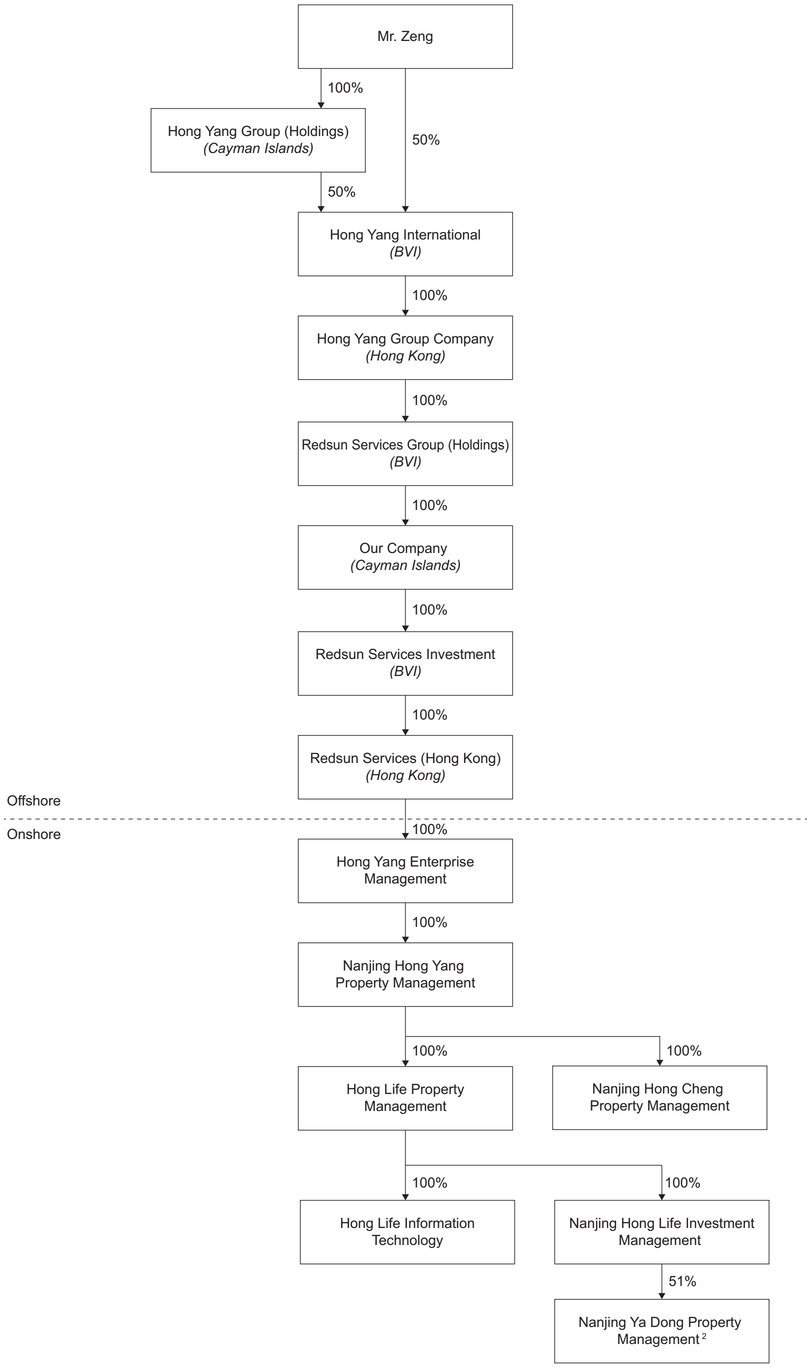
On January 16, 2020, our Company acquired the entire equity interest in Hong Yang Enterprise Management from Redsun Services Group (Holdings) in consideration of the allotment and issue of 99 Shares by our Company to Redsun Services Group (Holdings) on January 21, 2020. As a result, Hong Yang Enterprise Management became our wholly-owned subsidiary.

On January 20, 2020, Redsun Services Investment acquired the entire equity interest in Hong Yang Enterprise Management from our Company in consideration of the allotment and issue of 99 ordinary shares by Redsun Services Investment to our Company in January 21, 2020. As a result, Hong Yang Enterprise Management became a wholly-owned subsidiary of Redsun Services Investment.

On February 3, 2020, Redsun Services (Hong Kong) acquired the entire equity interest in Hong Yang Enterprise Management from Redsun Services Investment in consideration of the allotment and issue of 99 ordinary shares by Redsun Services (Hong Kong) to Redsun Services Investment on February 17, 2020. As a result, Hong Yang Enterprise Management became a wholly-owned subsidiary of Redsun Services (Hong Kong).

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

The following chart sets forth the shareholding structure of our Group immediately after completion of the Reorganization and immediately before completion of the [REDACTED] and the [REDACTED]:



Notes:

1. The above chart includes shareholding information related to our major subsidiaries, entities involved in the Reorganization and intermediate holding companies. For details of our major subsidiaries, see "— Our Corporate Development — Our Major Subsidiaries" above. For details of our other subsidiaries, please refer to Note 1 to the Accountants' Report set out in Appendix I.

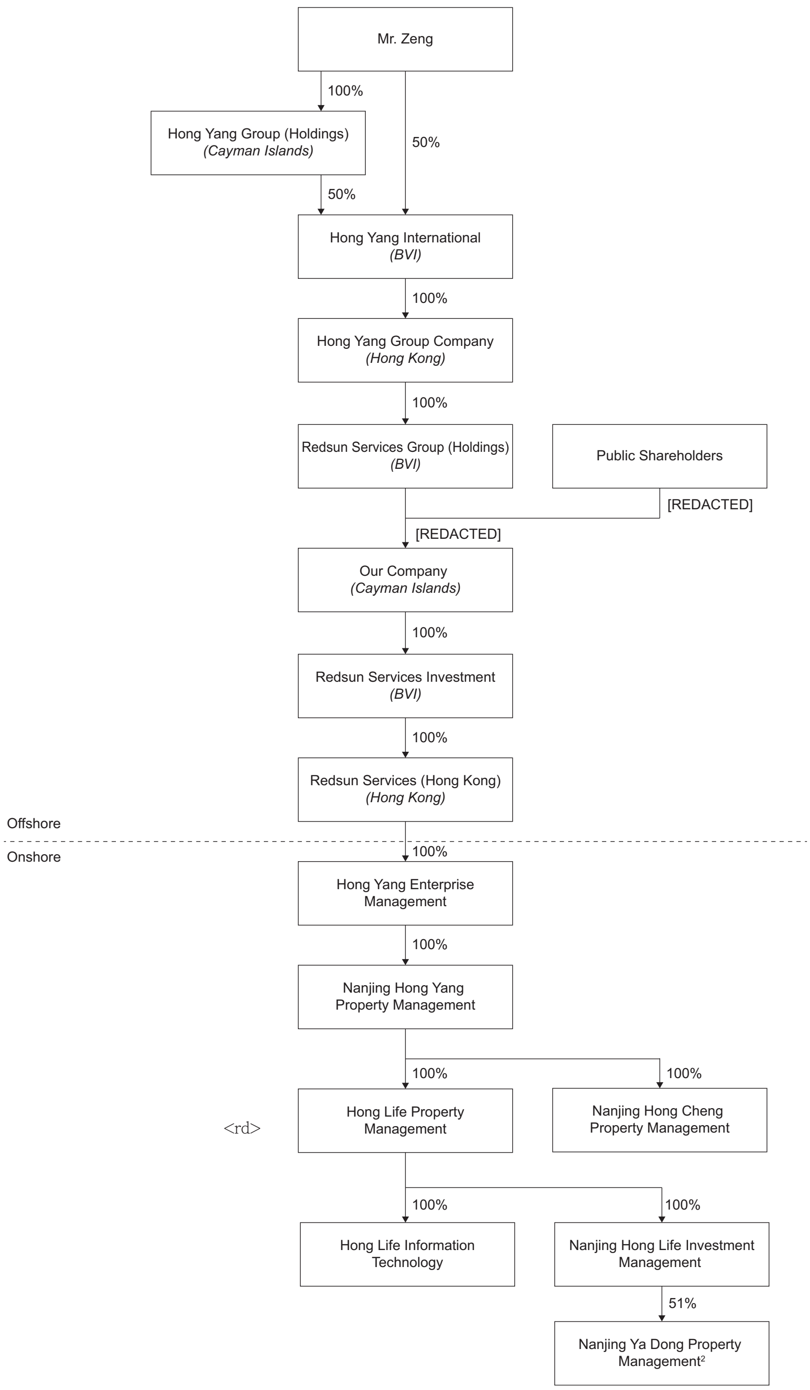
2. The remaining 49% equity interest of Nanjing Ya Dong Property Management was held by Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司), an Independent Third Party save for its interest in Nanjing Ya Dong Property Management.

[REDACTED]

Pursuant to the resolutions of our sole Shareholder passed on [•], 2020, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorized to capitalize an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

CORPORATE STRUCTURE IMMEDIATELY UPON COMPLETION OF THE [REDACTED] AND THE [REDACTED]

The following chart sets forth the shareholding structure of our Group immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:

1. The above chart includes shareholding information related to our major subsidiaries, entities involved in the Reorganization and intermediate holding companies. For details of our major subsidiaries, see "— Our Corporate Development — Our Major Subsidiaries" above. For details of our other subsidiaries, please refer to Note 1 to the Accountants' Report set out in Appendix I.

2. The remaining 49% equity interest of Nanjing Ya Dong Property Management was held by Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司), an Independent Third Party save for its interest in Nanjing Ya Dong Property Management.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser is of the view that the Reorganization, the equity transfers and increases in registered capital in relation to our PRC subsidiaries disclosed in this section has been conducted in compliance with applicable laws and regulations of the PRC and has been legally completed and duly registered with local registration authorities of the PRC and all necessary regulatory approvals have been obtained.

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

According to the "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**New M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006 and effective as of September 8, 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC. As advised by our PRC Legal Advisors, since Mr. Zeng is a Hong Kong permanent resident but not a domestic natural person defined under the New M&A Rules, Article 11 of the New M&A Rules is not applicable to the acquisition of Hong Yang Enterprise Management by Redsun Services Group (Holdings), our Company, Redsun Services Investment and Redsun Services (Hong Kong), respectively.

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's PRC subsidiary to distribute dividends to its overseas parent.

Our PRC Legal Advisor has advised us that Mr. Zeng has completed the foreign exchange registration procedure for domestic resident making overseas investment on March 3, 2008.

OVERVIEW

We are a well-recognized comprehensive community service provider in Jiangsu province, China, with strong and balanced property management abilities in the management of residential and commercial properties. Through our continued development over the years, we have established our regional leading position in the property management market of Jiangsu province and are well recognized nationwide. We were recognized as one of the Top 100 Property Management Companies by CIA for three consecutive years since 2017 and ranked 35th among the 2019 Top 100 Property Management Companies in terms of overall strength. In addition, we were awarded 2019 Leading Brand in Property Management Services in Eastern China in terms of branding value by CIA.

We have been providing community services in China for over 15 years with a regional focus on the Yangtze River Delta. In pursuit of our vision of "making lives warmer (讓生活更有溫度)," we have provided and endeavor to continue to "provide our customers with high-quality services with sincerity (以誠待客，卓越服務)" to serve customers' differentiated demands. We have been providing a variety of services with a broad geographic presence. As of December 31, 2019, our total contracted GFA reached approximately 27.6 million sq.m., comprising 167 projects in 41 cities across 14 provinces, municipalities and autonomous regions in China, among which, the aggregate GFA under management reached approximately 15.8 million sq.m., comprising 94 projects in 21 cities across seven provinces, municipalities and autonomous regions in China. In addition, the contracted GFA of properties to which we provided consulting services reached approximately 2.7 million sq.m., comprising 17 projects in three cities as of December 31, 2019.

Our business primarily comprises the following three business lines:

Property management services	We provide property owners, residents and tenants with a wide range of property management services, including, among others, security, cleaning, greening and gardening, facility management, and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we also provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme park. We also provide property management services to other properties such as office buildings and schools.
Value-added services to non-property owners	We also provide value-added services to non-property owners, primarily property developers, including (i) consulting services to other property management companies, helping them provide better services to their customers, (ii) preliminary planning and design consultancy services to property developers for property development projects, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance, and (iv) other value-added services to property developers, such as inspection services.

Community value-added services	We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their properties. Our community value-added services for residential properties primarily include, among others, (i) property brokerage services, (ii) property decoration services, (iii)community convenience services, and (iv) common area value-added services and (v) assets management services.

We believe that our property management business serves as the basis for us to generate revenue and helps to enlarge our customer base for our value-added services to non-property owners and community value-added services. We believe our community value-added services, through the offer of diversified services, enhance the satisfaction and loyalty of our customers, enhance the market recognition of our brand and services and improve our profitability.

The following table sets out the breakdown of our revenue by business line for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	222,917	86.7	279,884	80.2	354,767	70.5
Value-added services to non-property owners	21,899	8.5	54,097	15.5	121,352	24.1
Community value-added services	12,324	4.8	15,000	4.3	26,871	5.4
Total	**257,140**	**100.0**	**348,981**	**100.0**	**502,990**	**100.0**

We have achieved rapid growth during the Track Record Period. Our revenue increased from RMB257.1 million in 2017 to RMB349.0 million in 2018 and further to RMB503.0 million in 2019, representing a CAGR of 39.9%. Our profit for the year increased from RMB28.7 million in 2017 to RMB33.0 million in 2018 and further to RMB57.1 million in 2019, representing a CAGR of 41.0%.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths are the key to our success and distinguish us from our competitors.

We are a fast-growing comprehensive community service provider focusing on the Yangtze River Delta, with balanced property management abilities in the management of residential and commercial properties.

Since our inception in July 2003, we have grown into to a well-recognized comprehensive community service provider. Benefitting from the "residential + commercial two-wheel driven (住宅＋商業雙輪驅動)" strategy adopted by Redsun Properties Group, in addition to residential property management, we commenced the management of commercial properties since 2015, which provides us extensive experience in managing different types of properties. In recent years, the synergies between our residential property management and commercial property management have helped us to achieve a balanced development. Benefit from the rapid growth in the residential property development by Redsun Properties

Group, our management scale of residential properties has achieved rapid growth. In addition, we have made efforts in our business expansion and recorded continuous growth in the management scale of properties developed by third-party developers. As a result, the total GFA of residential properties under our management increased from 7.2 million sq.m. as of December 31, 2017 to 7.9 million sq.m. as of December 31, 2018, and further to 12.1 million sq.m. as of December 31, 2019, representing a CAGR of 29.5%. In addition, benefitting from the fast growth of the commercial property development by Redsun Properties Group, we have expanded the portfolio of the commercial properties under our management to cover a wider range, including, among others, shopping malls, home improvement and furnishing malls, hotels and theme park. As of December 31, 2019, the total GFA of the commercial properties under our management was 3.4 million sq.m., representing 21.5% of the total GFA of all properties under our management. We have also diversified the property portfolio to cover other properties such as office buildings and schools. Leveraging the synergies among the diversified property portfolio, we recorded significant growth in recent years. Our revenue from property management services increased from RMB222.9 million in 2017 to RMB354.8 million in 2019, representing a CAGR of 26.2%. Given our strong overall strengths, we were recognized as one of the Top 100 Property Management Companies by CIA for three consecutive years since 2017 and ranked 35th among the 2019 Top 100 Property Management Companies in terms of overall strength.

In addition, following the strategy of "penetrate Jiangsu province, explore the Yangtze River Delta and expand into urban agglomerations (做透大江蘇、深耕長三角、佈局都市圈)" adopted by Redsun Properties Group, rooted in Jiangsu province, we have explored market in the Yangtze River Delta for years and established regional leading position. We were awarded the 2019 Leading Brand in Property Management Services in Eastern China in terms of branding value by CIA. As one of the economically prosperous and vibrant region and the intersection of the One Belt and One Road (一帶一路) and Yangtze River Economic Belt (長江經濟帶), the Yangtze River Delta has established its leading position in China. According the CIA Report, the GDP of the Yangtze River Delta increased from RMB11.9 trillion in 2013 to RMB18.2 trillion in 2018, representing a CAGR of 8.8%. In 2018, the GDP of the Yangtze River Delta accounted for 20.2% of the national GDP. The aggregate GDP of Nanjing, Shanghai, Suzhou, Wuxi and Changzhou, where we focus on, accounted for 45.5% of the GDP of the Yangtze River Delta in 2018. As of December 31, 2019, we had 90 projects under management in Jiangsu province, Zhejiang province and Anhui province, in addition to Shanghai. We believe supported by our regional leading position and the rapid growth in the local economy, we will be able to continue to grow.

Our comprehensive diversified services support our continuous growth and improve our profitability.

We are devoted to providing comprehensive services to satisfy differentiated demands from our customers. For example, we have extended our service along the value chain of property management for property developers to the upper stream to provide preliminary consulting services at property planning and design stage. We are involved in the project planning, construction, inspection and delivery. Focusing on quality and customer's experience, we advise property developers during planning and construction stage from the view of the future owners, residents and property management companies, with the intention to provide better property management services after the delivery of the relevant properties to property owners. As to services to residential property owners and residents, we continue to expand our service scope. We launched our high-end service series, "Chenxin (宸忻)" at the sales venue of Guangzhou Benevolence Lake Yihao (廣州博愛湖一號), a residential property development project in Guangzhou, in December 2019. In addition, we utilize the community resources to further diversify our property management services to satisfy our customers' demand. We believe establishing a one-stop comprehensive service platform to provide services covering the whole life circle of the property management services can expand our revenue source and improve our profitability. Since 2017, our community value-added services have been expanded from property brokerage services to a wide range of services such as property decoration services, common area value-added services, community convenience services and assets management services, covering the whole life circle of property management for property owners. Our revenue generated from community value-added services increased from RMB12.3 million in 2017 to RMB15.0 million in 2018 and further to RMB26.9 million in 2019, representing a CAGR of 29.7%.

Our comprehensive community value-added services also improve our profitability. In 2017, 2018 and 2019, the gross profit margin of our community value-added services was 43.4%, 45.2% and 46.1%, respectively, higher than that of our other business lines in the respective years. Our overall gross profit margin also increased from 22.6% in 2017 to 25.3% in 2019. We believe our diversified customer services will diversify our revenue sources and enhance our profitability.

Our Redsun Town integrated platform (弘陽小鎮一體化平台) established based on the concept of "business integration ＋ intelligent IOT (業務一體化＋智慧物聯)" improves our operational efficiency and our overall customer experience, reduces our operating costs and enhances profitability.

We have established Redsun Town integrated platform (弘陽小鎮一體化平台) established based on the concept of "business integration ＋ intelligent IOT (業務一體化＋智慧物聯)", which provides important support for us to improve our operating efficiency and capability while at the same time reducing our operating costs. Our integrated platform is supported by our frontline platform, namely our Red Life APP, and our middle platforms, including business middle platform, IOT middle platform and data middle platform. Through our integrated platform, we are able to identify any work issues or respond to our customers' inquiries and requests in a more efficient and timely manner to improve our working efficiency, as compared with the conventional operation heavily relying on manual work. For example, if our Hongzhi Cloud Monitor (弘智雲眸) system in our IOT middle platform spots any unusual entrance or road occupation in the community, such information will be automatically passed to our business middle platform to generate work task and assign to our onsite staff immediately. In addition, residential property owners and residents can enjoy one-stop community services through our Red Life App, which we believe would enhance the satisfaction and loyalty of our customers.

As to our intelligent management for commercial properties, we broaden the connection channel between merchants and consumers through "consumer — goods — market (人 — 貨 — 場)" online system. In addition to providing frontline services, our Hongshanghui intelligent commercial property management system collects customers feed-back at back office, leveraging our data middle platform. In addition, we assist the tenants with the energy consumption monitoring and conservation planning utilizing AIOT technology for better energy conservation. We were also recognized as 2016 Top 20 China Community Service • Community Service APP (2016中國社區服務 • 社區服務APP TOP20) by EH Consulting (億翰智庫) in 2016 and 2018 Top 10 China Community Service Provider in terms of innovation (2018中國社區服務商創新性十強) by EH Consulting (億翰智庫) in 2018, and Intelligent Technology Innovation Award (智慧科技創新獎) awarded by Shanghai Property

Management Institute (上海市物業管理行業協會) in 2019. In addition, our intelligent property management system was awarded 2019 China Intelligent Enterprise Construction Innovation Practice Case (2019年全國智慧企業建設創新實踐案例) by China Enterprises Association (中國企業聯合會) and China Enterprisers Association (中國企業家協會) in 2019.

Leveraging our standardized operations and quality control system, our services have been well-recognized by our customers and the industry.

We uphold our philosophy of "provide our customers with high-quality services with sincerity (以誠待客，卓越服務)." We have established a standardized operating system which we consistently review and amend for better operating efficiency and service quality. We have established comprehensive systems for quality management, environmental protection and occupational health and safety security and have been certified to the ISO9001, ISO14001, OHSAS18001 standards since 2009. We believe our systematic, organized and standardized operation would enhance our management, assure our service quality, mitigate operating risks and enhance our competitiveness for the sustainable growth. In addition, we have set up quality control systems for our management of residential and commercial properties to assure high-quality service to satisfy the evolving demand from our customers in line with the improvement in their quality of life, through which we believe would enhance our brand name and the satisfaction of our customers. We were recognized as one of the 2019 China Leading Property Management Companies in terms of professional operations by CIA.

Our services have been well received by our customers and the industry for our standardized operation and quality control. We were recognized as one of the Top 100 Property Management Companies by CIA for three consecutive years from 2017 and ranked the 35th among the 2019 Top 100 Property Management Companies in terms of overall strength. We were named as Top 50 China Community Service Providers in terms of satisfaction rate (中國社區服務商•客戶滿意度模範企業TOP50) by EH Consulting (億翰智庫) in 2018. In addition, a number of projects under our management have won awards for our excellent performance in providing property management services. For example, Hong Yang Upper City (弘陽上城) and Redsun Spring on Redsun Yan Rider House (弘陽燕江府) were awarded 2018 China Five-star Property Management Projects and Redsun Rising Sun (弘陽旭日學府) was awarded 2018 China Four-star Property Management Projects by CIA. We were also named as one of the 2019 Leading Companies in Commercial Property Service (2019商業物業服務領先企業) by China Property Management Institute (中國物業管理協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Test Center (中國房地產評測中心) in 2019 for our commercial property management.

Led by our dedicated management team with extensive experience in property management, our sustainable development is supported by our professional team and our comprehensive incentive plan and talent cultivation scheme.

We attach high importance to the talent cultivation, as we believe talents are our core competitiveness and critical to our success and sustainable growth. We have a senior management team with extensive experience in property management. For example, our executive Director and executive president, Mr. Yang Guang is a National Property Manager Enterprise Manager (全國物業管理企業經理) with over 21 years of experience in property management and our vice president, Mr. Cheng Jian, is a National Property Manager Enterprise Manager with over 19 years of experience in property management services. In addition, our management members have an average of over 15 years of experience in property management and have solid experience gained from us and other renowned industry players. Led by our management team, we have also established a professional team.

We have established comprehensive incentive plan and talent cultivation scheme to retain employees. We attract and retain talents through our offering of salary packages which we believe to be competitive, talent training, internal promotion system and a caring corporate culture. In addition, we have set up progressive talent cultivation scheme comprising “stringent promotion scheme + distinctive cultivation plan (高嚴苛選拔機制＋特色人才培養計劃),” which provides our employees with clear development path and secure our demand for management talents at different stages. We may adopt employee incentive schemes such as share options or restricted shares in the future, but no such schemes have been adopted as of the Latest Practicable Date. We believe our talent cultivation scheme would enhance our team building, improve our team’s capability, provide us talent pipelines and achieve a “win-win” for both of our employees and us.

OUR BUSINESS STRATEGIES

We endeavor to become a “venerable good life operator (受人尊敬的美好生活運營服務商)” through the implementation of the following strategies:

Continue to implement the strategy of “penetrate Jiangsu province, explore the Yangtze River Delta and expand into urban agglomerations (做透大江蘇、深耕長三角、佈局都市圈)” and expand our market share and property portfolio through different approach.

In addition to our penetration in Jiangsu province and exploration in the Yangtze River Delta, we also expand into selected urban agglomerations. As of December 31, 2019, our aggregate GFA under management reached 15.8 million sq.m. and our total contracted GFA reached 27.6 million sq.m., covering 41 cities across 14 provinces, municipalities and autonomous regions in China. We plan to continue to implement the strategy of “penetrate in Jiangsu province, explore in the Yangtze River Delta and expand into urban agglomerations (做透大江蘇、深耕長三角、佈局都市圈),” strengthen our leading position in Jiangsu province and expand into selected key urban agglomerations, leveraging our presence in cities where we have entered into to explore neighborhood area.

In addition to our planned expansion backed up by Redsun Properties Group, we also intend to enter into more strategic cooperative agreements with selected cooperative partners such as third-party property developers, to expand our property portfolio developed by third-party developers. As to the type of properties under management, in addition to continuous efforts to expand residential property portfolio and undertake of commercial properties from Redsun Properties Group, we plan to further diversify our customer base by obtaining new engagement for commercial property management, such as providing consulting services. Further, we plan to further enhance our capability of managing different types of properties such as schools, industrial parks and office buildings.

In addition to utilizing our internal resources, we will continue to expand our operation scale through diversified and flexible methods. For example, we plan to seek for suitable property management companies that are well managed and in health financial condition located in the Yangtze River Delta and Southwest China as potential acquisition target. We will take into account their brand, operating scale, project quality, ability to renew contracts, expansion ability, managing system, cash flows, collection rate and profitability when selecting acquisition target. We expect to expand our operating scale upon the completion of successful acquisition. In addition, we expect to transplant our intelligent platforms to such target when integrating them into our group, to improve their operating efficiency, reduce operating costs and improve the profitability leveraging our strengths in intelligent operation. See "Future Plans and Use of [REDACTED]."

Continue to extend our services along the value chain of property management to satisfy differentiated demands from our customers.

We plan to continue to extend our services along the value chain of property management, both vertically and horizontally. As to horizontal extension, we plan to launch our high-end service series, "Chenxin (宸忻)" in residential projects under our management. Our services under "Chenxin (宸忻)" series have been launched at the sales venue of Guangzhou Benevolence Lake Yihao (廣州博愛湖一號), a residential property development project in Guangzhou, in December 2019. We expect our services under "Chenxin (宸忻)" series to satisfy demand from high-end customers and enhance the loyalty of our customers, while at the same time improving our profitability. To this end, we plan to utilize approximately [REDACTED] of the [REDACTED] from the [REDACTED] to hire high-end butler teams with professional background or educational background of hotel management or service management and launch "Chenxin (宸忻)" series in five to eight projects each year in the next two years, and gradually cover all high-end residential properties under our management. See "Future Plans and Use of [REDACTED]" in this document. In addition, we plan to increase our investment in the equipment and other resources for community activities to provide property owners and residents better living experiences through diversifying the type of community activities offered by us.

In addition, leveraging our experience in providing value-added services, we plan to further explore our customers' need, customize services we provide and explore diversified revenue source. We intend to hire third-party institutions to conduct customer satisfaction survey and mystery customer visiting, for the purpose of quality investigation and customer demand survey. We will cooperate with selected strategical partners, utilize community resources, gather high-quality merchants to precisely satisfy the "last mile" demand from our customers. We believe our diversified value-added services will enhance our customers' loyalty and improve our financial performance.

Continue to upgrade our intelligent system and equipment, enhance our intelligent community ecosystem for better service quality and operating efficiency.

We believe the intelligent system is an important part of our key competitiveness. Thus, we plan to continue to upgrade our intelligent system and equipment to enhance such competitive strength. We intend to hire and cultivate technical expert and research and development team and increase our investment in research and development to further upgrade our Redsun Town integrated platform, through which we expect to further reduce our operating costs and improve our operating efficiency. We also plan to devote more resources in the research and development to integrate different business terminals, improve the synergies among different middle platforms and enhance our big data analysis, leveraging innovative technologies such as AI and block chain. In addition, we will maintain and upgrade existing service and IT systems to improve the system security and operating efficiency.

Further, we intend to gradually install or upgrade intelligent equipment and system in residential and commercial properties under our management. For example, we plan to install face-ID identification system, Hongzhi Cloud Monitor system, smart parking system and remote equipment EBA management system for 20 residential communities in the next two years. We expect we could further improve our profitability, improve our customers' experience and enhance our brand through the utilization of our intelligent system. For details, see "Business — Standardized Operation and Smart Management."

Further improve our standardized services, service quality and customer satisfaction.

We have set up a series of policies to standardize and regulate our service process. We intend to continue to upgrade our service standard and optimize our service process to assure the standardized operation and service quality in all communities under our management. In addition, we plan to devote more resources to gradually expand the coverage of the customer survey by third-party institutions to all communities under our management in a regular manner, so we will be able to collect our customers' feedback in a timely manner for our future improvement. In addition, we also plan to use mystery customer visiting to investigate the quality of our value-added services for future improvement and diversification.

We intend to provide customized services under different service series for different customer groups, based on the customers' demand. We intend to provide our property management services under four series namely, standard service series targeting first-time homebuyers, value-added service series targeting mid-end customers and designated service series and harmonious community service series targeting mid to high-end customers. We plan to change our focus from serving first-time homebuyers to mid-to-high end customers by offering of the service series targeting those customers.

Enhance talent cultivation system and leverage "people-oriented" corporate culture, continue to attract and retain technical and management personnel and improve the management of our organization, talent, system, culture and services.

To better support our business, we will uphold the philosophy of "better headquarters, stronger city-level companies, solid project execution (總部做精、城市做強、項目做實)," attract and retain more talent to improve the ability of our key management team and frontline. Along with our development, we intend to hire more senior management members with solid industrial experience for our city-level companies in regions or cities we are expanding into, whom we expect to be our backbone force to duplicate our successful business model in such newly explored region. We also plan to enhance our campus recruit, to attract more university graduates as talent pool for our future development to enhance our internal talent cultivation. We will continue to enhance the cultivation plan for employees with high potential and provide them with more opportunities and better promotion scheme, through which we can retain more talent for our future development.

In addition, we deem trainings as part of the employee benefit as they would assist our employees with their development and also enhance their productivity. We plan to continue to enhance our employee training. Our internal trainings will cover a variety of topics including, among others, orientation training, training for key employees with high potential, project manager trainings and butler trainings. We also intend to engage third-party training institutions to provide progressive training for general managers of our subsidiaries and frontline project managers and professional trainings for our staff, such as butler services and project quality management. We believe our efficient talent recruitment and cultivation scheme will support our sustainable development in the future.

OUR BUSINESS MODEL

Since our inception in Nanjing in 2003, we have grown from a property management service provider to a well-recognized community service provider with national presence in China. We provide a wide range of property management services to property owners and residents. We also provide value-added services to non-property owners and community value-added services to property owners and residents. Set forth below is a summary of our three main business lines during the Track Record Period and up to the Latest Practicable Date.

Property management services	We provide property owners, residents and tenants with a wide range of property management services, including, among others, security, cleaning, greening and gardening, facility management, and repairs and maintenance services. Our portfolio of managed properties comprises of residential, commercial and other properties. In addition to residential properties, we also provide property management services to a variety of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme park. We also provide property management services to other properties such as office buildings and schools.
Value-added services to non-property owners	We also provide value-added services to non-property owners, including (i) consulting services to other property management companies, helping them provide better services to their customers, (ii) preliminary planning and design consultancy services to property developers for property development projects, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance, (iv) other value-added services to property developers, such as inspection services.

Community value-added services — We provide community value-added services to residential property owners and residents to improve their living experiences with an aim to preserve and increase the value of their living properties. Our community value-added services for residential properties primarily include, among others, (i) property brokerage services, (ii) property decoration services, (iii) community convenience services, (iv) common area value-added services and (v) assets management services.

The table below sets forth a breakdown of our total revenue by business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	222,917	86.7	279,884	80.2	354,767	70.5
Value-added services to non-property owners	21,899	8.5	54,097	15.5	121,352	24.1
Community value-added services	12,324	4.8	15,000	4.3	26,871	5.4
Total	**257,140**	**100.0**	**348,981**	**100.0**	**502,990**	**100.0**

We believe that our property management business serves as the basis for us to generate revenue and helps to enlarge our customer base for our value-added services to non-property owners and community value-added services. Our community value-added services, through the offer of diversified services, improve the market recognition of our brand and services and improve our profitability.

To integrate our business lines, expand the reach of our offline services and enhance customer experience, we developed a one-stop service platform, Red Life ("弘生活") App for property owners and residents of the residential properties under our management. In addition, we have also launched Hongshanghui ("弘商匯") App mainly for tenants of the commercial properties under our management. For details of our service platforms, see "— Standardized Operation and Smart Management — One-stop Service Platforms" below. The synergies among our three business lines help us diversify our revenue streams and capture new market opportunities.

PROPERTY MANAGEMENT SERVICES

Overview

We have been providing property management services in China since 2003. We had GFA contracted of 12.2 million sq.m., 15.8 million sq.m. and 27.6 million sq.m. as of December 31, 2017, 2018 and 2019, respectively. As of December 31, 2017, 2018 and 2019, our total GFA under management was approximately 9.1 million sq.m., 9.9 million sq.m. and 15.8 million sq.m., respectively. In 2017, 2018 and 2019, revenue generated from property management services amounted to RMB222.9 million, RMB279.9 million and RMB354.8 million, respectively, representing approximately 86.7%, 80.2% and 70.5%, respectively, of our total revenue during the same years.

General Scope of Our Property Management Services

We provide property management services for residential and commercial properties, including security, cleaning, greening and gardening, facility management, and repair and maintenance services. We have also further diversified the property portfolio under our management to cover other properties such as office buildings and schools. The property management services we provide can be divided into the following categories:

- *Security services*. We endeavor to provide quality security services to ensure the safety of the properties we manage. Our daily security services include patrolling, electronic access control, video surveillance, carpark security, fire safety management, visitor management and emergency response. We also operate the smart home security system comprising video surveillance, infrared detector and other intelligent devices in certain residential properties under our management, to monitor the residential property, prevent theft, burglary and fire. We delegate certain security services to third-party sub-contractors.

- *Cleaning services.* We provide general cleaning, garbage cleaning and pest control services to the properties we manage through our subsidiaries and third-party sub-contractors.

- *Greening and gardening services*. We provide greening and gardening services to the properties we manage through our subsidiaries and third-party sub-contractors.

- *Facility management*. We provide management services for facilities within the community, such as carparks through our subsidiaries.

- *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 system; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generator, power distribution equipment, water pump room, water supply and drainage systems. We provide certain repair and maintenance services, such as the repair and maintenance of lifts, through third-party sub-contractors.

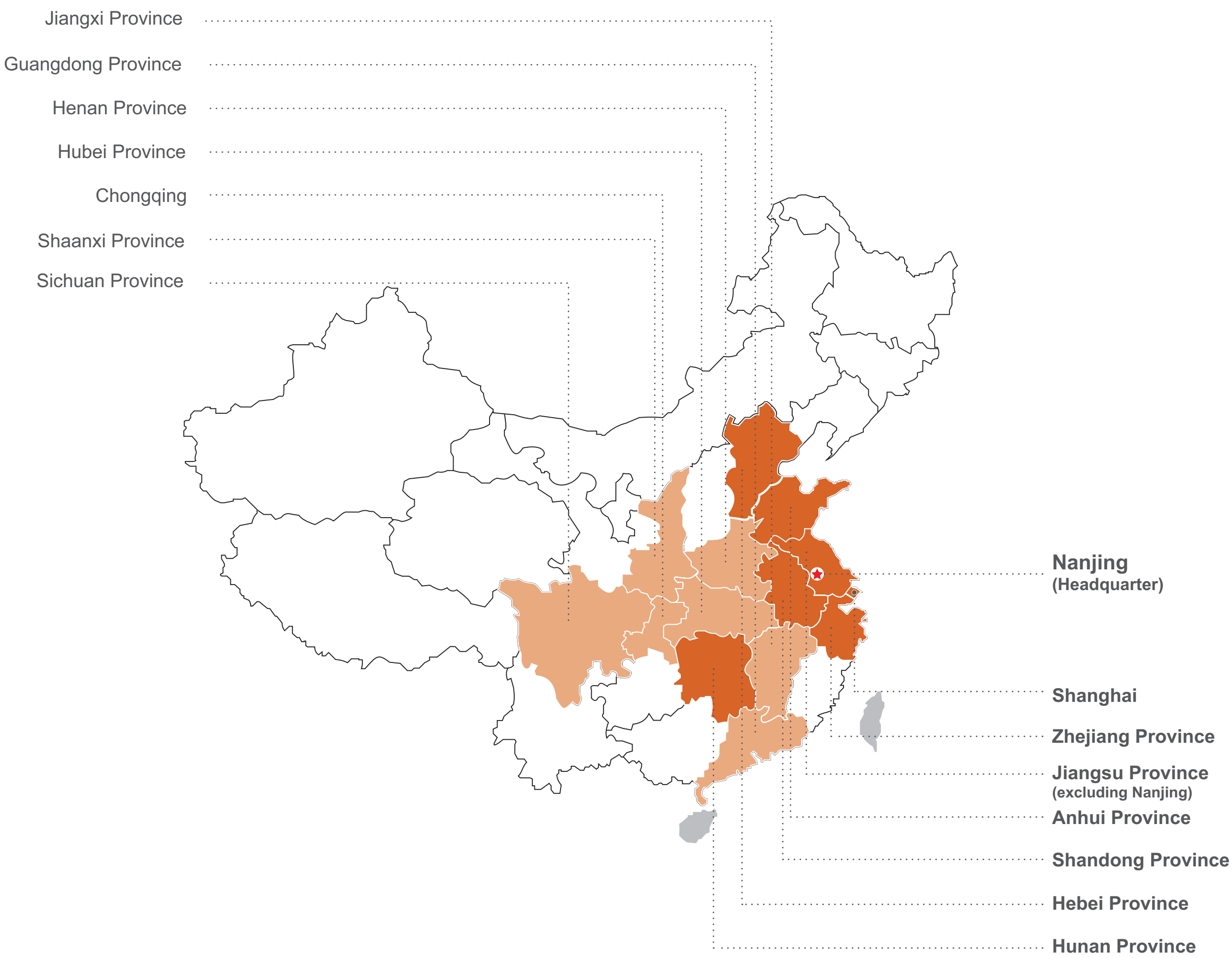
We also collect utility fees of the common area on behalf of the property owners and residents. In addition to residential properties, we also manage different types of commercial properties, such as shopping malls, home improvement and furnishings malls, hotels and theme park. The property services we provided to commercial properties are similar to the above property management services we provided to residential properties.

As of December 31, 2019, we employed 3,312 on-site personnel to provide property management services and engaged 427 selected third-party sub-contractors to provide certain property management services, mainly including security, cleaning, greening and gardening, repair and maintenance services.

Geographic Presence

Since our inception in 2003 in Nanjing, we have expanded our geographic presence including cities in which the projects were under our management and the projects we were contracted to manage but undelivered to 41 cities of 14 provinces or municipalities in China as of December 31, 2019. As of December 31, 2019, we had a total of 94 projects under management and 73 projects contracted to manage but undelivered.

The map below illustrates our geographic presence, including provinces, municipalities and autonomous regions in which the projects were under our management and the projects we were contracted to manage but undelivered as of December 31, 2019.



Provinces in which the projects were under management.

Provinces in which the projects we were contracted to manage but undelivered.

The table below sets forth a geographic breakdown of our property management projects as of the dates indicated.

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number of Projects	GFA under management	Revenue	% of total revenue	Number of Projects	GFA under management	Revenue	% of total revenue	Number of Projects	GFA under management	Revenue	% of total revenue
		('000 sq.m.)	(RMB'000)			('000 sq.m.)	(RMB'000)			('000 sq.m.)	(RMB'000)	
Nanjing	30	7,442.1	184,289	82.7	35	8,082.1	236,663	84.6	58	10,397.5	297,044	83.8
Jiangsu province(1)	8	1,624.9	38,628	17.3	9	1,822.6	43,221	15.4	23	3,443.3	52,186	14.7
Shanghai	—	—	—	—	—	—	—	—	1	207.1	2,922	0.8
Anhui province	—	—	—	—	—	—	—	—	7	865.7	2,213	0.6
Shandong province	—	—	—	—	—	—	—	—	2	264.6	360	0.1
Hunan province	—	—	—	—	—	—	—	—	1	150.0	—(2)	—
Hebei province	—	—	—	—	—	—	—	—	1	76.9	42	0.0
Zhejiang province	—	—	—	—	—	—	—	—	1	349.1	—(2)	—
Total	**38**	**9,067.0**	**222,917**	**100.0**	**44**	**9,904.7**	**279,884**	**100.0**	**94**	**15,754.2**	**354,767**	**100.0**

Notes:

(1) Excluded Nanjing.

(2) We did not record any revenue for certain projects as they were delivered to property owners in late December 2019.

Portfolio of Properties under Management

We manage a diversified portfolio of properties, comprising (i) residential properties, (ii) commercial properties, including shopping malls, home improvement and furnishings malls, hotels and theme park, and (iii) other properties, including office buildings and schools. As of December 31, 2017, 2018 and 2019, our total GFA under management was approximately 9.1 million sq.m., 9.9 million sq.m. and 15.8 million sq.m., respectively, including residential properties with total GFA of approximately 7.2 million sq.m., 7.9 million sq.m. and 12.1 million sq.m. and commercial properties with total GFA of approximately 1.9 million sq.m., 2.0 million sq.m. and 3.4 million sq.m. In addition to our efforts to expanding the portfolio of residential properties we manage, we have also devoted efforts to diversify the type of commercial and other properties under our management.

The table below sets forth a breakdown of our total GFA under management by types of property as of the dates indicated, and revenue generated from our property management services by type of property as well as their respective percentage of our total revenue generated from property management services for the years indicated.

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)
Residential properties	7,196.0	109,476	49.1	7,889.6	143,160	51.2	12,061.5	173,878	49.0
Commercial properties	1,851.6	111,048	49.8	1,995.7	134,193	47.9	3,380.8	177,095	49.9
Other properties(1)	19.4	2,393	1.1	19.4	2,531	0.9	311.9	3,794	1.1
Total	**9,067.0**	**222,917**	**100.0**	**9,904.7**	**279,884**	**100.0**	**15,754.2**	**354,767**	**100.0**

Note:

(1) Other properties primarily include office buildings and schools.

GFA under Property Management

Based on the confirmation our Company obtained from Redsun Properties, Redsun Properties engaged our Group to provide property management services for all the properties it solely developed and delivered during the Track Record Period. In addition, we were engaged to provide property management services for a majority of the properties jointly developed by Redsun Properties Group and third-party property developers. According to our internal records, the GFA under our management obtained through new service engagements for properties developed and delivered by Redsun Properties Group was approximately 6.6 million sq.m., 7.2 million sq.m. and 9.7 million sq.m., in 2017, 2018 and 2019, respectively, and the GFA under our management obtained through new service engagements for properties developed and delivered by third-party property developers, including the joint ventures in which Redsun Properties Group does not hold the controlling interest was approximately 1.2 million sq.m., 1.5 million sq.m. and 4.7 million sq.m., respectively, during the same years. In addition, we also manage certain commercial properties with aggregate GFA of 1.3 million sq.m. owned by Redsun Materials City Group and Redsun Business World, which are associates of our Controlling Shareholders. For details, see "Continuing Connected Transactions — Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements."

The table below sets forth a breakdown of the number of projects and the total GFA under management as of the dates indicated, and the revenue generated from property management services to properties developed by Redsun Properties Group and third-party property developers, as well as properties owned by associates of our Controlling Shareholders for the years indicated.

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number of Projects	GFA ('000 sq.m.)	Revenue (RMB'000)	% of total revenue	Number of Projects	GFA ('000 sq.m.)	Revenue (RMB'000)	% of total revenue	Number of Projects	GFA ('000 sq.m.)	Revenue (RMB'000)	% of total revenue
Redsun Properties Group[1]												
Residential properties	24	6,041.7	96,749	43.4	27	6,429.8	119,389	42.7	39	7,998.7	125,909	35.5
Preliminary Stage[2]	18	4,856.5	66,471	29.8	21	5,244.6	87,176	31.2	33	6,813.5	92,402	26.0
Property Owners' Association Stage[3]	6	1,185.2	30,278	13.6	6	1,185.2	32,213	11.5	6	1,185.2	33,507	9.5
Commercial properties	3	568.6	38,907	17.5	4	712.7	51,048	18.2	14	1,725.1	68,794	19.4
Other properties	1	19.4	2,393	1.1	1	19.4	2,531	0.9	1	19.4	2,442	0.7
Subtotal	28	6,629.6	138,049	62.0	32	7,161.9	172,968	61.8	54	9,743.2	197,145	55.6
Third-party property developers[4]												
Residential properties	7	1,154.4	12,727	5.7	9	1,459.9	23,771	8.5	30	4,063.0	47,968	13.5
Preliminary Stage[2]	6	779.9	6,943	3.1	8	1,085.4	17,924	6.4	19	2,164.5	36,870	10.4
Property Owners' Association Stage[3]	1	374.5	5,784	2.6	1	374.5	5,847	2.1	11	1,898.5	11,098	3.1
Commercial properties	—	—	—	—	—	—	—	—	2	372.7	337	0.1
Other properties	—	—	—	—	—	—	—	—	5	292.4	1,353	0.4
Subtotal	7	1,154.4	12,727	5.7	9	1,459.9	23,771	8.5	37	4,728.1	49,658	14.0
Other associates of our Controlling Shareholders[5]												
Commercial properties	3	1,282.9	72,141	32.3	3	1,282.9	83,145	29.7	3	1,282.9	107,964	30.4
Total	38	9,067.0	222,917	100.0	44	9,904.7	279,884	100.0	94	15,754.2	354,767	100.0

Notes:

(1) Includes projects solely developed by Redsun Properties Group and properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group held a controlling interest.

(2) Includes contracts signed with property developers for preliminary property management services.

(3) Includes contracts signed with owners' associations and single owners.

(4) Includes properties developed by third-party property developers independent from Redsun Properties Group, as well as properties developed by property developers which are joint ventures and associates of Redsun Properties Group in which Redsun Properties Group does not hold a controlling interest.

(5) Includes properties owned by associates of our Controlling Shareholders.

We managed to increase the percentage of total GFA under management for properties developed by third-party property developers from 12.7% as of December 31, 2017 to 30.0% as of December 31, 2019. The revenue generated from managing properties developed by third-party property developers increased from RMB12.7 million in 2017 to RMB49.7 million in 2019, representing a CAGR of 197.5%. Such growth was primarily attributable to our continuous efforts to expand our property management services to properties developed by third-party property developers.

Our GFA of properties developed by third-party property developers and contracted to manage but undelivered was approximately 3.2 million sq.m., 5.9 million sq.m. and 11.8 million sq.m. as of December 31, 2017, 2018 and 2019, respectively.

Property Management Service Contracts

We enter into property management service contracts with or without fixed terms with property developers, property owners' associations or property owners. As of December 31, 2019, 45.9% of our GFA under property management under our property management service contracts did not have fixed terms, while in general the rest with fixed terms ranging from one to three years. With respect to property developers, we generally enter into preliminary property management service contract during construction but before the establishment of property owners' associations. In relation to residential properties that have already been delivered where property owners' associations are established, we may enter into property management service contracts with property owners' associations after being engaged by the general meeting of property owners. For commercial properties, we may enter into property management service contracts with property owners.

The table below sets forth the expiration schedule of our property management contracts as of December 31, 2019.

	GFA under management	Number of contracts
	(in thousands, sq.m.)	
Property management contracts without fixed term[1]	7,226.7	43
Property management contracts with fixed terms expired on/expiring in		
December 31, 2019	—	—
Year ending December 31, 2020	6,726.3	39
Year ending December 31, 2021 and beyond	1,801.2	12
Subtotal	8,527.5	51
Total	**15,754.2**	**94**

Note:

(1) Generally, contracts without fixed terms will terminate once a property owners' association has been set up and a new property management service contract between such property owners' association and a property management company becomes effective. In addition, during the Track Record Period, our Group had continued to provide services to property developers, owners and residents pursuant to certain fixed-term contracts after the expiration of such terms. As advised by our PRC Legal Advisors, if the majority of property owners, provided that they represent more than half of the relevant community and also own more than 50% of the aggregate GFA of the relevant community, acknowledge and approve the performance of our group by paying property service fees to us, a factual contract has been established between the property owners and us for the period in which the property service fees have been paid by such majority property owners.

The table below sets forth the expiration schedule of the property management contracts for properties developed by Redsun Properties Group (including properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group held a controlling interest) as of December 31, 2019.

	GFA under management	Number of contracts
	(in thousands, sq.m.)	
Property management contracts without fixed term[1]	5,680.7	29
Property management contracts with fixed terms expired on/expiring in		
December 31, 2019	—	—
Year ending December 31, 2020	3,322.1	20
Year ending December 31, 2021 and beyond	917.4	6
Subtotal	4,239.5	26
Total	**9,920.2**	**55**

Note:

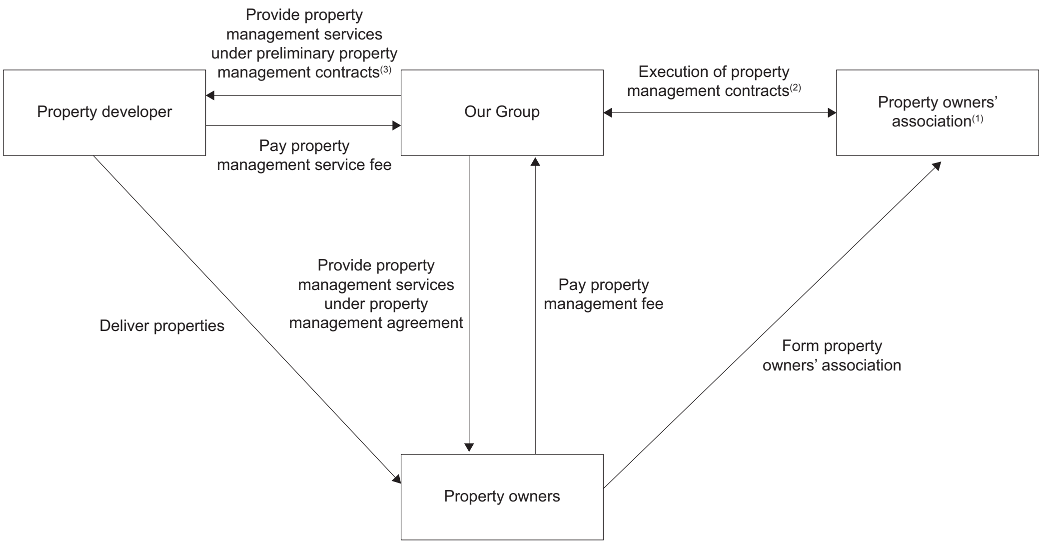
(1) Generally, contracts without fixed terms will terminate once a property owners' association has been set up and a new property management service contract between such property owners' association and a property management company becomes effective. In addition, during the Track Record Period, our Group had continued to provide services to property developers, owners and residents pursuant to certain fixed-term contracts after the expiration of such terms. As advised by our PRC Legal Advisors, if the majority of the property owners, provided that they represent more than 50% of the relevant community and also own more than 50% of the GFA of the relevant community, acknowledge and approve the performance of our group by paying services fees to us, a factual contract has been established between the property owners and us for the period in which the services fees have been paid by the majority property owners.

Property Management Fees

Under applicable PRC laws and regulations, property management fees may be charged on a lump sum basis or on a commission basis. During the Track Record Period, all of our revenue generated from our property management services was charged on a lump sum basis. We may in the future, consider to charge property management fees on commission basis.

Residential Properties

The diagram below illustrates our relationships with various parties under our property management contracts for residential properties.



Notes:

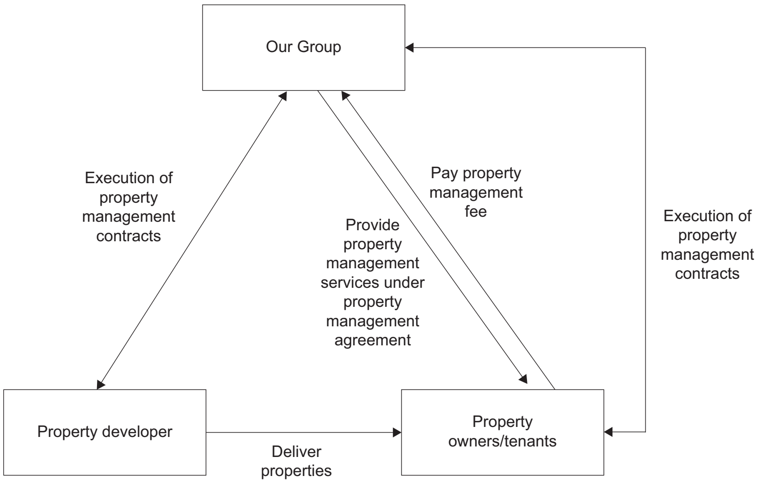
(1) A property owners' association is authorized by law to act on behalf of the property owners. It is not mandatory under applicable PRC laws and regulations that a property owners' association is established. The establishment of a property owners' association is subject to votes by relevant property owners in their general meetings, and such meetings shall be held upon application by the property owners constituting a quorum and under the guidance of relevant government authorities. See "Regulatory Overview — Laws and Regulations Relating to Property Management Services and Other Related Services — Appointment of Property Management Enterprises".

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

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

Commercial Properties

We enter into property management service contracts with customers such as property owners and property developers for the management of commercial properties. The diagram below illustrates our relationships with various parties under our property management contracts for commercial properties.



Property Management Fees

During the Track Record Period, the property management fee of all projects under our management was charged on a lump sum basis. Under a lump sum basis contract, we charge a pre-determined property management fee per sq.m. of GFA under management which represents "all-inclusive" fees for all of the property management services provided by us and our sub-contractors. Under our respective property management agreements, we normally collect property management fees for residential and commercial properties on quarterly or yearly basis. We are entitled to retain the full amount of property management fees received from property owners, residents, tenants and property developers.

We bear the costs of managing properties, and recognize such costs as our cost of sales, which include expenses associated with staff directly providing property management services, repair and maintenance of common areas, facilities management, cleaning, greening and gardening and security. As a result, the costs incurred in the provision of management services to a property has a direct impact on our profitability. If the amount of property management fee we collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us the shortfall. During the Track Record Period, we incurred loss in an aggregate amount of approximately RMB3.5 million, RMB6.1 million and RMB5.7 million, respectively, with respect to five, seven and 15 projects, respectively, which were managed on a lump sum basis in 2017, 2018 and 2019. The losses incurred with respect to such properties managed on a lump sum basis were primarily due to the relatively large costs incurred at the early stage of our management of such properties. The aggregate revenue generated from such loss-making properties was approximately RMB18.8 million, RMB25.5 million and RMB39.9 million, respectively, for 2017, 2018 and 2019, representing approximately 7.3%, 7.3% and 7.9%, respectively, of our total revenue for the same years. For more information, please refer to the section entitled "Risk Factors — Risks Relating to Our Business and Industries — Our provision of property management services on a lump sum basis could subject us to losses" of this document. We have established various internal measures to reduce costs and prevent or reduce such shortfalls. To reduce costs, we have implemented digitalization, procedure standardization and operation automation of our services. Please refer to the sub-section entitled "— Standardized Operation and Smart Management" in this section.

Property Management Contract

Residential Properties

Property developers typically organize a tender and bidding process to select property management service providers and enter into preliminary property management service contracts with the engaged property management service provider for residential properties as required by relevant PRC laws. In circumstances where there are less than three bidders or the size of the managed property is small*, property developers are permitted under PRC laws to select property management service providers without conducting any tender and bidding process, subject to approval by the competent PRC property administration authorities.

We provided property management and other related services to the projects developed by Redsun Properties Group and third-party property developers at the pre-sale and pre-delivery stages during the Track Record Period. We typically procure our initial property management service engagements from property developers through standard public tender procedures regulated by applicable PRC laws and regulations. During the Track Record Period, we maintained success rates of 100% of our tender bids for properties developed by Redsun Properties Group. In 2017, 2018 and 2019, the success rate of our tender bids for properties developed by third-party property developers (including joint ventures in which Redsun Properties Group does not hold a controlling interest) was 75.0%, 16.7% and 25.0%, respectively.

Key Terms of Contract with Property Developers

Our contracts with property developers typically include the following key terms:

- *Scope of services*. A typical contract with a property developer sets out the scope of services by phase. Before the construction of the property is completed, we generally provide property management services to public areas and facilities, including security, cleaning, greening and gardening, public road maintenance and repair, and maintenance of public facilities. Once the construction is completed, in addition to the aforementioned services, we also collect utility fees and service fees, manage the carparks and offer housekeeping services.

* Regulations on Property Management (《物業管理條例》) and other relevant PRC laws and regulations do not provide the standard of "small" to quantify the situation under which a tender and bidding process is not required at the national level. The local government regulations such as Regulations on Property Management in Jiangsu Province (《江蘇省物業管理條例》) provide that where the GFA of residential property is less than 30,000 sq.m., property developers are permitted to select property management service providers without conducting any tender and bidding process, subject to approval by the county-level housing departments of the people's government where the residential property is located.

- *Performance standards*. The contract sets out specific standards for the main services we provide, which mainly with reference to the standards published by local housing management authorities.

- *Property management fees*. The contract sets out the amount of property management fees, payable either on a lump sum basis or on a commission basis. The property developer is responsible for paying the property management fees for unsold property units, which fees typically begin to accrue after the execution of the property management contract and upon delivery of the first unit to a buyer. Property developers pay a daily surcharge, at a certain percentage of the overdue amount, for overdue property management fees.

- *Property developers' obligations*. The property developer is primarily responsible for obtaining a commitment from every property buyer that it will comply with the property management contract, providing sufficient space at the community for us to use as our on-site property management office and providing us with blueprints and other construction design documents and completion inspection documents.

- *Term of service*. The contract typically expires only when the relevant property owners' association is established and a new property management contract is entered into to replace the existing one with property developers.

- *Dispute resolution*. Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through legal proceedings.

After the delivery of properties by the property developers to the property owners, the property owners may form and operate a property owners' association to manage the properties. Under relevant PRC laws and regulations, the property owners who collectively own over half of the total GFA of the community and represent more than half of the total number of the property owners may vote to establish a property owners' association at a property owners' meeting.

As of December 31, 2019, 31 projects under our management had established property owners' associations, accounting for approximately 27.9% of the total number of projects under our management as of the same date. The success rate of entering into property management contracts with property owners' associations after the preliminary stage during the Track Record Period was 100%. The property owners' associations are independent from us. We need to provide quality services at a competitive rate to the residents and owners of our properties in order to secure our engagement in the property owners' meeting. According to the Regulations on Property Management, the property owners' meeting can hire or dismiss property management service providers by votes from the property owners who own over half of the total GFA of the community and who represent more than half of the total number of the property owners at the property owners' meeting. The property owners' association may either hire new property management service providers through competitive bidding or enter into a contract with a property management service provider directly based on specified standards, such as terms and conditions of service, service quality and service price.

In the event that the property owners' association has not been formed after the delivery of the properties to the property owners, the preliminary property management contract entered into between the property developers and us at the pre-sale and pre-delivery stages (the "**Preliminary Management Contract**") would remain effective and bind the owners of the properties, who are obligated to pay the management fees directly to us. The Preliminary Management Contract will be terminated when the property owners' association is formed and a new property management contract is entered into. If, upon the expiration of the initial term of the Preliminary Management Contract, the property owners' association has not been formed or a new property management contract has not been entered into between the property owners' association and us, (i) the Preliminary Management Contract will be renewed automatically until a new property management contract with the property owners' association is entered into if there is applicable provision in the Preliminary Management Contract to that effect, or (ii) the parties may choose to extend the services absent any automatic renewal provision in the contract, in which event a new management contract will be entered into between the property developer and us.

Key Terms of Contract with Property Owners' Associations

Our contracts with property owners' associations typically include the following key terms:

- *Scope of services*. Under a typical contract with a property owners' association, we provide general property management services, including repair and maintenance of public facilities and equipment, maintenance of common areas, greening, gardening, cleaning, security, fire control and emergency response. If the owners or residents request other services, such as decoration, parking and maintenance of properties, they will sign separate service contracts with us. In addition, we may also agree to collect utility charges from property owners and residents on behalf of utility companies. We may outsource certain services to qualified sub-contractors.

- *Property management fees*. The contract sets out the amount of property management fees, payable either on a lump sum basis or on a commission basis. Property owners and residents are responsible for paying the property management fees, which shall be proportional to the size of the GFA they occupy. If the owners and residents request other services not covered by our general scope of services, they shall also pay service fees either as separately agreed under the relevant contracts entered into between property owners or residents and us or as set out in the standard fee schedules applicable to the specific communities. Property owners and residents contribute to the public funds reserved for the repair and maintenance of public facilities and common areas. Property owners and residents pay a daily surcharge, typically 0.5‱ of the overdue amount, for overdue property management fees.

- *Sharing of profit from common area*. Under relevant law and regulations, if we generate income utilizing common area of the community, such as publishing advertisement in the lift, we are required to share our profit with property owners. The contract also sets out how we divide such profit with property owners.

- *Rights and obligations of property owners and residents*. According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interests in matters concerning property management.

The decisions made by property owners' associations are binding on all property owners. As advised by our PRC Legal Advisors, contracts between property owners' associations and property management companies, including the various legal rights and obligations of property owners under such contracts, are valid and legally binding on property owners, whom their respective property owners' associations represent, even if the property owners are not parties to such contracts. As a result, we have legal claims against property owners for accrued and outstanding property management fees. Property owners and residents have the right to be informed of and supervise the use of public funds and the management of common areas and public facilities and review the annual budget and property management plan prepared by us. Before selling or leasing out their properties, property owners shall pay up all outstanding property management fees to us. When selling or leasing their properties, property owners shall inform the buyers or tenants of the existence of the property management contract and the buyers' or tenants' obligations thereunder. Property owners bear joint liabilities with the residents of their properties with respect to the payment of property management fees.

- *Rights and obligations of property owners' associations*. Property owners' associations have the right to be informed of and supervise the use of public funds, the management of common areas and public facilities, and review the annual budget and property management plan prepared by us. Property owners' associations shall provide necessary support to us to facilitate our work, such as all necessary drawings, records, materials and an office.

- *Terms and termination*. In general, such contracts have fixed terms typically for a duration of one to four years. Certain of these contracts provide that, if no new contract had been executed between the relevant property owners' association and other property management company upon the expiration of an existing contract, the term of the contract at issue shall be extended till the new property management contract between the relevant property owners' association and the newly engaged property management company becomes effective.

- *Dispute resolution*. Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through court proceedings.

Commercial Properties

We enter into property management service contracts with customers such as property owners for the management of commercial properties. The following summarized the general terms of our property management service contracts for commercial properties.

Key Terms of Contract for Commercial Properties

- *Scope of services*. We generally provide property management services including security, cleaning, greening, gardening, repair and maintenance of the common areas and related equipment and facilities.

- *Performance standards*. The contract sets out the quality standards required for providing the property management services.

- *Customers' obligations*. The customers of our property management service contracts for commercial and other properties primarily responsible for, among other things, (i) payment of property management fee in the agreed manner, (ii) providing a readily available office space for us to use, and (iii) ensuring the quality of the common area equipment and facilities.

- *Property management fees*. The contract sets out the property management fees generally payable on a monthly or quarterly basis. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the customers to collect the fees.

- *Term of service*. Our property management service contracts for commercial properties generally have a fixed contract term of one to three years.

Pricing of Property Management Fees

Residential Properties

We generally price our services for residential properties based on a number of factors, including (i) the types and locations of the properties, (ii) the overall planning of the project, (iii) the standard and scope of our services, (iv) our budgeted expenses, (v) our target profit margins, (vi) the profiles of property owners and residents, (vii) the local government's guidance price on property management fees, where applicable, and (viii) the pricing of comparable properties located in the same area. Under the property management contracts, we can negotiate with property owners and residents to raise the property management fees upon renewal of the contracts. For details of the risks relating to property management fees, see "Risk Factors — Risks Relating to Our Business and Industries — Our pricing of property management fees under preliminary property management service contracts is subject to PRC laws and regulation."

The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services for residential properties, and we may need to refer to government guidance prices for such fees. For more information, please refer to the section entitled "Regulatory Overview — Laws and Regulations Relating to Property Management Services and Other Related Services — Fee Charges by Property Management Enterprises" in this document.

Commercial Properties and Other Properties

We take into account of our estimated expenses, expected profit and industry pricing level when determining the price for commercial property management. The property management fees for commercial properties are determined through commercial negotiation. In 2017 and the first half of 2018, we charged a fixed property management fee for the management of the commercial properties. In the second half of 2018, we started to price our services for commercial properties on cost-plus basis with reasonable profit margin.

We determine the price for property management services to other properties taking into account of our estimated expenses, expected profit and industry pricing level. Our property management fees for other properties are fixed fees as agreed under our property management contracts.

Average Property Management Fee

In 2017, 2018 and 2019, the average property management fee for residential properties was approximately RMB1.27 per sq.m. per month, RMB1.57 per sq.m. per month and RMB1.54 per sq.m. per month, respectively, and the average property management fee for commercial properties was approximately RMB5.00 per sq.m. per month, RMB5.60 per sq.m. per month and RMB7.08 per sq.m. per month, respectively. The average property management fee for residential properties increased from RMB1.27 per sq.m. per month in 2017 to RMB1.54 per sq.m. per month in 2018, as certain residential properties we newly commenced management in 2018 had generally higher property management fee charge than those we managed in 2017. The average property management fee for residential properties slightly decreased to RMB1.54 per sq.m. per month, primarily due to the acquisition of Nanjing Ya Dong Property Management, the residential projects of which had lower property management fee charge than ours. The average property management fee for commercial properties increased from RMB5.00 per sq.m. per month in 2017 to RMB5.60 per sq.m. per month in 2018, primarily because we recorded more revenue from facility management, such as carpark management in 2018 while the GFA under management remaining the same in 2018. The average property management fee for commercial properties further increased to RMB7.08 per sq.m. per month in 2019, primarily due to higher property management fees paid to us by certain renowned brand newly moving into Redsun Plaza upon the completion of its renovation in May 2018, as we incurred more operating expenses in response to their demands. The increase was also due to higher property management fees for the management of a home improvement and furnishings mall, as the usage of some warehouse in such mall was changed to shops in 2019.

The following table sets forth the average property management fees for properties developed by Redsun Properties Group and third-party property developers, as well as properties owned by associates of our Controlling Shareholders during the Track Record Period.

	For the year ended December 31,		
	2017	2018	2019
	(RMB per sq.m. per month)		
Residential properties	**1.27**	**1.57**	**1.54**
Redsun Properties Group[(1)]	1.33	1.59	1.58
Third-party property developers[(2)]	0.92	1.50	1.42
Commercial properties	**5.00**	**5.60**	**7.08**
Redsun Properties Group[(1)]	5.70	5.97	7.23
Third-party property developers[(2)]	—	—	2.85
Other associates of our Controlling Shareholders[(3)]	4.69	5.40	7.01
Other properties	**10.26**	**10.85**	**10.60**
Overall	**2.05**	**2.43**	**2.56**

Notes:

(1) Includes projects solely developed by Redsun Properties Group and properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group held a controlling interest.

(2) Includes properties developed by third-party property developers independent from Redsun Properties Group, as well as properties developed by property developers which are joint ventures and associates of Redsun Properties Group in which Redsun Properties Group does note hold a controlling interest.

(3) Includes properties owned by associates of our Controlling Shareholders.

In 2019, the average property management fee for commercial properties developed by third-party developers was RMB2.85 per sq.m. per month. Those commercial properties primarily comprised metro station shopping malls managed by Nanjing Ya Dong Property Management, which had lower property management fee charge as compared with the shopping malls and home improvement and furnishings malls developed by Redsun Properties Group and under our management.

The following table sets forth the average property management fees we charged by region during the Track Record Period.

	For the year ended December 31,		
	2017	2018	2019
	(RMB per sq.m. per month)		
Nanjing	2.06	2.47	2.80
Jiangsu province[1]	1.98	2.22	1.93
Other[2]	—	—	1.03
Overall	**2.05**	**2.43**	**2.56**

Note:

(1) Excluded Nanjing.

(2) Included Shanghai, Anhui province, Shandong province and Hebei province. For the purpose of calculating average property management fee in this table, projects in Hunan province and Zhejiang province were not included as we did not generate any revenue during the Track Record Period from projects located in Hunan province and Zhejiang province. Those projects were delivered to property owners in late December 2019.

Payment Terms and Credit Terms

We charge property management fees on a quarterly basis or pursuant to relevant property management service contracts. We generally send out notices one month in advance for the payment of fees for residential and commercial properties under our management.

We collect property management fees according to the terms of the relevant property management contracts. Property management fees are due for payment by property owners, residents and tenants upon our issuance of a demand note with no credit term. We are entitled to collect late payment fees under relevant property management contracts.

To the extent permitted by relevant laws and regulations, we charge property owners, residents and tenants at the properties we manage a utility fee for the water and electricity consumed by public facilities, public equipment and common areas in proportion to the GFA occupied by them in addition to the agreed property management fees.

Property owners and residents of the residential properties under our management generally make their payment either by cash, or electronically through Alipay and WeChat Pay, and tenants of the commercial properties generally make their payment electronically either through Alipay and WeChat Pay or bank transfer.

GROWTH OF OUR PROPERTY MANAGEMENT SERVICES PORTFOLIO

We had been expanding our property management services business during the Track Record Period primarily through obtaining new service engagements from property developers or property owners' associations and acquiring of local property management companies. In the future, we also plan to expand our coverage by acquiring more regional property management companies with complementary business profile and industry experience. The table below indicates the movement of our (i) contracted GFA and (ii) GFA under management during the Track Record Period.

	For the year ended December 31,					
	2017		2018		2019	
	Contracted GFA (000'sq.m.)	GFA under management (000'sq.m.)	Contracted GFA (000'sq.m.)	GFA under management (000'sq.m.)	Contracted GFA (000'sq.m.)	GFA under management (000'sq.m.)
As at the beginning of the year	9,440.4	6,113.5	12,233.2	9,067.0	15,794.9	9,904.7
New engagements[(1)]	2,792.8	2,953.5	3,561.7	837.8	9,345.5	4,140.7
Acquisitions[(2)]	—	—	—	—	2,972.0	2,236.6
Terminations[(3)]	—	—	—	—	527.8	527.8
As at end of the year	12,233.2	9,067.0	15,794.9	9,904.8	27,584.6	15,754.2

Notes:

(1) In relation to residential properties we manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential properties replacing their previous property management companies.

(2) These refer to new engagements obtained through our acquisitions of certain local property management companies during the Track Record Period.

(3) These include our voluntary non-renewal of the property management services agreements entered into with property developers and/or property owners' association as some of the relevant customers failed to discharge their payment obligations.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

We also offer value-added services to non-property owners, such as property developers and other property management companies, to address their various needs arising throughout various stages of property development and management. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of RMB21.9 million, RMB54.1 million and RMB121.4 million, respectively, from value-added services to non-property owners, representing 8.5%, 15.5% and 24.1% of our total revenue for the respective years.

During the Track Record Period, we have provided value-added services to non-property owners primarily including (i) consulting services to other property management companies, helping them provide better services to their customers, (ii) preliminary planning and design consultancy services to property developers for property development projects from the perspective of property management, (iii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance, and (iv) other value-added services to property developers, such as inspection services.

We generally charge a fixed fee for the value-added services to non-property owners on transaction basis, which is determined based on the nature and scope of the services, the headcount and positions of the staff we deploy and the size, location and positioning of the properties involved. We generally do not give a credit term to customers of our value-added services to non-property owners. The term of our contracts for value-added services to non-property owners is generally set to expire when the customers notify us that our services are no longer required.

During the Track Record Period, we generated substantially all of our revenue of value-added services to Redsun Properties and joint ventures and associates with Redsun Properties Group. For the years ended December 31, 2017, 2018 and 2019, our revenue from Redsun Properties Group (including its joint ventures and associates) for value-added services to non-property owners amounted to RMB20.8 million, RMB52.0 million and RMB110.7 million, respectively, representing 95.0%, 96.1% and 91.2% of our total revenue from value-added services to non-property owners for the respective years. Leveraging our expertise in property management and brand image, we have gradually expanded our customer base for value-added services to non-property owners to independent third-party property developers since 2017. We believe providing such services to independent third-party property developers would cultivate our relationship with these customers at an early stage of property development which assists us with obtaining the subsequent property management engagements from them.

COMMUNITY VALUE-ADDED SERVICES

Leveraging our long-term experience and professional teams for property management, we provide a wide range of community value-added services to property owners and residents. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of RMB12.3 million, RMB15.0 million and RMB26.9 million, respectively, from our community value-added services, representing 4.8%, 4.3% and 5.4%, respectively, of our total revenue during the same years.

In order to improve the community living experience of property owners and residents at the residential properties we manage and to preserve and increase the value of their properties, we provide a wide range of community value-added services to property owners and residents. Our community value-added services for residential properties mainly include property brokerage services, property decoration services, community convenience services and community resources operation services and assets management services.

- **Property brokerage services ("房產中介服務").** We started to provide residential property brokerage services in 2015. As of December 31, 2019, we had a property brokerage team comprised of 38 members experienced in property brokerage services. We offer brokerage services for property purchasing and/or leasing transactions primarily for properties under our management. We typically charge the seller and the purchaser a commission calculated at a fixed percentage of the contract purchase price, which typically will be 1.0% from the purchaser upon the closing of a successful property purchasing transaction, while we typically charge one-month rent as commission upon the closing of a successful property leasing transaction. We also assist property owners with their application for property ownership certificates and/or mortgage loan. Moreover, we provide agency services for property developers to solicit potential property purchasers.

- **Property decoration services ("美居服務").** As of December 31, 2019, we had a team comprised of seven members providing property decoration services. We cooperate with third-party decoration companies to provide owners and residents of our managed properties with design and decoration services with turnkey furnishing packages to create a move-in ready residence, for which we act as an agent. We assist the owners and residents of our managed properties in identifying suitable third-party decoration companies to decorate and furnish the units and purchasing furniture, home appliances and accessories. We also provide agency services to owners and residents of our managed properties for renovation services for second-hand properties. We charge third-party decoration companies or merchants of home appliance a pre-negotiated percentage on the contract amount as commission for our property decoration services. We do not charge owners or residents of our managed properties for our services.

- **Community convenience services ("社區便民服務").** We offer community convenience services in collaboration with third-party merchants such as tourism services, housekeeping services, repair and maintenance services of home appliances and express delivery assistance with a focus on the daily needs of residents of our managed properties. We charge third-party merchants a pre-negotiated percentage on the contract amount as commission for our community convenience services.

- **Community resources operation services ("社區資源運營服務").** We are devoted to increasing our income from the operation of our community resources through optimizing the public area sources, including (i) publishing advertisement in public area, such as exterior wall, lobby and elevator room, (ii) leasing community properties and facilities, such as leasing function rooms of the clubhouse and sports field within the community, and (iii) leasing common area for third-party commercial activities. Under relevant laws and regulations and our property management contracts, we are obligated to share the profit from community resource operation services with property owners' associations or single owners, as appropriate.

- **Assets management services ("資產管理服務").** We assist Redsun Properties Group with the sale of carparks it developed but remain unsold after the project has been delivered. Our property brokerage team was also involved in assets management services. We charge Redsun Properties Group a pre-determined commission for each carpark we facilitate the sales. See "Continuing Connected Services — (D) Continuing Connected Transactions Subject to Reporting, Annual Review and Announcement Requirements But Exempted From Independent Shareholders' Approval Requirement". We plan to extend this services to sale of stock properties and carparks for third-party property developers.

For certain community value-added services utilized common area of the community, such as community convenience services and community resources operation services, we are required to share the profit from such services with property owners' associations or property owners under relevant laws and regulations. We negotiate with property owners' associations or property owners on the sharing percentage, generally ranging from approximately 30% to 50%. Our revenue from community value-added services was recorded on net basis, after deducting the portion of profit to be shared with property owners' associations or property owners.

During the Track Record Period, we did not provide any value-added services to commercial and other properties.

For the community value-added services involving the collaboration with third-party service providers or merchants, we select suitable third-party service providers or merchants based on a number of factors including quality of products or services, price competitiveness and responsiveness to demands of customers. We adopt entry threshold and quality control measures to ensure the quality of products or services provided by such third parties. We typically enter into written collaboration contracts with such third parties, providing, among other things, referral fee rates, settlement mechanisms, logistics for deliveries of products or services and liability for compensation. We may replace a third-party service provider or merchant in the event of substandard performances.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from property owners, residents and tenants nor have been involved in any material legal proceedings with respect to the products or services provided by third-party service providers or merchants.

STANDARDIZED OPERATION AND SMART MANAGEMENT

To strengthen our competitiveness, reduce our reliance on manual labor and costs, we focus on implementing standardized operation, digitalization and information technology, and operation automation. We evaluate our property management services and formulate processes to render such services in a manner with the intention to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing labor cost.

Standardized Operation

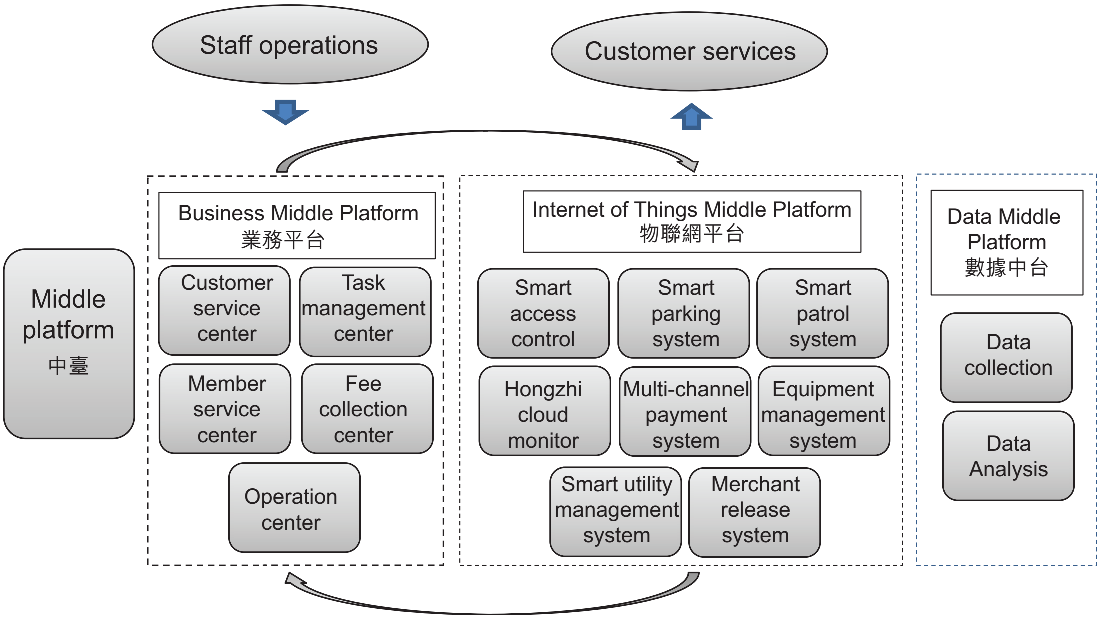
We have standardized our operation in key areas of our services including environmental management, occupational health and safety management and quality management. In 2009, we obtained the quality management system GB/T19001/ISO9001 certification, environmental management system GB/T24001/ISO14001 certification and occupational health and safety system GB/T28001/OHSAS18001 certification by the China National Accreditation Service for Conformity Assessment, which made us become an enterprise with National First Class Property Management Qualification (國家一級資質物業服務企業) in Jiangsu Province to obtain the "three-in-one (三標一體)" certification. See "— Licenses, Permits and Certifications" below. Furthermore, we apply consistent standards in certain operations including, among others, environmental and order maintenance, repair and maintenance of equipment and facilities, and customer services.

We have established detailed standards for our property management services. Our visible standards comprise "green grass, clear water, new facilities and clean ground" for our onsite staff to follow. In addition, we have "quick-responding" requirements, which request our customer center to respond and assign task within five minutes after receiving customer complaints or request, our onsite to arrive within 20 minutes and complete tasks within two hours. With respect to complicated issues, we will resolve generally within one day.

Leveraging our extensive experience in property management, we continuously update or issue new internal standards to further refine our property management and satisfy the changing requirements of customers. We have established a series of guidelines, rules, service manual and practice guide, providing detailed guidance on key standards and procedures covering brand building, quality control and operation management to ensure consistent and high-quality property management services. For example, we have established a "3-level" vertical quality control management system covering our headquarter, project companies and project management team. We believe such series of guidelines, rules, service manual and practice guide enable us to efficiently scale up and consistently replicate our operations without compromising our service quality.

"Redsun Town (弘陽小鎮)" Integrated Platform

We have established a comprehensive integrated platform. Our platform is supported by our business middle platform, Internet of Things middle platform and data middle platform. The chart below sets forth the structure of our integrated platform.



Through the operation of our business middle platforms, our staff can grab order or accept task assignment, manage fee collections and supervise the performance of services. Through the operation of our Internet of Things middle platform, our customers can enjoy smart access, smart parking and intelligent security services. Our different middle platforms can interact leveraging our centralized system. For example, if our Hongzhi cloud monitor spots any unusual entrance or road occupation in the community, such information will be automatically passed to our business middle platform to generate work task and assign to our onsite staff immediately. We consider that the adoption of our integrated platforms can improve our work efficiency and provide our customers better services.

We are also committed to integrate "Red Life" intelligent community ecosystem ("弘生活"智慧社區生態圈) built for residential properties and "Hongshanghui" intelligent commercial ecosystem ("弘商匯"智慧商業生態圈) built for commercial properties into "Redsun Town" integrated platform for centralized operation and management. We believe we are able to satisfy diversified demand from our customers and promote value-added income from both commercial and residential properties, leveraging the synergy between residential and commercial properties.

"Red Life" Intelligent Community Ecosystem ("弘生活"智慧社區生態圈)

Our "Red Life" intelligent community ecosystem is built for residential properties based on the customers' demand and market trend. Such intelligent community ecosystem has integrated smart access control system, smart parking system, smart patrol system, Hongzhi Cloud Monitor ("弘智雲眸"), multi-channel payment system and equipment management system, to provide unified and standardized services.

- **Smart access control system**. We have installed face recognition systems for our communities. Residents can access the community without presenting access card or any ID documents. In addition, we have integrated access control system into our Red Life (弘生活) mobile application. Residents are able to access their properties using their mobile phones without any key or access card. Residents can also remotely control the access for their visitors using their mobile phones.

- **Smart parking system**. We use license plate recognition park control system to monitor and manage carparks, which is more efficient and cost-saving as compared with conventional park control system. The license plate recognition park control system integrates vehicle sensors, license plate recognition cameras and barriers on entry/exit lanes. Registered carpark users are allowed to enter and exit the carpark automatically using this system. This system can also recognize temporary carpark users and charge them when exit at a parking price as set in the system.

- **Smart patrol system**. Our smart patrol system assigns patrol work tasks to our security staff, including the equipment, inspection scope, inspection frequency, patrol route and other requirements. Our security staff are also required to scan onsite QR code or using Near Field Communication to report their work completion status in the system.

- **Hongzhi Cloud Monitor ("弘智雲眸")**. We have established a centralized video surveillance monitor system, Hongzhi Cloud Monitor ("弘智雲眸") to display and analyze real-time surveillance video of our managed communities. Through the adoption of this system, we are able to conduct security inspection in a more efficient way. In addition, the system is able to identify unusual situation such as fall-down or usual retention through the video behavior recognition system and assign tasks to on-site staff.

- **Multi-channel payment system**. We have achieved full electronic payment coverage and accept electronic payment, such as Alipay and WeChat Pay, for all of our property management services. Property owners and residents are able to make their payment through our Red Life App.

- **Equipment management system**. Each of our equipment has been assigned a unique QR code which includes the detailed information of this equipment for future management, inspection and maintenance. The information of the equipment in the system can also be used for patrol task assignment and inspection.

"Hongshanghui (弘商匯)" Intelligent Commercial Ecosystem ("弘商匯"智慧商業生態圈)

Our "Hongshanghui (弘商匯)" intelligent commercial ecosystem broadens the connection between merchants and consumers through putting "consumer — goods — market (人-貨-場)" online. "Hongshanghui (弘商匯)" provides supportive services for merchants and consumers. In addition, we adopt AIOT technology to monitor the energy consumption aiming to establish an energy management plan that can achieve energy conservation.

- **Smart utility management system.** We are able to collect real-time utility consumption statistics which can be accessed by the merchants using their mobile phones. Through this system, we are able to achieve centralized statistics management and online prepayment through mobile phones instead of manual collection and payment, as a result of which, we believe we can reduce our labor costs and improve our management efficiency.

- **Smart patrol system.** We adopt on-line positioning and sensorless detection technology and mobile application to manage the real-time patrol of our commercial properties and the patrol statistics will be transmitted to our server for centralized management. In addition, we use onsite QR code scanning to report duty, which improves our patrol efficiency.

- **Smart parking system.** We use the same license plate recognition park control system as we used for our management of residential properties, to improve our work efficiency and reduce our labor costs.

- **Merchant release system.** Our tenants can use our merchant release system, free of charge, as a platform to share information with other merchant members of our "Hongshanghui (弘商匯)" intelligent commercial ecosystem.

One-stop Service Platforms

We have set up a smart service platform to integrate service resources for residents' necessities of life. We launched our one-stop service platform, Red Life (弘生活) App in September 2015. The Red Life mobile application can be used on both Android and iOS based mobile devices. As of the Latest Practicable Date, our online service platform had attracted approximately 63,297 registered members, the majority of which were authenticated as the property owners and residents of our managed properties. Registered users can access our services through the Red Life App which features, primarily including: (i) issuing community announcements for property management notice such as community-wide activities and suspension of utility supply, (ii) online butler assistance, appointment and feedback, (iii) community convenience assistance such as locating shopping centers, hospitals and public institutions nearby, (iv) reporting repair requests and arranging repair logistics, (v) paying property management fees, reviewing and tracking monthly fee statements and receiving payment reminders from us, and (vi) neighborhood Bulletin Board System, (vii) reward point store for users to redeem reward products.

In addition, we also launched "Hongshanghui (弘商匯)" App for tenants of the commercial properties under our management in 2018. Registered tenants can access the platform to receive notice, access real-time utility consumption statistics of their unit and make online payment for property management fees.

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), which was issued by the State Council with effect from September 25, 2000 and amended on January 8, 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet services refer to free services of providing public, commonly shared information to web users through the Internet. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or for a charge.

During the Track Record Period, certain of our online services, including online shopping services, group purchase services, advertisement and community activities (collectively, the "**ICP-related App Services**"), were provided for a charge through Red Life App to its members and merchants. As advised by our PRC Legal Advisors, the provision of the ICP-related App Services was considered commercial Internet information services under the Administrative Measures on Internet Information Services and thus required the obtaining of an ICP license. However, due to lack of understanding of the relevant laws and regulations, we failed to obtain the requisite ICP license before providing the ICP-related App Services. For each of the years ended December 31, 2017, 2018 and 2019, revenue derived from the ICP-related App Services amounted to RMB0.4 million, RMB0.2 million and RMB0.2 million, respectively. As of December 31 2019, we had ceased to provide any commercial Internet information services, by changing the business model of fee-charging community activities to free community activities, and terminating all other ICP-related App Services provided through the Red Life App.

According to the Administrative Measures on Internet Information Services, the relevant administrative authorities have the right to forfeit relevant revenue and impose a penalty of up to five times of the revenue amount on us. However, taking into account (i) we have either terminated or changed the business model to comply with the Administrative Measures on Internet Information Services and has no other ICP-related App Services, (ii) the relevant revenue we generated from the ICP-related App Services was insignificant, and (iii) administrative authorities generally do not impose any administrative penalties for immaterial non-compliant activities that have been rectified and did not cause any adverse consequence under the Law of the PRC on Administrative Penalties (中華人民共和國行政處罰法), our PRC Legal Advisors are of the view that our risk of being subject to administrative penalties for providing unauthorized commercial Internet information services is low.

As advised by our PRC Legal Advisors, (i) other than the ICP-related App Services, other aforementioned services provided by us through Red Life App and Hongshanghui App as of the Latest Practicable Date was regarded as "non-commercial Internet information services," as we use our online service platform as a tool to facilitate the provision of our services and the provision of internet information on the platform is free of charge; (ii) necessary filings in respect of such business have been obtained and completed by us, including, a filing of non-commercial Internet information services; (iii) non-commercial Internet information services do not belong to the category of basic telecommunication services or value-added telecommunication services and, as a result, a license for value-added telecommunication services is not necessary for us to conduct our current business through our online service platform; and (iv) our non-commercial Internet information services on our online service platform is not subject to foreign ownership restrictions under relevant PRC laws and regulations.

Internal control measures with respect to data security and privacy protection

We have adopted comprehensive internal control measures to protect data security and privacy in relation to our internal operational data, as well as external data, such as user data obtained through our online service platform.

We have established internal rules and guidelines to restrict access right to content in our information systems. We grant our staff different level of access rights based on their positions and responsibilities and adopt password control to prevent unauthorized access to confidential information. We check our system logs regularly, in which system users' behaviors are recorded, to further ensure information security. We also have access and control system to our computer rooms and electronic equipment, under which any unauthorized entry is not allowed. Meanwhile, we regularly implement both local and remote back up of data and conduct recovery test to ensure the effectiveness of the stored information. We also assign staff to be responsible for daily maintenance of information related hardware. In addition, we organize annual comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management. We also have an emergency response mechanism for information security. We carry out emergency drills on a regular basis and accordingly improve our information management system.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to acquire new customers and maintain and strengthen our relationships with existing customers. Our headquarters manage our overall sales and marketing strategies, while our regional subsidiaries and branches oversee the implementation of our sales and marketing activities within their respective regions.

CUSTOMERS

Overview

We have a large, growing and loyal customer base primarily consisting of property developers, property owners, residents and tenants. We have established stable business relationships with most of our major customers. The table below sets forth the types of our major customers for each of our three business lines.

Business line	Major customers
Property management services . . .	Property owners, residents and tenants, property owners' associations and property developers
Value-added services to non-property owners	Property developers and other property management companies
Community value-added services . .	Property owners and residents

In 2017, 2018 and 2019, revenue derived from sales to our five largest customers accounted for approximately 54.3%, 48.4% and 50.5%, respectively, of our total revenue and revenue derived from sales to our single largest customer accounted for approximately 26.4%, 26.3% and 24.0%, respectively, of our total revenue during the same period. We have established long-term business relationships and cooperation with our five largest customers during the Track Record Period. The typical terms of property management contracts that we entered into with our five largest customers were under normal commercial terms as described in the sub-section entitled "— Property Management Contracts" in this section.

Redsun Properties Group was one of our five largest customers during the Track Record Period. In 2017, 2018 and 2019, the revenue from Redsun Properties Group was approximately RMB61.1 million, RMB61.5 million and RMB120.5 million, respectively, representing approximately 23.8%, 17.6% and 24.0% of our total revenue during the same years. For risks associated with our revenue concentration on Redsun Properties Group, see "Risk Factors — Risks Relating to Our Business and Industries — A majority of our revenue is generated from property management services we provide to projects developed by Redsun Properties Group, which we do not have control over."

Our Top Five Customers

The following table sets forth details of our top five customers in 2017.

Rank	Customer	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total revenue
				(RMB'000)	(%)
1	Redsun Materials City	Leasing of commercial properties	5 years	67,805	26.4
2	Redsun Properties Group	Property development	17 years	61,135	23.8
3	Nanjing Redsun Business World Co., Ltd.	Leasing of commercial properties	5 years	7,453	2.9
4	An associate of Redsun Properties	Property development	3 years	1,731	0.7
5	An associate of Redsun Properties	Property development	3 years	1,455	0.6

The following table sets forth details of our top five customers in 2018.

Rank	Customer	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total revenue
				(RMB'000)	(%)
1	Redsun Materials City	Leasing of commercial properties	5 years	91,650	26.3
2	Redsun Properties Group	Property development	17 years	61,516	17.6
3	Nanjing Redsun Business World Co., Ltd.	Leasing of commercial properties	5 years	9,372	2.7
4	An associate of Redsun Properties	Property development	5 years	3,926	1.1
5	An associate of Redsun Properties	Property development	3 years	2,343	0.7

The following table sets forth details of our top five customers in 2019.

Rank	Customer	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total revenue
				(RMB'000)	(%)
1	Redsun Properties Group	Leasing of commercial properties	17 years	120,487	24.0
2	Redsun Materials City	Leasing of commercial properties	5 years	114,281	22.7
3	Nanjing Redsun Business World Co., Ltd.	Property development	5 years	11,064	2.2
4	An associate of Redsun Properties	Property development	2 years	5,013	1.0
5	An associate of Redsun Properties	Property development	3 years	3,194	0.6

As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers during the Track Record Period.

All of our five largest customers during the Track Record Period were connected persons of our Group. For detailed relationships between Redsun Materials City and Nanjing Redsun Business World Co., Ltd. and our Group, see "Continuing Connected Transactions" in this document. As of the Latest Practicable Date, unless otherwise disclosed in this document, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS

Overview

We have established stable and long-term business relationships with most of our major suppliers. The table below sets forth the types of our major suppliers for each of our three business lines.

Business line	Major suppliers
Property management services	Sub-contractors providing security, cleaning, greening and gardening, and repair and maintenance services
Value-added services to non-property owners	Sub-contractors providing cleaning, greening and gardening, and repair and maintenance services
Community value-added services	Vendors providing resident services

In 2017, 2018 and 2019, purchases from our five largest suppliers accounted for approximately 36.1%, 45.9% and 30.5%, respectively, of our total purchases, and purchases from our single largest supplier accounted for approximately 16.5%, 19.5% and 14.0%, respectively, of our total purchases during the same period.

All of our five largest suppliers during the Track Record Period were Independent Third Parties. We did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. We do not have any long-term contracts with our five largest suppliers. We typically enter into contracts of one year with our suppliers and renew them on an annual basis.

Our suppliers generally grant us credit terms of 30 business days and payment to our suppliers is typically settled by bank transfers.

Our Top Five Suppliers

The following table sets forth details of our top five suppliers in 2017.

Rank	Supplier	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total purchase
				(RMB'000)	(%)
1	Sub-contractor A	cleaning services	6 years	10,463	16.5
2	Sub-contractor B	security services	5 years	4,278	6.7
3	Sub-contractor C	cleaning services	4 years	3,433	5.4
4	Sub-contractor D	cleaning services	3 years	2,469	3.9
5	Sub-contractor E	intelligent services	3 years	2,255	3.6

The following table sets forth details of our top five suppliers in 2018.

Rank	Supplier	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total purchase
				(RMB'000)	(%)
1	Sub-contractor A	cleaning services	6 years	18,203	19.5
2	Sub-contractor D	cleaning services	3 years	7,594	8.2
3	Sub-contractor F	cleaning services	3 years	7,335	7.9
4	Sub-contractor B	security services	5 years	7,000	7.5
5	Supplier G	food supply	5 years	2,653	2.8

The following table sets forth details of our top five suppliers in 2019.

Rank	Supplier	Major business activities	Years of business relationship	Transaction amounts	Percentage to our total purchase
				(RMB'000)	(%)
1	Sub-contractor A	cleaning services	6 years	17,517	14.0
2	Sub-contractor D	cleaning services	3 years	9,128	7.3
3	Sub-contractor F	cleaning services	3 years	6,445	5.2
4	Sub-contractor H	cleaning services	3 years	2,867	2.3
5	Sub-contractor I	cleaning services	1 years	2,108	1.7

SUB-CONTRACTING

We delegate certain labor-intensive services and specialized services, primarily including cleaning, security, greening, gardening, and repair and maintenance services, to sub-contractors, which enables us to reduce our operating costs, improve service quality and dedicate more resources to management and other value-added services. We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our labor costs and enhance the overall profitability of our operations. As of December 31, 2019, we engaged 427 selected sub-contractors to provide certain property management services, mainly including security, cleaning, greening and gardening, repair and maintenance services. In 2017, 2018 and 2019, the fees paid to third-party sub-contractors were approximately RMB38.8 million, RMB64.6 million and RMB86.0 million, respectively, representing approximately 19.5%, 23.1% and 22.9%, respectively, of our total cost of sales.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of our issued share capital had any interest in any of our five largest sub-contractors.

Selection and Management of Sub-contractors

We aim to create and maintain an effective and comprehensive system for sub-contractor management. We constantly monitor and evaluate the sub-contractors on their ability to meet our requirements. To ensure the overall quality of our sub-contractors, we maintain a list of qualified sub-contractors, the selection of which are based on factors including, among others, their background, qualifications and past performance in providing sub-contracted services to us.

Key Terms of Our Sub-Contracting Contract

A typical sub-contracting contract entered into between the independent sub-contractors and us generally includes the following key terms:

- *Scope of services*. The contract provides the scope of services the sub-contractor is obligated to provide, such as security, cleaning, greening, gardening, repair and maintenance of the common areas and related equipment and facilities, as the case may be.

- *Performance standards*. The contract sets out the quality standards required for providing the sub-contracting services.

- *Sub-contractors' obligations*. The sub-contractor is responsible to bear the costs of the raw materials or consumables and maintain suitable insurance policies for their staff.

- *Sub-contracting fees*. The sub-contracting contracts set forth fixed sub-contracting fees based on the fixed average fees for each staff and the number of staff agreed to be assigned to our projects. Actual sub-contracting fees will be calculated on monthly basis based on the number of staff on duty. The sub-contracting fees are payable on a monthly.

- *Term of service*. Our sub-contracting contract generally has a fixed term ranging from six months to one year.

- *Termination*. We have the right to terminate the contract should the sub-contractors' performance fail the agreed standard.

QUALITY CONTROL

We have a proven track record in prioritizing quality in our services, and we believe quality control is crucial to the long-term success of our business. We have a professional quality control team, who primarily focus on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

We regularly monitor and evaluate the performance of the sub-contractors and may require the sub-contractors to take necessary rectification measures when their services do not meet our required standard. We may also conduct surveys among property owners and residents regarding the quality of services provided by our sub-contractors. If the sub-contractors do not meet our standards or our customers' satisfaction, or fail our annual review conducted by us, they will be excluded from our selected list of qualified sub-contractors.

Due to the nature of our business, we receive customer suggestions, appraises and complaints from time to time during the ordinary course of our business. We record, analyze and evaluate such customer feedback by creating logs on our internal systems and each level of our management tracks the progress in addressing the underlying customer concerns and problems. During the Track Record Period, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

INTELLECTUAL PROPERTY

We consider our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we had 69 trademarks and one domain name registered in the PRC, and one domain name registered in Hong Kong. As of the Latest Practicable Date, we are in the process of applying to register four trademarks. We entered into a trademark license agreement with Hong Yang Group Company in respect of certain trademarks registered in Hong Kong in March 2020. In addition, we plan to enter into a trademark license agreement with Hong Yang Group Company in respect of certain trademarks registered in the PRC upon [REDACTED]. For details of the agreements, see "Continuing Connected Transactions — (C) Fully Exempt Continuing Connected Transactions — 1. Trademark License Agreements." For further details, please refer to the section entitled "B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this document.

As of the Latest Practicable Date, we were not aware of any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third-party or by any third-party against any intellectual property rights of our Group, or any disputes with third parties with respect to intellectual property rights.

AWARDS AND RECOGNITION

The following table sets forth some of our awards received up to the Latest Practicable Date.

Year	Award/Recognition	Awarding Entity
2019	Top 100 Property Management Companies in China in terms of overall strength (35th) 中國物業服務百強企業綜合實力(第35名)	China Index Academy (中國指數研究院)
2019	2019 Leading Companies in Commercial Property Service (2019商業物業服務領先企業)	China Property Management Institute(中國物業管理協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Test Center (中國房地產評測中心)
2019	2019 Leading Brand in Property Management Services in Eastern China in terms of branding value (RMB752 million) 2019中國華東物業服務領先品牌 (品牌價值七億五千二百萬元)	China Index Academy (中國指數研究院)
2019	2019 China Leading Property Management Companies in terms of market operations 2019中國物業服務市場化運營領先品牌企業	China Index Academy (中國指數研究院)
2019	2019 China Leading Property Management Companies in terms of professional operations 2019中國物業服務專業化運營領先品牌企業	China Index Academy (中國指數研究院)
2018	Top 100 Property Management Companies in China in terms of overall strength (44th) 中國物業服務百強企業綜合實力(第44名)	China Index Academy (中國指數研究院)
2018	Top 50 China Community Service Providers in terms of satisfaction rate (中國社區服務商 • 客戶滿意度模範企業TOP50)	EH Consulting (億翰智庫)
2018	2018 Top 10 China Community Service Provider in terms of innovation (2018中國社區服務商 • 創新性TOP10)	EH Consulting (億翰智庫)
2017	Top 100 Property Management Companies in China in terms of overall strength (50th) (中國物業服務百強企業綜合實力(第50名))	China Index Academy (中國指數研究院)
2017	Top 10 2017 China Property Management Companies in terms of market operations (2017中國物業服務行業市場化運營領先企業)	China Index Academy (中國指數研究院)

Year	Project	Award/Recognition	Awarding Entity
2019 . . .	Hong Yang Upper City (弘陽上院)	2018 China Five-star Property Management Project (2018中國五星級物業服務項目)	China Index Academy (中國指數研究院)
2018 . . .	Redsun Spring on West River (弘陽上西江)	2018 China Five-star Property Management Project (2018中國五星級物業服務項目)	China Index Academy (中國指數研究院)
2018 . . .	Redsun Yan River House (弘陽燕江府)	2018 China Five-star Property Management Project (2018中國五星級物業服務項目)	China Index Academy (中國指數研究院)
2018 . . .	Redsun Rising Sun (弘陽旭日學府)	2018 China Four-star Property Management Project (2018中國四星級物業服務項目)	China Index Academy (中國指數研究院)

COMPETITION

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. According to CIA, our property management services and value-added services to non-property owners primarily compete with large national, regional and local property management companies. Our community value-added services compete with other property management companies and engineering companies that provide similar services. According to CIA, we were ranked 35th among the 2019 Top 100 Property Management Companies in China in terms of overall strength. We believe that the PRC property management industry has relatively low entry barriers for the mid-tier and low-end segments but relatively higher entry barriers for the high-end segment. We believe that the principal competitive factors include operation scale, price and quality of services, brand recognition and financial resources. For more details about the industry and markets that we operate in, see "Industry Overview" in this document.

THE IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

In December 2019, COVID-19 was first detected in Wuhan, Hubei province. On January 30, 2020, the WHO declared that the outbreak of COVID-19 constitutes a Public Health Emergencies of International Concern, explaining that its decision was based on the possible effects that the pathogen could have if it spreads to countries with weaker healthcare infrastructures. On March 12, 2020, WHO declared COVID-19 outbreak a pandemic. As of March 19, 2020, the COVID-19 outbreak has spread to 168 countries and regions, affected 209,839 individuals and caused 8,778 deaths worldwide, according to WHO's situation report dated March 19, 2020.

As of the Latest Practicable Date, we had one residential project located in Wuhan, Hubei province with total GFA of 0.1 million sq.m. under management and one project located in Xiangyang, Hubei province for which we provide sales assistance services. We had a total of 58 employees located in Hubei province, as of the same date. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of nil, RMB0.2 million and RMB0.6 million, respectively, from our operations in Hubei province. In addition, we had a significant portion of our operations concentrated in Jiangsu province where there were many confirmed cases. To prevent or control the epidemic, the Chinese government has adopted a series of measures nationwide, including among others, restrictions on enterprises from resuming work, traffic control, travel bans and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. Up to the Latest Practicable Date, we did not experience any labor shortage caused by the COVID-19 and did not experience material difficulties in collecting property management fees. To the best knowledge of our Directors after consulting Redsun Properties Group, we do not anticipate there will be any material delay in the delivery of the projects developed by Redsun Properties Group for our management as scheduled. In view of the foregoing, our Directors are of the view that the risk that our Group having to suspend our operations is remote.

To prevent the transmission of COVID-19 within the community under our management, we have promptly taken precautionary measures against the COVID-19 under our emergency response system, including distribution of protective masks and other equipment to our onsite employees, temperature screening at entry of buildings, hand and desk sanitizing and disinfection of common areas. Up to the Latest Practicable Date, none of our onsite employees in Hubei province was infected by the COVID-19. We received positive recognition from relevant governmental authorities for our prompt emergency response works.

We constantly monitor the situations of the COVID-19 outbreak as well as various regulatory and administrative measures adopted by the local governments to prevent and control the epidemics. If the situations deteriorate, we will continue to evaluate the impact from this outbreak on us and may enhance our measures to mitigate any adverse effect on our business operations, results of operations, financial positions and prospects.

Taking into account: (i) our operations in Hubei province do not constitute a significant portion of our overall business, (ii) we did not experience any labor shortage caused by the COVID-19, (iii) we expect we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document, (iv) we did not experience any material difficulties in collecting property management fees and do not expect to experience any material difficulty in collect property management fees, and (v) our Directors are of the view that our Group having to suspend our operations is remote, we do not expect the outbreak of COVID-19 would have any material adverse impact on our business operation and results of operations for the year ending December 31, 2020. However, we are still subject to certain risks caused by the COVID-19. For details, see “Risk Factors — Risks Relating to Our Business and Industries — We face certain risks associated with the outbreak of COVID-19.”

SOCIAL RESPONSIBILITY, OCCUPATIONAL SAFETY AND ENVIRONMENTAL MATTERS

Social Responsibility

We are dedicated to being a responsible corporate. By utilizing our own network and resources, we communicate with local community, understand their needs and allocate resources to assist people in need, such as solitary elderlies and left-behind children. From time to time, we also donate to charity institutions. For example, during the outbreak period of COVID-19 when the communities were gated, we assisted property owners and residents of the residential properties under our management with their purchase of food and daily necessities, and visited solitary elderlies and left-behind children and distributed daily necessities.

Occupational Safety

We are subject to PRC laws in relation to working safety. We have established occupational safety and sanitation systems, implemented the OHSAS18001 standards, 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 on our operations.

Environmental Protection

We are subject to PRC laws in relation to environment protection matters. 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 believe we are not subject to material environmental liability risk or compliance costs. For the years ended December 31, 2017, 2018 and 2019, we incurred expenses of RMB1.9 million, RMB2.5 million and RMB3.0 million, respectively, in relation to environmental protection. We expect our expenses in relation to environmental protection will remain relatively stable in the near future. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us, and we had not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC. 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 injury suffered by third parties arising out of or related to our business operations, and (ii) property insurance for damages to both movable and immovable property owned by us or in our custody. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group. And in accordance with our contracts with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We are covered by property and liability insurance policies with coverage features that we believe are customary for similar companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, please refer to the section entitled "Risk Factors — Risks Relating to Our Business and Industries — Our insurance policies may not provide adequate coverage for all claims associated with our business operations" in this document.

EMPLOYEES

We employed a total of 3,628 full time employees in the PRC as of December 31, 2019. The following table sets forth a breakdown of our employees by functions as of December 31, 2019.

Function	Number of employees	% of total
On-site project management and service	3,312	91.0
HR and administration	90	2.7
Value-added services	81	2.2
Finance, legal and audit	69	1.9
Customer relationship and operations	42	1.2
Management	20	0.6
Market development	14	0.4
Total	**3,628**	**100.0%**

We are dedicated to providing equal opportunities and a diversified working environment for all of our employees. We have maintained a comprehensive recruitment system and internal promotion system. We hire employees through a combination of online recruitment, job fair, campus recruitment and referrals. During the Track Record Period, we did not engage any staff through labor dispatch. To provide our employees a fair competition opportunity, our management position is also open to all of our employees to apply.

We provide our employees with full range of online and on-site trainings, including orientation programs, technical skill trainings, leadership trainings and performance improvement trainings, in accordance with their respective duty and position requirements. We aim to improve the working skill and performance of our employees through our trainings. We also encourage our employees to attend trainings provided by third parties. In addition, we provide a tutor to new joiners and employees who need to improve their performance.

According to the relevant PRC laws and regulations, we make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our PRC employees. In 2017, 2018 and 2019, the total amount of contributions we made for such social insurance and housing provident fund was approximately RMB21.1 million, RMB28.4 million and RMB39.3 million, respectively.

During the Track Record Period, certain of our subsidiaries failed to make full social security insurance and housing provident fund contributions. See "— Legal Proceedings and Compliance — Historical Non-compliance Incident."

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the [REDACTED], we had engaged an independent internal control adviser in 2019 to perform an internal control review (the "**IC Review**") of our internal control system based on agreed scope. During the course of the IC Review, the internal control adviser provided its findings and recommendations. We have accordingly taken the enhanced internal control measures to make improvements. The internal control adviser performed a follow-up review on the enhanced internal control system and no further deficiency was identified. After considering the implementation of the enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. For details of the major risks identified by our management in relation to our business operation, please refer to the section entitled "Risk Factors — Risks Relating to Our Business and Industries" in this document. In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business. Please refer to the section entitled "Financial Information — Quantitative and Qualitative Analysis about Market Risk" in this document for a discussion of these financial risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will adopt, among others, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See "Directors, Supervisors and Senior Management — Board Committees — Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

- the appointment of Mr. Jia Jie as our chief financial officer and Mr. Wong Yu Kit as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see "Directors and Senior Management";

- the appointment of ABCI Capital Limited as our compliance advisor upon the [REDACTED] to advise us on compliance with the Listing Rules; and

- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties.

As of the Latest Practicable Date, we leased ten properties in various locations. As of the Latest Practicable Date, we had not received sufficient or valid ownership certificates or other ownership documents of six properties from lessors. These leased properties are being used for our business operations or to be used as offices. As advised by our PRC Legal Advisers, we are unable to ascertain whether the lessors have the legal right or requisite authority to lease such properties to us. Our Directors are of the view that, as the leased properties without sufficient and valid ownership certificates or ownership documents or without valid lease agreements are mainly used as offices, and although we may incur additional relocation costs, replacement premises are readily available. As such, the defects will not have a material adverse effect on our business or financial conditions taken as whole. As of the Latest Practicable Date, we failed to register nine leases as the tenant. We sought cooperation from the landlords at the leased properties to register such executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlords, including their identity documentation and property ownership certificates, to the relevant authorities and therefore the registration is subject to cooperation of landlords which is not within our control. Our PRC Legal Adviser has advised us that the lack of registration will not affect the validity and enforceability of these lease agreements. However, the relevant government authorities may require us to register these unregistered lease agreements within a certain period of time and, if we fail to so rectify, impose a fine of up to RMB10,000 for each unregistered lease agreement.

As of the Latest Practicable Date, we had not received any notice from any regulatory authorities with respect to administrative penalties or enforcement certain as a result of the non-registration of our lease agreements. Our Directors believe these unregistered lease agreements would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statement. In order to ensure on-going compliance with the PRC law and regulations relating to the registration of executed lease agreements, where we are the tenant to an executed lease agreement, we will continue to seek cooperation from the landlords of the leased properties to register executed lease agreements with the relevant PRC government authorities and will adopt a variety of risk control measures to mitigate such regulatory risk in the future. We believe we have implemented adequate and effective measures internally. However, as we do not control the landlords, there is no assurance whether and when our landlords with register the leases for business operations and staff dormitories, or to be used as offices. See "Risk Factors — Risks Relating to Our Business and Industries — Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our leased agreements, which may result in a disruption of our operations and subject us to penalties."

We had no single property with a carrying amount of 15% or more of our total assets as of the Latest Practicable Date and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisors, other than business license, there are no specific license or permit requirement for us to provide property management services. Our certificates in the PRC primarily include the followings.

Name of the certificates	Granting authority	Issuance date	Expiration date
Certificate for quality management system (GB/T19001–2016/ ISO9001:2015)	Beijing Zhong'an Quality Assessment Center	August 27, 2018	August 26, 2021
Certificate for occupational health and safety management system (GB/T28001–2011/ OHSAS18001:2007)	Beijing Zhong'an Quality Assessment Center	August 27, 2018	March 11, 2021
Certificate for environmental management system (GB/T24001–2016/ISO14001:2015)	Beijing Zhong'an Quality Assessment Center	August 27, 2018	August 26, 2021

As advised by our PRC Legal Advisors, our Directors confirm that, as of the Latest Practicable Date, we had obtained material licenses, approvals and permits from relevant PRC authorities for our operations in the PRC. We had not experienced any material difficulty in renewing such licenses, permits or certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

From time to time we may be involved in legal proceedings or disputes in our ordinary course of business, such as contract disputes with our customers and suppliers. As of the Latest Practicable Date, there was no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

Historical Non-compliance Incident

During the Track Record Period, certain of our subsidiaries failed to make full contributions to social insurance and housing provident funds for some of our employees as required by relevant PRC laws and regulations. This was primarily due to the inconsistent implementation or interpretation of the PRC laws and regulations by local authorities and lack of understanding by the administrative managers of those subsidiaries of the relevant PRC laws and regulations. As advised by our PRC Legal Advisers, the relevant governmental authorities may demand for payment of the outstanding social insurance contributions within a stipulated deadline 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 fine of one to three times the amount of the outstanding contributions. Our PRC Legal Advisers have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed period, and if we fail to make such payments, application may be made to a people’s court in the PRC for compulsory enforcement. We did not experience any penalties during the Track Record Period relating to social insurance and housing provident fund.

As of the Latest Practicable Date, most of our subsidiaries had obtained written confirmations from or interview with relevant governmental authorities confirming that we did not have any outstanding payment for the social insurance and housing provident fund and/or there are no records of penalties imposed on us for failure to make full contributions to social insurance and housing provident funds. Our PRC Legal Advisors are of the view that the relevant governmental authorities are competent authorities to provide the confirmation.

For prudent consideration, we made provisions of approximately RMB0.1 million, RMB0.2 million and RMB0.5 million, respectively, on our financial statements in respect of such potential liabilities in 2017, 2018 and 2019.

Our internal policy and guidelines have been revised to include (i) guidelines on calculation of social insurance and housing provident fund contribution, (ii) the designation of experienced human resources staff at subsidiary level to process matters relating to social insurance and housing provident fund contribution matters including all filing of documents, repayment of contributions and updating the relevant government policies and regulations to our internal guidelines, and (iii) our accounting and finance department will review calculation of the relevant contributions, and keep proper records of any contributions paid. None of our Directors have been involved in the above non-compliance incident. After reviewing the above internal control measures, our Directors are of the view that the above measures are adequate and will effectively ensure a proper internal control system to prevent future similar non-compliance with the PRC laws and regulations.

Our Directors are of the opinion that these incidents will not have a material adverse impact on our business or results of operations taking into account: (i) the confirmations from the relevant governmental authorities through written confirmation or interview described above; (ii) we have made provisions in connection with such non-compliance for relevant years; (iii) we have established internal control policy to ensure our ongoing compliance with the relevant laws and regulations on social insurance and housing provident fund contributions; (iv) according to our PRC Legal Advisors, the risk of those subsidiaries, which had obtained confirmation through written confirmation or interview, being demanded for payment of outstanding contribution during the Track Record Period or being penalized for the aforementioned non-compliance incident is low and (v) there was no material dispute between our employees and us regarding the social insurance or housing provident fund contributions during the Track Record Period.

For risks associated with such non-compliance incident, see "Risk Factors — Risks Relating to Our Business and Industries — We may be required to make additional contributions of social insurance and/or housing provident fund under PRC laws and regulations."

HEDGING

We do not use any derivatives and other instruments for hedging purpose.

OVERVIEW

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Redsun Services Group (Holdings) will hold [REDACTED] Shares in aggregate, representing [REDACTED] of the enlarged issued share capital of our Company. Redsun Services Group (Holdings) is an investment holding company wholly owned by Hong Yang Group Company, which is in turn wholly owned by Hong Yang International. Hong Yang International is owned by Mr. Zeng and Hong Yang Group (Holdings) as to 50% and 50%, respectively, and Hong Yang Group (Holdings) is directly wholly owned by Mr. Zeng. Accordingly, Mr. Zeng, Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Services Group (Holdings) will continue to be our Controlling Shareholders upon the [REDACTED]. Each of Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Services Group (Holdings) is an investment holding company.

CLEAR DELINEATION OF BUSINESS

Our Group

Our Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. See "Business" for further information about our business and operations.

Redsun Properties Group

Redsun Properties is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1996). Mr. Zeng, through Hong Yang Group (Holdings), Hong Yang International, Hong Yang Group Company and Redsun Properties Group (Holdings), was interested in approximately 72.29% of the shares of Redsun Properties as of the Latest Practicable Date.

The Redsun Properties Group is a leading comprehensive property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties. The operation and management services carried out by the Redsun Properties Group focus on marketing and leasing portfolio management of its self-developed commercial and comprehensive properties, which does not form part of our business. Our Group, on the other hand, provides property management services, including among others, security, cleaning, greening and gardening facility management, repairs and maintenance services, to different types of properties, as well as various value-added services to non-property owners and community value-added services, which the Redsun Properties Group does not engage in. Given the difference between the principal business operations of our Group and the Redsun Properties Group, our Directors are of the view that there is a clear delineation between the businesses of our Group and the Redsun Properties Group and accordingly, none of the businesses of the Redsun Properties Group will compete or are likely to compete, directly or indirectly, with our businesses.

Other companies owned and/or controlled by our Controlling Shareholders

In addition to the interests in our Group and the Redsun Properties Group, Mr. Zeng and his close associates also engage in certain businesses which will not form part of our Group after the [REDACTED], including (i) operation of specialized home furnishing and construction materials centers and shopping malls and sales of construction materials; (ii) provision of information technology support services; and (iii) provision of factoring services.

Such businesses are separate and distinct from our Group's businesses. As a result, our Directors are of the view that there is a clear delineation between our businesses and such businesses, as a result such businesses do not compete and are unlikely to compete, directly or indirectly, with our businesses.

To ensure that competition will not exist in the future, our Controlling Shareholders [have entered] into the Deed of Non-Competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly, participate in or hold any right or interest or otherwise be involved in any business which may be in competition with our businesses.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates is interested in any business which is, whether directly or indirectly, in competition with our businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

OUR BUSINESS RELATIONSHIP WITH THE HONG YANG PARENT GROUP

We have a well-established and ongoing business relationship with Hong Yang Group Company and its associates (the "**Hong Yang Parent Group**"). We have been providing property management services to various types of properties of the Hong Yang Parent Group, including residential properties of the Redsun Properties Group since 2003, the specialized home furnishing and construction materials centers of the Redsun Materials City Group and commercial properties of the Redsun Properties Group since 2015. As confirmed by China Index Academy, the business relationship between the Hong Yang Parent Group and our Group is common among the property management companies and their parent companies in the PRC and has been mutually beneficial and complementary.

Benefiting from such a long and close working relationship, we are able to provide tailored services to the Hong Yang Parent Group to meet its specific needs and we are familiar with the standards and requirements of the Hong Yang Parent Group. Our Directors believe that it would not be in the best interest of the Hong Yang Parent Group to select and engage other new service providers, considering the amount of time and relevant experience required for such new service provider to provide services of similar quality and standard which are comparable to that of our Group and the scope of fully integrated services at different stages of the property development required by the Hong Yang Parent Group. During the Track Record Period, to the best knowledge of our Directors, the Redsun Properties Group engaged our Group to provide property management services for all the properties it solely developed and delivered, and our Group was engaged to provide property management services for a majority of the properties jointly developed by the Redsun Properties Group and third-party developers. Through participating the tender process conducted by the Redsun Properties Group in accordance with the applicable PRC laws and regulations, our Group maintained success rate of 100% of our tender bids for properties developed by the Redsun Properties Group during the Track Record Period. We were also engaged to provide property management services to the commercial properties of the Redsun Properties Group and the specialized home furnishing and construction materials centers of the Redsun Materials City Group during the Track Record Period. As such, our Directors are of the view that it is unlikely that our current business relationship with the Hong Yang Parent Group would be materially adversely changed or terminated. It is therefore expected that our Group will continue to be engaged by Hong Yang Group Company and its associates to provide property management services of their properties, details of which are set out in "Continuing Connected Transactions".

Given there is a certain degree of mutuality and complementarity of ongoing business between the Hong Yang Parent Group and our Group, as well as our proven track record in securing property management service engagements from the Hong Yang Parent Group, we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from the Hong Yang Parent Group upon the [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our businesses independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. For details of our Directors and the members of our senior management, see "Directors and Senior Management".

Among our Directors, three of our Directors hold directorships and senior management roles in the Hong Yang Parent Group (including the Redsun Properties Group), namely Mr. He Jie (何捷), Mr. Jiang Daqiang (蔣達強) and Mr. Luo Yanbing (羅艷兵). Set out below is a summary of the relevant positions held by our Directors in our Company and the Hong Yang Parent Group (if any) as of the Latest Practicable Date:

Name of Director	Position in our Company	Position in Hong Yang Parent Group
Mr. Yang Guang (楊光)	Executive Director and executive president	N/A
Ms. Zeng Zixi (曾子熙)	Executive Director and vice president	N/A
Mr. He Jie (何捷)	Non-executive Director and Chairman of the Board	Executive director and chief executive officer of Redsun Properties
Mr. Jiang Daqiang (蔣達強)	Non-executive Director	Non-executive director of Redsun Properties President of Hong Yang Group Company

Name of Director	Position in our Company	Position in Hong Yang Parent Group
Mr. Luo Yanbing (羅艷兵)	Non-executive Director	Assistant president of Hong Yang Group Company
Mr. Jing Zhishan (景志山)	Independent non-executive Director	N/A
Ms. Wang Fen (王奮)	Independent non-executive Director	N/A
Mr. Yim Kai Pung (嚴繼鵬)	Independent non-executive Director	N/A

Other than Mr. He Jie, Mr. Jiang Daqiang and Mr. Luo Yanbing, none of our Directors holds any directorship in the Hong Yang Parent Group. Since Mr. He Jie, Mr. Jiang Daqiang and Mr. Luo Yanbing are our non-executive Directors, they will not be involved in the day-to-day management or affairs and operations of the businesses of our Group.

Our independent senior management team is currently led by a core management team comprising Mr. Yang Guang, Ms. Zeng Zixi, Mr. Cheng Jian (成健) and Mr. Liu Kesheng (劉克勝), majority of whom have served our Group for a number of years with substantive working experience in the field of property management service. They form part of our core management team and have made material decisions in our operations and business development and expansion independent from the Hong Yang Parent Group during the Track Record Period.

While Ms. Zeng Zixi is the daughter of Mr. Zeng, our ultimate Controlling Shareholder, she had been serving our Group during the Track Record Period and does not hold any directorship or senior management role in the Hong Yang Parent Group. None of the other members of our senior management team currently has any relationship with the Hong Yang Parent Group. Therefore, there is no overlapping personnel between the senior management team of our Group and the Hong Yang Parent Group.

Our Directors consider that the management of our Group will be able to function independently from our Controlling Shareholders and their respective close associates, notwithstanding the abovementioned three overlapping Directors due to the following:

(a) five out of eight members of our Board, including all our executive Directors, will not hold any position in the Hong Yang Parent Group upon the [REDACTED]. Accordingly, the majority of the members of our Board, including the independent non-executive Directors, are independent from the Hong Yang Parent Group;

(b) none of the businesses of our Controlling Shareholders (other than our Group) competes, or is likely to complete, with our core business and therefore, the dual roles assumed by the three overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

(c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and must not allow any conflict between his/her duties as a director and his/her personal interests;

(d) in the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions in respect of such transaction and shall not be counted in the quorum present at the relevant Board meeting;

(e) our daily management and operations are carried out by an experienced management team, which has substantial experience in the industry in which our Group is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. We have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources, business management, quality control and design on a standalone basis;

(f) we have three independent non-executive Directors, all of whom [have] been appointed to bring independent judgment to the decision-making process of our Board, and have the requisite knowledge, industry experience and expertise to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Additional independent consultants would also be engaged to provide advice to the independent non-executive directors where needed; and

(g) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their respective close associates which would support our independent management. See " — Corporate Governance Measures" below for further information.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED].

In relation to our property management services provided to residential properties, although approximately 66.3% of the total GFA of residential properties under management by our Group as of December 31, 2019 were properties developed or owned by the Redsun Properties Group (including projects solely developed by the Redsun Properties Group and properties that the Redsun Properties Group jointly developed with other property developers for which the Redsun Properties Group held a controlling interest), as we continued to provide property management services to property owners after delivery of residential properties, the majority of the customers of our Group are property owners. For the year ended December 31, 2019, approximately 46.8% of our revenue was generated from the property owners' associations and third-party property developers (including property developers independent from the Redsun Properties Group and property developers which are joint ventures and associates of the Redsun Properties Group in which the Redsun Properties Group does not hold a controlling interest).

Our Group secures initial property management services for residential properties mainly through a tender process in accordance with the applicable PRC laws and regulations. Our Group does not enjoy preferential right from the Redsun Properties Group and our bids are considered on the same basis with other property management service providers in the tender process which is similar with the tender process with respect to properties developed by other developers. For details of our tender process, see "Business — Property Management Services — Property Management Contract — Residential Properties".

In addition, in the post-delivery stage of the property development projects where the property units have been wholly or partially sold and the owners' associations have been established, the owners' associations have the right to select or replace the property management service provider. Both of our Group and the Redsun Properties Group do not have decisive influence over such selection or replacement of property management services providers by the owners' associations.

We have started to engage in the provision of property management services for residential properties developed or owned by third-party property developers (including property developers independent from the Redsun Properties Group and property developers which are joint ventures and associates of the Redsun Properties Group in which the Redsun Properties Group does not hold a controlling interest) since 2015. As of December 31, 2019, the total GFA under management pursuant to such third-party projects was approximately 4.1 million sq.m., representing approximately 33.7% of the total GFA of residential properties under management by our Group, and a year-on-year increase of approximately 82.0% in terms of the percentages of GFA of such third-party projects out of the total GFA of resident properties under management by our Group. Given our continuous effort to engage with properties developed or owned by Independent Third Parties, including through obtaining new service engagements via participating in the selection or tender processes conducted by other third-party property developers which we identify in the market and strategically acquiring regional property management companies, the percentage of revenue attributable to the Redsun Properties Group is expected to decrease towards the end of 2022.

In relation to our property management services provided to commercial properties, all the commercial properties under management by our Group as of December 31, 2019 were owned and/or operated by the relevant associates of our Controlling Shareholders. To the best knowledge of our Directors, the relevant associates of our Controlling Shareholders, as the owners and/or operators of such commercial properties, usually enter into property leases which cover both rental and property management fees with the tenants of such commercial properties. During the Track Record Period, we were engaged by the relevant associates of our Controlling Shareholders to provide property management services to the tenants of such commercial properties who are Independent Third Parties. Starting from February 2020, with the intention to optimize our model for property management of commercial properties, our Group has started to seek to enter into property management contracts directly with the tenants of the relevant commercial properties, such as Nanjing Hong Yang Plaza (南京弘陽廣場) and Nanjing Hong Yang Home (南京弘陽家居). Our Group will continue to seek to enter into property management contracts with the tenants upon the expiry of the term of their existing property management contracts with the relevant associates of our Controlling Shareholders. We also plan to further diversify our customer base by obtaining engagement for commercial property management from other third-party commercial operators, such as providing consulting services. Considering our effort to diversify our customer base and portfolio mix in the non-residential sector, we believe that the percentage of our revenue attributable to commercial properties owned and/or operated by the associates of our Controlling Shareholders is expected to decrease towards the end of 2022.

Access to customers and suppliers

We consider that we have a large and diversified base of customers and suppliers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Licences required for operations

We hold and enjoy the benefit of all related licences and permits material to the operation of our business.

Administrative Capabilities

We have full rights to make all decisions on, and to carry out, all essential administrative functions of our Group independently of our Controlling Shareholders and their respective close associates. In particular, our Group will have its own staff to perform all essential administrative functions, such as finance and reporting, administration and operations, compliance and human resources functions, separately and independently from our Controlling Shareholders and their respective close associates, and will be capable of generating its own business channels.

Employees

We confirm that, as of the Latest Practicable Date, our full-time employees were primarily recruited independently and primarily through recruitment websites, sub-contracting with independent contractors, job fairs, on-campus recruitment programs, recruiting firms and internal referrals.

Continuing connected transactions with our Controlling Shareholders

The section headed "Continuing Connected Transactions" sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after the [REDACTED]. All such transactions are determined after arm's length negotiations and on normal commercial teams. We expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders or their respective close associates at a reasonable percentage with respect to our total revenues after the [REDACTED]. Accordingly, our Directors are of the view that such continuing connected transactions will not affect our operational independence as a whole.

Save for the continuing connected transactions set out in "Continuing Connected Transactions", our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after the [REDACTED].

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our independent internal control and accounting systems and an independent financial department with a team of independent financial staff responsible for discharging the treasury function.

As of December 31, 2019, the non-trade balances amounting to RMB38.4 million and RMB142.7 million were due to and from our related companies, all of which have been settled as of the Latest Practicable Date. See "Financial Information — Related Party Transactions and Balances" for further details.

As confirmed by our Directors, immediately prior to the [REDACTED], there will be no other loans or non-trade balances due to or from our Controlling Shareholders or their respective close associates which have not been fully settled nor were there any financial assistance, security, pledges and guarantees provided by any of our Controlling Shareholders or their respective close associates on the Group's financing which have not been fully released or discharged.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from the Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKINGS

To ensure that competition does not develop between our Group and our Controlling Shareholders, each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") entered into a deed of non-competition undertakings (the "**Deed of Non-competition**") in favor of our Company on [•], 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall not, and shall procure that his/its close associates (other than members of our Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which are the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and his/its close associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interest in our Group;

(b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (i) such investment or interest does not grant any of the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (ii) none of the Covenantors or their respective close associates control the board of directors or managers of such entity, and (iii) such investment or interest does not grant any of the Covenantors and their respective close associates any right to participate directly or indirectly in such entity; or

(c) participating in any New Business Opportunities (as defined below) if our Group has declined the New Business Opportunities or no written notice has been received from our Group of our decision to pursue or decline the New Business Opportunity that we shall be deemed to have declined the New Business Opportunity as set out below.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business (the "**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

(a) as soon as he/it becoming aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to him/it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him/it);

(b) our Company shall, as soon as practicable and in any case within 25 Business Days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the Covenantors in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering him/it, proposing or presenting the New Business Opportunity and each of the Covenantors shall use his/its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms;

(c) our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required;

(d) he/it may, at his/its absolute discretion, consider extending the Offer Notice Period as appropriate;

(e) he/it shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

    (i) he/it has received a written notice from us declining the New Business Opportunity; or

    (ii) he/it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 25 Business Days from our receipt of the Offer Notice, or if he/it has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity; and

(f) if there is a change in the nature or proposal of the New Business Opportunity pursued by any of the Covenantors, he/it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. Each of the Covenantors, for himself/itself and on behalf of his/its close associates (except any members of our Group), has also acknowledged that our Company may be required by the relevant laws, regulations, rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in announcements to the public or annual reports of our Company about our decisions to pursue or decline the New Business Opportunities, and has agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(a) he/it shall provide, and shall procure his/its close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review him/it and his/its close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;

(b) without prejudicing the generality of paragraph (i) above, he/it shall provide to us an annual declaration for inclusion in our annual report, in respect of his/its compliance with the terms of the Deed of Non-competition;

(c) he/it has agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of announcements to the public; and

(d) he/it agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) which we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by him/it or any of his/its respective close associates.

Our Company will disclose the decisions with the basis of matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcements to the public.

For the purposes of the above, the "**Relevant Period**" means the period commencing from the [REDACTED] and shall expire on the earlier of (i) the date when any of the Covenantors and, as the case may be, any of his/its close associates, ceases to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company; or (ii) the date on which the Shares cease to be [REDACTED] on the Stock Exchange (except for temporary suspension of trading of the Shares).

CORPORATE GOVERNANCE MEASURES

In addition to the measures addressing potential competition and conflict of interest as stated above, our Directors believe that there are also adequate corporate governance measures in place to manage the potential conflict of interest between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole due to the following reasons:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;

(b) our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) our Company will disclose decisions and related basis of matters reviewed by our independent non-executive Directors (including all rejections by our Company of New Business Opportunities in the Restricted Businesses that have been referred by our Controlling Shareholders), which are related to compliance and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company or by way of public announcement;

(d) our Controlling Shareholders will make annual statements on compliance with the Deed of Non-competition in our annual reports, which is consistent with the principle of making disclosure in the corporate governance report of the annual report;

(e) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;

(f) a Director with material interests shall make full disclosure in respect of any matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or any of his close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(g) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management — Board of Directors — Independent Non-executive Directors"; and

(h) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through its annual reports or by way of announcements.

We have entered into certain transactions with certain parties which will become our connected persons upon the [REDACTED], the details of which are set out below. The transactions disclosed in this section will continue after the [REDACTED] and hence will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon the [REDACTED].

(A) CONNECTED PERSONS

1. Associates of Mr. Zeng

Mr. Zeng is our ultimate Controlling Shareholder and will be beneficially interested in [REDACTED] of the number of issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised). He holds direct or indirect beneficial interests in the following companies:

Name of company	Nature of principal business	Mr. Zeng's direct or indirect beneficial interest in the company
(1) Hong Yang Group Company	Investment holding	100%
(2) Redsun Properties	Property development and sales, commercial property investment and operations and hotel operations	72.29%
(3) Redsun Materials City	Operation of specialized home furnishing and construction materials center	100%
(4) Shanghai Hong Yang Information Technology Development Co., Ltd. (上海弘陽信息科技發展有限公司) ("**Shanghai Hong Yang Information Technology**")	Provision of information technology support services	100%

The aforementioned companies are associates of Mr. Zeng and therefore our connected persons under the Listing Rules upon the [REDACTED].

2. Nanjing Redsun Business World Co., Ltd. (南京紅太陽商業大世界有限公司) ("Redsun Business World")

Redsun Business World is owned as to 90% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng, and 10% by Ms. Chen Sihong (陳思紅), spouse of Mr. Zeng. Accordingly, Redsun Business World is an associate of Mr. Zeng and therefore our connected person under the Listing Rules upon the [REDACTED]. Redsun Business World is principally engaged in the leasing of commercial properties.

3. Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司) (“Jiangsu Ya Dong”)

Jiangsu Ya Dong (together with its subsidiaries, the “**Jiangsu Ya Dong Group**”) is the sole shareholder of Nanjing Ya Dong International Industrial Co., Ltd. (南京亞東國際實業有限公司), which holds 49% equity interest in Nanjing Ya Dong Property Management, our indirect non-wholly owned subsidiary. Accordingly, Jiangsu Ya Dong is a substantial shareholder of our subsidiary and thus our connected person at our subsidiary level under the Listing Rules upon the [REDACTED]. The Jiangsu Ya Dong Group is principally engaged in real estates, tourism, commerce, education and capital operation.

(B) SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

No.	Nature of transactions	Relevant Listing Rules	Waiver sought
Fully exempt continuing connected transactions			
1.	Trademark licence agreements	Rule 14A.76	Not applicable
2.	Property leases	Rule 14A.76	Not applicable
3.	Provision of information system support services by Shanghai Hong Yang Information Technology	Rule 14A.76	Not applicable
4.	Provision of property management services to the Jiangsu Ya Dong Group	Rule 14A.76	Not applicable
Non-exempt continuing connected transactions			
Subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirements			
1.	Provision of parking space sales and leasing agency services to Redsun Properties and its associates	Rule 14A.35	Announcement requirement
Fully exempt continuing connected transactions			
Subject to the reporting, annual review, announcement and independent shareholders’ approval requirements			
1.	Provision of property management services to Redsun Properties and its associates	14A.35, 14A.36, 14A.53	Announcement and independent shareholders’ approval requirements
2.	Provision of property management services to the Redsun Materials City Group and Redsun Business World	14A.35, 14A.36, 14A.53, 14A.81	Announcement and independent shareholders’ approval requirements

(C) FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below the details of the continuing connected transactions of our Company which are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Trademark Licence Agreements

Our Company and Hong Yang Group Company entered into a trademark license agreement dated March 1, 2020 in respect of certain trademarks registered in Hong Kong and a trademark licence agreement dated [•], 2020 in respect of certain trademarks registered in the PRC (collectively, the "**Trademark Licence Agreements**"). Pursuant to the Trademark License Agreements, Hong Yang Group Company agreed to irrevocably license certain trademarks registered in Hong Kong at a consideration of HK$1 and certain trademarks in the PRC to us at nil consideration, respectively, on a non-exclusive basis for our use in connection with our operations for a term of 10 years commencing from the date of the relevant Trademark Licence Agreements. For details of our licensed trademarks, see "Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group" and "Business — Intellectual Property". We have been using the licensed trademarks in connection with our business conducted over the years. As such, in order to maintain the consistency of our market image, we will continue to use the licensed trademarks after [REDACTED]. Our Directors are of the view that (i) the licensed trademarks are essential to our business, which, to a significant extent is built on brand recognition, and a longer duration of the licence term will afford a greater degree of stability and continuity to our business; and (ii) it is normal business practice for licence of this type to be of such duration. The Sole Sponsor concurs with the view of our Directors.

As the grant of the rights to use these trademarks in the PRC by Hong Yang Group Company to our Group is on a royalty-free basis and in Hong Kong is at a consideration of HK$1, each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Trademark License Agreements is less than 0.1% on an annual basis. Accordingly, the transactions under the Trademark License Agreements fall within the *de minimis* threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Property Leases

During the Track Record Period, we had rented, or were permitted to use certain premises from our connected persons, including Hong Yang Group Company, Jiangsu Ya Dong and their respective associates, at nil consideration. Such premises leased or used by the relevant members of our Group as office premises or for other operational uses. It is contemplated that we will continue to rent, or be permitted to use such premises at nil consideration from time to time.

Since each of the applicable percentage ratios calculated in aggregate for the purpose of Chapter 14A of the Listing Rules in respect of such leases is less than 0.1%, the rental or use of such premises from our connected persons fall within the *de minimis* threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Provision of Information System Support Services by Shanghai Hong Yang Information Technology

On March 16, 2020, Nanjing Hong Yang Property Management entered into an information system support services agreement with Shanghai Hong Yang Information Technology (the "**Information System Support Services Agreement**"), pursuant to which Shanghai Hong Yang Information Technology agreed to provide to our Group information system support services, including but not limited to maintenance and repair of hardware, internet and software system management, internet security management and other ancillary technological advisory services. The Information System Support Services Agreement is valid until December 31, 2020.

The services under the Information System Support Services Agreement are provided by Shanghai Hong Yang Information Technology to our Group at nil consideration. Since each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Information System Support Services Agreement is less than 0.1%, the transactions contemplated under the Information System Support Services Agreement fall within the *de minimis* threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Provision of Property Management Services to the Jiangsu Ya Dong Group

On [•], 2020, our Company entered into a property management service framework agreement (the "**Jiangsu Ya Dong Property Management Services Agreement**") with Jiangsu Ya Dong, pursuant to which we agreed to provide pre-delivery property management services to members of the Jiangsu Ya Dong Group for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance. The Jiangsu Ya Dong Property Management Services Agreement shall be effective upon the [REDACTED] and will be valid until December 31, 2022, renewable by mutual agreement of the parties.

The maximum annual amounts payable by us to the Jiangsu Ya Dong Group under the Jiangsu Ya Dong Property Management Services Agreement for each of the three years ending December 31, 2022 is RMB835,000, RMB793,000 and RMB754,000. The above annual caps were determined with reference to the existing services fees in respect of the pre-delivery property management services for unsold properties and the expected occupancy rates of the existing properties we have been engaged to provide property management services.

The transactions under the Jiangsu Ya Dong Property Management Services Agreement are connected transactions only because connected person at subsidiary level, Jiangsu Ya Dong, is involved. Since one or more of the applicable percentage ratios in respect of the proposed annual caps under the Jiangsu Ya Dong Property Management Services Agreement is less than 1% on an annual basis, the transactions under the Jiangsu Ya Dong Property Management Services Agreement fall within the *de* *minimis* threshold under Rule 14A.76(1)(b) of the Listing Rules and are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(D) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

We set out below the details of the continuing connected transactions of our Company which are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Provision of Parking Space Sales and Leasing Agency Services to Redsun Properties and its Associates

On March 11, 2020, Nanjing Hong Yang Property Management (together with its subsidiaries, the "**Nanjing Hong Yang Property Management Group**"), our indirect wholly-owned subsidiary, entered into a parking space sales and leasing agency services framework agreement with Redsun Properties, pursuant to which we agreed to provide sales and leasing agency services to Redsun Properties and its associates in respect of the unsold parking spaces of Redsun Properties and its associates (the "**Parking Space Sales and Leasing Agency Services Framework Agreement**"). The Parking Space Sales and Leasing Agency Services Framework Agreement took effect on March 11, 2020 and will be valid until December 31, 2022, renewable by mutual agreement of the parties, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Definitive service agreements will be entered into between the relevant members of the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates for the provision of the sales and leasing agency services in respect of the unsold parking spaces owned by Redsun Properties and its associates. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Nanjing Hong Yang Property Management Group to Redsun Properties and its associates and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Parking Space Sales and Leasing Agency Services Framework Agreement.

Pricing policy

The agency fees for the provision of sales and leasing agency services in respect of unsold parking spaces shall be calculated based on the following:

Sales/leasing agency fee =	contract prices of the sales/leasing of the subject parking spaces x agreed rate of agency fee

The contract prices of the sales/leasing of the subject parking spaces shall be determined with reference to the prevailing market price charged by other independent third party services providers to Redsun Properties and its associates in respect of comparable locations. The rate of the sales/leasing agency fee in respect of the parking spaces of each specific project is subject to the relevant definitive agreements to be entered into between the relevant members of the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates, and shall be determined after arm's length negotiations between the relevant parties with reference to prevailing market price taking into account of prices charged by independent third parties services providers in respect of comparable services and locations.

The transactions contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in our interests and our Shareholders as a whole.

Historical transaction amounts and annual caps

The following table set out the total agency fees paid by Redsun Properties and its associates to the Nanjing Hong Yang Property Management Group during the Track Record Period:

For the year ended December 31,		
2017	**2018**	**2019**
	RMB'000	
75	1,998	2,297

We expect the maximum aggregate agency fees to be charged by the Nanjing Hong Yang Property Management Group to Redsun Properties and its associates pursuant to Parking Space Sales and Leasing Agency Services Framework Agreement for each of the three years ending December 31, 2022 will be as follows:

For the year ending December 31,		
2020	**2021**	**2022**
	RMB'000	
10,747	12,892	15,142

The above annual caps under the Parking Space Sales and Leasing Agency Services Framework Agreement are determined based on the estimated transaction amount for the provision of sales and leasing agency services by the Nanjing Hong Yang Property Management Group to Redsun Properties and its associates for each of the three years ending 31 December 2022, which were determined with reference to: (i) the projected number of the parking spaces owned by Redsun Properties and its associates for which we were expected to be engaged to provide parking space sales and leasing agency service based on arm's length negotiations between the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates as at 31 December 2019; (ii) the estimated contract prices of the sales/leasing for the parking spaces held and to be held by Redsun Properties and its associates; and (iii) the rate of agency fee based on arm's length negotiations between the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates with reference to prevailing market price taking into account of prices and rates charged by independent third parties services providers in respect of comparable services and locations.

There is a significant increase in the proposed annual cap for the year ending December 31, 2020 because (i) our Group provided parking space sales and leasing agency services to Redsun Properties and its associates on an ad hoc basis only and such services were not part of our core business during the Track Record Period; and (ii) our Group decides to provide such services on a regular basis to diversify the revenue stream of our Group in the coming three years.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios in respect of the proposed annual caps under Parking Space Sales and Leasing Agency Services Framework Agreement exceed 0.1% but are less than 5% on an annual basis, the transactions contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement are subject to the reporting, annual review and announcement requirements but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(E) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

We set out below the details of the continuing connected transactions of our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Provision of Property Management Services to Redsun Properties and its Associates

During the Track Record Period, we had provided a wide range of property management services to Redsun Properties and its associates. Pursuant to three separate framework agreements entered into between Nanjing Hong Yang Property Management (for itself and on behalf of its subsidiaries) and Redsun Properties (for itself and on behalf of its subsidiaries) on June 25, 2018, Nanjing Hong Yang Property Management agreed to provide to the Redsun Properties Group during the term from July 12, 2018 to December 31, 2020 (i) pre-delivery management services to its property projects; (ii) management and related services to the display units and property sales venues of its property projects during sales period and prior to the delivery of the properties to the purchasers; and (iii) management and related services to its office areas, hotels and shopping malls (the "**2018 Property Management Services Framework Agreements**").

To streamline the management of future connected transactions in respect of the provision of management services by our Group to Redsun Properties and its associates and taking into account the expected increase of the scope of management services (including services in relation to the planning and design of properties) which may be required by Redsun Properties and its associates, we decided to consolidate all the 2018

Property Management Services Framework Agreements into one master framework agreement. On March 11, 2020, Nanjing Hong Yang Property Management entered into a property management services master framework agreement with Redsun Properties, pursuant to which we agreed to provide a variety of property management services to Redsun Properties and its associates, which shall cover, among other things, all the services contemplated under the 2018 Property Management Services Framework Agreements (the "**Property Management Services Master Framework Agreement**"). The Property Management Services Master Framework Agreement took effect on March 11, 2020 and will be valid until December 31, 2022, renewable by mutual agreement of the parties, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Upon the Property Management Services Master Framework Agreement taking effect, the 2018 Property Management Services Framework Agreements were terminated and superseded in their entirety.

The terms of the Property Management Services Master Framework Agreement are set out below:

Parties:

(a) Nanjing Hong Yang Property Management (as service provider); and

(b) Redsun Properties (as service recipient).

Scope of services:

(a) Pre-delivery property management and related services

Members of the Nanjing Hong Yang Property Management Group shall provide pre-delivery property management and related services Redsun Properties and its associates, including but not limited to planning and design, equipment selection, inspection for each unit, cleaning, gardening, maintenance of public order and security in the phases of property preparation, general layout as well as construction drawings, execution, completion and delivery period in respect of the property projects of Redsun Properties and its associates.

(b) Display units and property sales venues management services

Members of the Nanjing Hong Yang Property Management Group shall provide management and related services to the display units and property sales venues of the property projects during the sales period of the property projects of Redsun Properties and its associates, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venue.

(c) Pre-delivery property management services for unsold properties

Members of the Nanjing Hong Yang Property Management Group shall provide pre-delivery property management services to Redsun Properties and its associates for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance.

(d) Commercial properties management services

Members of the Nanjing Hong Yang Property Management Group shall provide management and related services to the commercial properties including office areas, hotels and shopping malls owned or operated by Redsun Properties and its associates and relevant common areas, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

(collectively, the "**Property Management Services**")

Definitive service agreements will be entered into between the relevant members of the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates for the provision of the Property Management Services. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Nanjing Hong Yang Property Management Group to Redsun Properties and its associates and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Property Management Services Master Framework Agreement.

Pricing policy: The relevant members of the Nanjing Hong Yang Property Management Group shall, where they are selected following the relevant tender processes and other quotation procedures for selection of services providers, provide management and related services to Redsun Properties and its associates according to the tender and quotation documents and definitive management services agreements to be entered into between relevant members of the Nanjing Hong Yang Property Management Group and Redsun Properties and its associates from time to time.

The management fees payable by Redsun Properties and its associates shall be determined based on arm’s length negotiation between Redsun Properties and its associates and members of the Nanjing Hong Yang Property Management Group, with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price charged by other independent third party services providers to Redsun Properties and its associates in respect of comparable services; and (iii) any applicable rates recommended by the relevant government authorities.

The transactions contemplated under the Property Management Services Master Framework Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical transaction amounts and annual caps

The following table set out the total service fees paid by Redsun Properties and its associates to the Nanjing Hong Yang Property Management Group in relation to the Property Management Services during the Track Record Period:

For the year ended December 31,		
2017	**2018**	**2019**
	RMB’000	
67,181	75,528	155,636

We expect the maximum aggregate annual service fees paid by Redsun Properties and its associates to the Nanjing Hong Yang Property Management Group in relation to the Property Management Services pursuant to Property Management Services Master Framework Agreement for the three years ending December 31, 2022 are as follows:

For the year ending December 31,		
2020	**2021**	**2022**
	RMB'000	
226,933	284,171	325,973

The significant increase in the proposed annual cap for the year ending December 31, 2020 is attributable to the increasing demand for the Property Management Services by Redsun Properties and its associates, mainly with reference to the existing contracts which we have been engaged by Redsun Properties and its associates to provide the Property Management Services.

The annual caps under the Property Management Services Master Framework Agreement are determined with reference to, among other things:

(i) the historical transaction amounts in respect of the Property Management Services between Redsun Properties and its associates and the Nanjing Hong Yang Property Management Group;

(ii) the additional scope of management services which may be required by Redsun Properties and its associates from the Nanjing Hong Yang Property Management Group, including the management services in relation to the planning and design of properties;

(iii) the total GFA of properties developed by Redsun Properties and its associates under the management of Nanjing Hong Yang Property Management Group and the properties under development held by Redsun Properties and its associates to be managed by the Nanjing Hong Yang Property Management Group based on existing service contracts as at December 31, 2019;

(iv) the land bank held by Redsun Properties and its associates as at December 31, 2019 and its projected increase for the next three years based on publicly available information;

(v) the estimated service fee to be charged by the Nanjing Hong Yang Property Management Group in respect of pre-delivery property management and related services, display units and property sales venues management services and pre-delivery property management services for unsold properties based on historical amount and existing contracts;

(vi) the expected unoccupied rate for property units and car parking spaces under the management of the Nanjing Hong Yang Property Management Group based on historical amount; and

(vii) the expected number of contracts in respect of the commercial properties held by Redsun Properties and its associates for which the Nanjing Hong Yang Property Management Group had been or was expected to be engaged to provide property management services as at December 31, 2019.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios in respect of the proposed annual caps in respect of the Property Management Services under the Property Management Services Master Framework Agreement for the three years ending December 31, 2022 exceed 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Provision of Management Services to the Redsun Materials City Group and Redsun Business World

(i) Provision of management services to commercial properties of the Redsun Materials City Group

On [•], 2020, our Company (as service provider) entered into a framework management services agreement with Redsun Materials City (as service recipient) (the "**Redsun Materials City Management Services Agreement**"), pursuant to which we agreed to provide the Redsun Materials City Group with management and related services to its specialized home furnishing and construction materials centers and shopping malls, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues. The Redsun Materials City Management Services Agreement shall be effective upon the [REDACTED] will be valid until December 31, 2022 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The service fees to be charged under the Redsun Materials City Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services taking into account the size and location of the commercial properties to be managed by our Group, and shall be no more favorable than those offered to independent third parties.

Definitive service agreements will be entered into between the relevant members of our Group and the relevant members of the Redsun Materials City Group for the provision of services under the Redsun Materials City Management Services Agreement. Each definitive agreement will set out the relevant services to be provided by the relevant members of our Group to the relevant members of the Redsun Materials City Group and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Redsun Materials City Management Services Agreement.

Historical transaction amounts and annual caps

The following table sets out the total service fees paid to us by the Redsun Materials City Group in relation to the provision of management services for its commercial properties during the Track Record Period:

For the year ended December 31,		
2017	**2018**	**2019**
	RMB'000	
74,834	91,650	114,236

Our Group provided as of the Latest Practicable Date, and will provide after the [REDACTED], management and related services to the commercial properties of the Redsun Materials City Group. The estimated amounts of service fees payable to us by the Redsun Materials City Group in relation to its commercial properties for each of the three years ending December 31, 2022 are as follows:

For the year ending December 31,		
2020	**2021**	**2022**
	RMB'000	
125,855	143,111	155,160

The above annual caps are derived with reference to, among other things, (i) the historical transaction amounts in respect of the management services provided by our Group to the Redsun Materials City Group during the Track Record Period; (ii) the expected increase in the operational costs (including labor costs) in relation to the operations of the commercial properties taking into account of inflation rate; (iii) the expected increase in the number of commercial properties held or operated by the Redsun Materials City Group for which our Group will be engaged to provide property management services.

(ii) Provision of management services to the commercial complex of Redsun Business World

Our Company (as service provider) entered into a management services agreement with Redsun Business World (as service recipient) (the "**Redsun Business World Management Services Agreement**") on [•], 2020, pursuant to which we agreed to provide Redsun Business World with management and related services to Nanjing Redsun Business World Mall (南京紅太陽商業大世界), a commercial complex for specialized home furnishing and construction materials, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues. The Redsun Business World Management Services Agreement shall be effective upon the [REDACTED] and will be valid until December 31, 2022 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The service fees to be charged under the Redsun Business World Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services of similar properties, and shall be no more favorable than those offered to independent third parties.

Historical transaction amounts and annual caps

The following table sets out the total service fees paid to us by Redsun Business World in relation to the provision of management services during the Track Record Period:

For the year ended December 31,		
2017	**2018**	**2019**
	RMB'000	
7,453	7,447	11,064

We expect to continue to provide management and related services to Redsun Business World after the [REDACTED]. The estimated amounts of service fees payable to us by Redsun Business World for each of the three years ending December 31, 2022 are as follows:

For the year ended December 31,		
2020	**2021**	**2022**
	RMB'000	
12,341	13,235	14,270

The above annual caps are derived with reference to, among other things, (i) the historical transaction amounts in respect of the management services provided by our Group to Redsun Business World during the Track Record Period; and (ii) the expected increase in the operational costs (including labor costs) in relation to the operations of the commercial properties taking into account of inflation rate.

Implications under the Listing Rules

As both the Redsun Materials City Management Services Agreement and the Redsun Business World Management Services Agreement were entered into by our Group with the associates of Mr. Zeng, namely Redsun Materials City and Redsun Business World, in relation to the provision of management services to commercial properties, the transactions thereunder shall be aggregated pursuant to the requirements under Rule 14A.81 of the Listing Rules.

The aggregated annual caps under the Redsun Materials City Management Services Agreement and the Redsun Business World Management Services Agreement for each of the three years ending December 31, 2022 are as follows:

For the year ending December 31,		
2020	**2021**	**2022**
	RMB'000	
138,196	156,346	169,439

Since one or more of the applicable percentage ratios in respect of the proposed aggregated annual caps in respect of the management and related services under the Redsun Materials City Management Services Agreement and the Redsun Business World Management Services Agreement exceed 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(F) APPLICATION FOR WAIVER

The transactions described under "— (D) Continuing Connected Transactions subject to Reporting, Annual Review and Announcement Requirements but Exempt from Independent Shareholders' Approval Requirement" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The transactions described under "— (E) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As such transactions are expected to be carried out on a continuing basis and to extend over a period of time, our Directors are of the view that strict compliance with the announcement requirement under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon our Group.

In respect of such continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver exempting us from strict compliance with the announcement requirement of the Listing Rules in respect of the transactions described under "— (D) Continuing Connected Transactions subject to Reporting, Annual Review and Announcement Requirements but Exempt from Independent Shareholders' Approval Requirement"; and the announcement and independent shareholders' approval requirements of the Listing Rules in respect of the transactions described under "— (E) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements", subject to the aggregate values of the continuing connected transactions for each financial year not exceeding the relevant amounts set forth in the respective annual caps (as stated above). We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to such continuing connected transactions.

(G) DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) consider that the continuing connected transactions described under "— (D) Continuing Connected Transactions subject to Reporting, Annual Review and Announcement Requirements but Exempt from Independent Shareholders' Approval Requirement" and "— (E) Continuing Connected Transactions subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" above (collectively, the "**Non-exempt Continuing Connected Transactions**") have been entered into, and will be carried out, in the ordinary and usual course of our business, on normal commercial terms and in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

The Directors who have conflicts of interests shall be required to abstain from participation and abstain from voting in the Board meetings at which resolutions in relation to the above continuing connected transactions are discussed.

(H) SOLE SPONSOR'S VIEW

Based on the due diligence findings and the representations and confirmations from our Group, the Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions are entered into, and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Sole Sponsor is also of the view that the proposed annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board is responsible for and has general powers over the management and conduct of our business. It consists of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth certain information in respect of the members of our Board:

Name	Age	Existing position(s) in our Company	Date of appointment	Time of joining our Group	Roles and responsibilities
YANG Guang (楊光)	40	Executive Director and executive president	March 16, 2020	January 2019	Responsible for the overall management of our Group
ZENG Zixi (曾子熙)	27	Executive Director and vice president	March 16, 2020	September 2016	Responsible for the operational management of our Group
HE Jie (何捷)	56	Chairman of the Board and non-executive Director	March 16, 2020	March 2020	Responsible for assisting the planning of corporate strategy of our Group
JIANG Daqiang (蔣達強)	43	Non-executive Director	March 16, 2020	March 2020	Responsible for providing strategic advice and recommendations on the operations and management of our Group
LUO Yanbing (羅艷兵)	45	Non-executive Director	March 16, 2020	March 2020	Responsible for providing strategic advice and recommendations on the operations and management of our Group
JING Zhishan (景志山)	54	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice on the operations and management of our Group
WANG Fen (王奮)	53	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice on the operations and management of our Group
YIM Kai Pung (嚴繼鵬)	54	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice on the operations and management of our Group

Executive Directors

Mr. YANG Guang (楊光), aged 40, was appointed as our executive Director on March 16, 2020 and executive president in December 2019. Prior to that, he had been our vice president since he joined our Group in January 2019. Mr. Yang Guang is primarily responsible for the overall management of our Group. He has approximately 21 years of experience in property management services.

Mr. Yang Guang was the general manager of the Beijing branch of Longhu Property Service Group Co., Ltd. (龍湖物業服務集團有限公司) from September 2016 to January 2017, the vice general manager of the Sunan branch of Longhu Property Service Group Co., Ltd. from February 2017 to August 2017, and the general manager of the Nanjing branch, Hefei branch and Xuzhou branch of Longhu Property Service Group Co., Ltd. from August 2017 to January 2019, during which he was mainly responsible for the operational management and overall development.

Prior to joining our Group, Mr. Yang Guang was also the vice general manager of Xin Cheng Yue Property Management Services Co., Ltd. (西藏新城悅物業服務股份有限公司) (previously known as Jiangsu Xin Cheng Property Management Services Co., Ltd. (江蘇新城物業服務有限公司)) from July 2014 to May 2015, the vice general manager and Changzhou branch general manager of Xin Cheng Yue Property Management Services Co., Ltd. from May 2015 to February 2016, and the vice general manager and Nanjing branch general manager of Xin Cheng Yue Property Management Services Co., Ltd. from February 2016 to September 2016, during which he was mainly responsible for assisting the planning of business strategies, business operations, and the management and development of its Changzhou branch and Nanjing branch. From June 2013 to August 2014, Mr. Yang Guang was the vice general manager of the Taizhou Wanda Commercial Plaza Management Co., Ltd. (泰州萬達廣場商業管理有限公司), during which he was mainly responsible for property management. Prior to that, Mr. Yang Guang joined Nanjing Red Star International Furniture Decoration City Co., Ltd. (南京紅星國際傢俱裝飾城有限公司) as the department head of the property department in September 2007. He was also the manager of Nanjing China Merchants Property Management Co., Ltd. (南京招商局物業管理有限公司) from July 1999 to May 2005.

Mr. Yang Guang received a graduation certificate for the completion of the tourism management course at Nanjing Normal University (南京師範大學) in the PRC in January 2009. Mr. Yang Guang was qualified as a National Property Management Enterprise Manager (全國物業管理企業經理) by the Human Resources and Education Department of the Ministry of Urban-Rural Development (建設部人事教育司) and the Housing and Real Estate Department of the Ministry of Urban-Rural Development (建設部住宅與房地產業司) of the PRC in July 2002.

Ms. ZENG Zixi (曾子熙), whose former name was Zeng Cheng (曾程), aged 27, was appointed as our executive Director on March 16, 2020 and our vice president since October 31, 2018. She had been our assistant president from March 2017 to October 2018 and the vice general manager of our operational management department when she joined our Group in September 2016, and remained in position until March 2017. Ms. Zeng Zixi is primarily responsible for the operational management of our Group. From July 2016 to September 2016, Ms. Zeng Zixi was the general manager of Nanjing Hong Yang Plaza (南京弘陽廣場) business operation department of Nanjing Hong Yang Business Management Co., Ltd. (南京弘陽商業管理有限公司), a company that is controlled by Mr. Zeng, the ultimate Controlling Shareholder, and was mainly responsible for the operational management of the project Nanjing Hong Yang Plaza. She has approximately four years of experience in property management services. Prior to joining our Group, Ms. Zeng Zixi worked as an analyst in ABC International Holdings Limited from July 2015 to June 2016, where she was mainly responsible for assisting in securities trading clearing and accounts maintenance.

Ms. Zeng Zixi graduated from Renmin University of China (中國人民大學) in the PRC in July 2015, where she obtained a bachelor degree in journalism. Ms. Zeng Zixi is the daughter of Mr. Zeng, who is our ultimate Controlling Shareholder.

Non-executive Directors

Mr. HE Jie (何捷), aged 56, was appointed as our chairman of the Board and non-executive Director on March 16, 2020. He is primarily responsible for assisting the planning of corporate strategy of our Group. Since March 2018, Mr. He Jie has been the executive director and chief executive officer of Redsun Properties Group Limited (Stock Exchange stock code: 1996), a company that is controlled by Mr. Zeng, the ultimate Controlling Shareholder.

Mr. He Jie joined Hong Yang Group Company as a vice president in October 2012, and remained in position until March 2018. He served as the president of Hong Yang Group Company's properties department from May 2017 to March 2018, during which he was responsible for the business operation of real estates. Prior to joining Hong Yang Group Company, Mr. He Jie was the executive president of Tianzheng Group Nanjing Properties Co., Ltd. (天正集團南京置業有限公司), and was primarily in charge of the company's business and management, formulating properties development strategies and properties investment from April 2005 to July 2012. He served as the executive president of Tianzheng Group Shanghai Investment Co., Ltd. (天正集團上海投資有限公司) from December 2001 to March 2005, during which his responsibilities included managing the company's business operations, formulating investment and management procedures, and articulating and implementing the company's investment plans. He has approximately 15 years of experience of business management and operations in the real estate industry.

Mr. He Jie received a bachelor degree in laser technology from Zhejiang University (浙江大學) in the PRC in July 1985. He later obtained a master degree in engineering from the same university in June 1988. In April 2003, Mr. He Jie obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院).

Mr. JIANG Daqiang (蔣達強), aged 43, was appointed as our non-executive Director on March 16, 2020. Mr. Jiang Daqiang is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. He joined Hong Yang Group Company in March 2018 as an executive president and has served as president since January 2019, Mr. Jiang Daqiang has since been responsible for the strategic investment and overall operation management of Hong Yang Group Company. Mr. Jiang Daqiang has been the non-executive director of Redsun Properties Group Limited (Stock Exchange stock code: 1996), a company that is controlled by Mr. Zeng, the ultimate Controlling Shareholder, since March 2018. Mr. Jiang Daqiang has approximately 16 years of experience in real estates and commercial property development and business development.

Prior to joining our Group, Mr. Jiang Daqiang was the vice general manager of Joy City Property Limited (Stock Exchange stock code: 207) from 2006 to 2012. Mr. Jiang was one of the early founders of the company, and was responsible for the company's early acquisition, investment and development projects. Mr. Jiang Daqiang then moved on to become the vice president of CIFI Holdings (Group) Co., Ltd. (Stock Exchange stock code: 884) from April 2012 to March 2018, during which he was responsible for the operation and management of regional business division.

Mr. Jiang Daqiang obtained a bachelor degree in civil engineering from Tianjin Chengjian University (天津城市建設大學) in the PRC in June 2000. He then acquired a master degree in history of science and technology from Shanghai Jiaotong University (上海交通大學) in the PRC in March 2003 and a master degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2019.

Mr. LUO Yanbing (羅艷兵), aged 45, was appointed as our non-executive Director on March 16, 2020. Mr. Luo Yanbing is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. Mr. Luo Yanbing joined Hong Yang Group Company in March 2018 as the assistant president and the general manager of the innovative technology office, and was mainly responsible for the information system infrastructure and workflow management of Hong Yang Group Company. Prior to joining Hong Yang Group Company, Mr. Luo Yanbing was the general manager and the chief information officer of Seazen Group Co., Ltd. (Shanghai Stock Exchange stock code: 601155) from January 2011 to February 2018 and was mainly responsible for the information system infrastructure. Mr. Luo Yanbing has approximately nine years of experience in information system infrastructure and innovative technology in the PRC real estate industry.

Mr. Luo Yanbing obtained a bachelor degree in electrical motor and control from Fuzhou University (福州大學) in the PRC in July 1998. He later obtained a master degree in software engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2007.

Independent Non-executive Directors

Mr. JING Zhishan (景志山), aged 54, was appointed as an independent non-executive Director on [•]. He is primarily responsible for providing independent advice on the operations and management of our Group. Since 2018, Mr. Jing Zhishan has been the consultant of Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理公司), a subsidiary of Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司) (Stock Exchange stock code: 1995). From July 2012 to November 2017, Mr. Jing was the general manager of Shanghai Yongsheng Property Management Co., Ltd. where he was mainly responsible for the overall operational management. From July 2011 to July 2012, he was the director of the property operational management department of Longfor Property Service Group Limited (龍湖物業服務集團有限公司), where he was responsible for the group-wide quality control, business development and departmental daily affairs management. From January 2010 to June 2011, he was the general manager of Beijing Longfor Property Management Co. Ltd. (北京龍湖物業管理有限公司). From July 2009 to December 2009, Mr. Jing Zhishan was the district general manager of Chongqing Xinlonghu Property Company (重慶新龍湖物業公司). From January 2007 to June 2009, Mr. Jing Zhishan was the general manager of Chongqing Hailan Yuntian Property Management Co., Ltd. (重慶海蘭雲天物業管理有限公司), where he was responsible for the operational management of the company. From May 2005 to December 2006, Mr. Jing Zhishan was the administrative officer and legal officer of Chongqing No.1 Construction (Group) Co., Ltd. (重慶第一建築集團有限公司), where he was responsible for the legal and administrative management. From May 2001 to May 2005, he was the general manager of Chongqing Tianjiao Joyful Life Services Corporation (重慶天驕愛生活服務股份有限公司), where he was responsible for the operational management of the company. From July 1997 to May 2001, Mr. Jing Zhishan was the director of legal counsel office and deputy director of general plant office of Chongqing Huayu Electric Group Co. Ltd. (重慶華渝電氣集團有限公司), where he was responsible for the legal advisory affairs and related administrative affairs of the company. He has over 19 years of experience in business management.

Mr. Jing Zhishan is a qualified lawyer at Sichuan Provincial Department of Justice (四川省司法廳) since 1991 and a certified property manager authorized by the Ministry of Housing and Urban-Rural Development and the Ministry of Personnel since 2011 in the PRC. He obtained a bachelor degree in economics and management from CPC Chongqing Party School Hanshou College (中共重慶市委黨校函授學院) in the PRC in December 2000. He later obtained a master degree in business administration from Asia Macau International Open University (亞洲(澳門)國際公開大學) in Macao in February 2004.

Ms. WANG Fen (王奮), aged 53, was appointed as an independent non-executive Director on [•]. She is primarily responsible for providing independent advice on the operations and management of our Group. Ms. Wang Fen has been the independent Director of Guirenniao Co., Ltd. (貴人鳥股份有限公司) (Shanghai Stock Exchange stock code: 603555) since May 2017. She was an assistant professor of the School of Management and Economics of Beijing Institute of Technology (北京理工大學) since July 2001. She was also the human resources director and principal of Haidilao University of Sichuan Haidilao Catering Corporation Ltd. (四川海底撈餐飲股份有限公司) from November 2007 to December 2012, where she was mainly responsible for the planning of human resources development and the operational management of Haidilao University. Ms. Wang Fen has been the management consultant of various companies since 2013, including Beijing Jiangnan Green Tea Catering Co., Ltd. (北京江南綠茶餐飲有限公司), Jingruan Beauty Management Co., Ltd.

(靜瑞美容管理有限公司) and Beijing Hongying Times Educational Technology Co., Ltd (北京紅纓時代教育科技有限公司). She has over seven years of experience in experience in business management.

Ms. Wang Fen obtained a bachelor degree in management engineering from Beijing Institute of Technology in the PRC in July 1988. She later obtained a master degree in management engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 1995, and a doctor degree in management science and engineering from Beijing Institute of Technology in the PRC in July 2005.

Mr. YIM Kai Pung (嚴繼鵬), aged 54, was appointed as an independent non-executive Director on [●]. He is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Yim Kai Pung has been the managing director of CCTH CPA Limited since July 2010. Mr. Yim Kai Pung was the executive director of Sanyuan Group Limited (三元集團有限公司) from March 2009 to September 2009, and was re-designated as the non-executive director from September 2009 to December 2009. He was also the executive director of Heng Xin China Holdings Limited (恆芯中國控股有限公司) from December 2006 to June 2007, the independent non-executive director of China Automobile New Retail (Holdings) Limited (中國汽車新零售(控股)有限公司) (Stock Exchange stock code: 526) from September 2005 to June 2006, the independent non-executive director of Success Universe Group Limited (實德環球有限公司) (Stock Exchange stock code: 487) from March 2004 to March 2012, the independent non-executive director of Greens Holdings Limited (格菱控股有限公司) (Stock Exchange stock code: 1318) from October 2009 to January 2015, the independent non-executive director of HNA Technology Investments Holdings Limited (海航科技投資控股有限公司) (Stock Exchange stock code: 2086) from June 2014 to September 2017, and the independent non-executive director of Hong Kong Finance Investment Holding Group Limited (香港金融投資控股集團有限公司) (Stock Exchange stock code: 7) from July 2017 to May 2019. He has over 30 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the PRC.

Mr. Yim Kai Pung obtained a bachelor degree of accountancy with honors from the City University of Hong Kong (previously known as the City Polytechnic of Hong Kong) in November 1993. As a Practising Certified Public Accountant, he has been an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom since 1993.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following table sets forth certain information regarding the members of our senior management.

Name	Age	Position(s) in our Company	Time of joining our Group	Roles and responsibilities
YANG Guang (楊光)	40	Executive Director and executive president	January 2019	Responsible for the overall management of our Group
ZENG Zixi (曾子熙)	27	Executive Director and vice president	September 2016	Responsible for the operational management of our Group
CHENG Jian (成健)	41	Vice president	September 2014	Responsible for the business expansion of our Group
JIA Jie (賈傑)	36	Chief financial officer	December 2019	Responsible for the finance function of our Group
LIU Kesheng (劉克勝)	43	General manager of the business development department	October 2012	Responsible for the business development of our Group

Mr. YANG Guang (楊光), aged 40, was appointed as our executive Director on March 16, 2020 and executive president in December 2019. Please refer to the subsection headed "— Board of Directors" above for details of his biography.

Ms. ZENG Zixi (曾子熙), whose former name was Zeng Cheng (曾程), aged 27, was appointed as our executive Director on March 16, 2020 and vice president in October 2018. Please refer to the subsection headed "— Board of Directors" above for details of her biography.

Mr. CHENG Jian (成健), aged 41, has been our vice president since July 2019. He is primarily responsible for the business expansion of our Group. He is currently an executive director of a number of our subsidiaries including Nanjing Hong Yang Property Management and Nanjing Hong Life Property Management. He was the assistant president and general manager of Nanjing Hong Yang Property Management, from August 2016 to July 2019, during which he was mainly responsible for the implementation of strategies and the overall budget management of our Group. From September 2014 to August 2016, Mr. Cheng Jian served as our vice general manager and was mainly responsible for the annual operational and budget planning. He was the vice general manager of the management office of Wuxi Suyuan Tanxiwan Property Co., Ltd. (無錫蘇源檀溪灣置業有限公司), a subsidiary of Nanjing Redsun, from July 2011 to September 2014, during which he was mainly responsible for the overall operational management and the annual operational and budget planning.

Prior to joining Nanjing Redsun, he also served as a vice general manager and project manager of Nanjing City Yincheng Property Services Co., Ltd. (南京銀城物業服務有限公司) from April 2003 to October 2010, an assistant to the manager at Pengji Property Jinshan Mansion (鵬基物業金山大廈) of Shenzhen Pengji Property Management Co., Ltd. (深圳鵬基物業管理有限公司) from January 2002 to March 2003, and an administrative assistant at Nanjing Yadong Xianhe Villa (南京亞東仙鶴山莊) of Nanjing Ya Dong Property Management from 2000 to 2001. He has over 19 years of experience in the property management industry.

Mr. Cheng Jian received a certificate for the completion of the Yincheng Property Senior Manager EMBA course (銀城地產高級經理工商管理碩士(EMBA)課程) at Nanjing University (南京大學) in April 2009. He was qualified as a National Property Management Enterprise Manager (全國物業管理企業經理) by the Human Resources and Education Department of the Ministry of Urban-Rural Development (建設部人事教育司) and the Housing and Real Estate Department of the Ministry of Urban-Rural Development (建設部住宅與房地產業司) of the PRC in June 2002.

Mr. JIA Jie (賈傑), aged 36, has been our chief financial officer since December 30, 2019. He is primarily responsible for the finance function of our Group. Mr. Jia Jie has also been the independent director of Huanrui Century Union Co., Ltd. (歡瑞世紀聯合股份有限公司) (Shenzhen Stock Exchange stock code: 892) since December 2019. He was the vice general manager of Hong Yang Group Company's finance management department of its property development division from July 2017 to March 2018. He was the vice general manager of the finance management department of Hong Yang Group Company from November 2018 to December 2019. From March 2018 to November 2018, Mr. Jia Jie was the chief financial officer of Redsun Properties.

Prior to joining Redsun Properties, from March 2014 to June 2017, Mr. Jia Jie was the budget analysis officer of Xinyuan (China) Real Estate Co., Ltd. (鑫苑(中國)置業有限公司), a company that engages in real estate development and property management, where he was primarily responsible for the company's performance planning and management, investment budget and evaluation, management of investor relationships and reporting to the directors. He served as the finance manager of Ningbo Longfor Real Estate Development Co., Ltd. (寧波龍湖置業有限公司), a real estate development company, from September 2012 to February 2014, where he was responsible for the company's performance-planning management, internal control, and project finance management. He was the vice finance manager from March 2010 to March 2012, and the finance manager from April 2012 to September 2012, of Taiyuan Wan Da Plaza Co., Ltd. (太原萬達廣場有限公司), a commercial property investment company, where he was responsible for the company's tax, audit, internal control, and assisting the general manager in completing financing tasks. Mr. Jia Jie also worked as the consultant of KPMG China from September 2008 to March 2010. He has over ten years of experience in the real estate and property investment industry.

Mr. Jia Jie obtained a bachelor degree in finance from Dongbei University of Finance and Economics (東北財經大學) in the PRC in June 2005. He then acquired a master degree in finance from the same university in December 2007. Since September 2015, Mr. Jia Jie has been pursuing a master of business administration degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC. Mr. Jia Jie acquired an intermediate accountant licence from the Bureau of Human Resources and Social Security of Dalian in May 2008. Mr. Jia Jie has been a registered member of The Chinese Institute of Certified Public Accountants since December 2009.

Mr. LIU Kesheng (劉克勝), aged 42, has been our general manager of the business development department since July 15, 2019. He is primarily responsible for the business development of our Group. He was the vice general manager of our Sunan branch from January 2019 to July 2019 and the person in charge of the general management office of our Changzhou branch from August 2018 to January 2019, during which he was mainly responsible for our operational management. He was also the project manager of our Jiangbei branch from May 2015 to August 2018, during which he was responsible for the management of several projects including Solaris Institution (旭日學府), Great Time at Joy Peak East

District (悦峰時光里東區), Great Time at Joy Peak West District (悦峰時光里西區) and Swallow River Residence (時光里花園). He has over 17 years of experience in the property management industry.

Mr. Liu Kesheng graduated from the Southwest University (西南大學) in the PRC in July 2019, majoring in administrative management. He also obtained the Nanjing Property Management Practitioner Certificate (南京市物業管理從業人員証) from the Nanjing Real Estate Education Training Centre (南京房地產教育培訓中心) in May 2018.

COMPANY SECRETARY

Mr. WONG Yu Kit (黃儒傑) was appointed as the company secretary of our Company on March 16, 2020. Mr. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in the corporate services field. He obtained a bachelor's degree in Business Administration and Management from the University of Huddersfield in the United Kingdom in November 2007, and a master's degree in corporate governance from The Open University of Hong Kong in November 2013. He is 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). He is currently the company secretary of China Chunlai Education Group Co., Ltd. (Stock Exchange stock code: 1969), China Xinhua Education Group Limited (Stock Exchange stock code: 2779), Sanai Health Industry Group Company Limited (Stock Exchange stock code: 1889) and Yincheng International Holding Co., Ltd. (Stock Exchange stock code: 1902). He is also currently the joint company secretary of Jiangsu Innovative Ecological New Materials Limited (Stock Exchange stock code: 2116), FingerTango Inc. (Stock Exchange stock code: 6860) and Shanghai Gench Education Group Limited (Stock Exchange stock code: 1525).

DIRECTORS' AND SENIOR MANAGEMENT'S INTEREST

Save as disclosed above, each of our Directors and the members of our senior management (i) had no other relationship with any Directors or members of our senior management as of the Latest Practicable Date; and (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. See "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders" in Appendix IV to this document for further information about our Directors, including the particulars of their service contracts or letters of appointment and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed above, there are no other matters in respect of each of our Directors and the members of our senior management that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and the members of our senior management that need to be brought to the attention of our Shareholders.

BOARD COMMITTEES

Audit Committee

We [have established] an Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of five members, namely Mr. Yim Kai Pung, Mr. He Jie, Mr. Luo Yanbing, Ms. Wang Fen and Mr. Jing Zhishan. Mr. Yim Kai Pung [has been] appointed as the chairman of the Audit Committee, and is the independent non-executive Director who possesses the appropriate professional accounting and related financial management expertise. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of our Group, oversee the audit process, provide advice and comments to our Board, perform other duties and responsibilities as may be assigned by our Board, and review and oversee the risk management of our Company.

Remuneration Committee

We [have established] a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of five members, namely Ms. Wang Fen, Mr. Jiang Daqiang, Ms. Zeng Zixi, Mr. Yim Kai Pung and Mr. Jing Zhishan. Ms. Wang Fen, our independent non-executive Director, [has been] appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish, review, and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We [have established] a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of five members, namely Mr. He Jie, Mr. Yang Guang, Mr. Yim Kai Pung, Ms. Wang Fen and Mr. Jing Zhishan. Mr. He Jie, our non-executive Director, [has been] appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size, and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board, identify, select, or make recommendations to our Board on the selection of individuals nominated for directorship, ensure the diversity of our Board members, assess the independence of our independent non-executive Directors, and make recommendations to our Board on relevant matters relating to the appointment, reappointment, and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Board [has adopted] written terms of reference with respect to its corporate governance functions which include, among others, (i) developing and reviewing our Company’s policies and practices on corporate governance and making recommendations to our Board; (ii) reviewing and monitoring the training and continuing professional development of Directors and members of senior management; (iii) reviewing and monitoring our Company’s policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our Directors and employees; and (v) reviewing our Company’s compliance with the code and disclosure requirements as set out in the corporate governance report.

Our Directors recognize the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability. Our Company has adopted a system of corporate governance and we expect to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the [REDACTED].

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, ethnicity and length of service. The ultimate decision on an appointment will be based on merit as to the contribution which the selected candidates will bring to our Board.

Our Directors have an appropriate mix of gender, knowledge and skills, including overall management and strategic development, human resources, information technology, accounting and financial management, risk management and corporate governance. They obtained degrees in various majors including accountancy, business administration, economics and management, management engineering and civil engineering. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 27 years old to 56 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board. In particular, one of our five existing board members is female and upon the [REDACTED], one of our three independent non-executive Directors is female. Our board composition upon the [REDACTED] will consist of two female directors out of eight directors, representing at least a quarter of our Board. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report information about the implementation of the board diversity policy on an annual basis.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management Presence

We [have applied] to the Stock Exchange for, and the Stock Exchange [has agreed] to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong" in this document.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, bonuses, allowances, and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, bonuses, allowances, and other benefits in kind such as contributions to pension plans) of our Directors incurred for the three years ended December 31, 2019 was approximately RMB962,000, RMB1,395,000, and RMB1,864,000, respectively.

The aggregate remuneration (including fees, salaries, bonuses, allowances, and other benefits in kind such as contributions to pension plans) of our Group's five highest paid individuals (including our Directors) incurred for the three years ended December 31, 2019 was approximately RMB1,289,000, RMB1,079,000 and RMB1,217,000, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

Pursuant to the existing arrangements that are currently in force as of the date of this document, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2020 is estimated to be approximately RMB2.76 million in aggregate.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the [REDACTED], receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment, responsibilities of our Directors and performance of our Group. The Company may adopt employee incentive schemes such as share options or restricted shares in the future, but so far no such schemes have been adopted.

Save as disclosed in this document, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period. For additional information on our Directors' remuneration during the Track Record Period as well as information on our Group's five highest paid individuals, see Notes 8 and 9 to the Accountants' Report set out in Appendix I to this document.

COMPLIANCE ADVISOR

We have appointed ABCI Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or when our business activities, developments, or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the [REDACTED] and the completion of the [REDACTED], the following persons will have or be deemed or taken to have an interest and/or a short position in Shares 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:

		Shares held immediately following the [REDACTED] and the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		Shares held immediately following the [REDACTED] and the completion of the [REDACTED] (assuming the [REDACTED] is fully exercised)	
Name	**Nature of interest[1]**	**Number**	**Approximate Percentage**	**Number**	**Approximate Percentage**
Redsun Services Group (Holdings)	Beneficial owner	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hong Yang Group Company[2] . .	Interest in controlled corporation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hong Yang International[2].	Interest in controlled corporation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hong Yang Group (Holdings)[2] .	Interest in controlled corporation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zeng[2].	Interest in controlled corporation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Chen Sihong[3].	Interest of spouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) Redsun Services Group (Holdings) is wholly owned by Hong Yang Group Company, which in turn is wholly owned by Hong Yang International, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) (a company wholly owned by Mr. Zeng) and Mr. Zeng, respectively. Accordingly, each of Hong Yang Group Company, Hong Yang International, Hong Yang Group (Holdings) and Mr. Zeng is deemed to be interested in the Shares held by Redsun Services Group (Holdings) by virtue of the SFO.

(3) Ms. Chen Sihong is the spouse of Mr. Zeng and is therefore deemed to be interested in the Shares in which Mr. Zeng is interested by virtue of the SFO.

Save as disclosed above and in "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Substantial Shareholders" in Appendix IV to this document, our Directors are not aware of any person who will, immediately following the [REDACTED] and the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, have an interest or a short position in the 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 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 any other members of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the [REDACTED] and the completion of the [REDACTED]:

		Aggregate par value
Authorized Share Capital		
[1,000,000,000] Shares of HK$[0.01] each		HK$[10,000,000]
Issued and to be issued, fully paid or credited as fully paid:		**HK$**
[100]	Shares in issue as of the date of this document	[1]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued under the [REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]

ASSUMPTION

The above table assumes that the [REDACTED] has become unconditional. It takes no account of any Shares (i) which may be issued pursuant to the exercise of the [REDACTED]; or (ii) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects 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 document (save for entitlements to the [REDACTED]).

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS 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 Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by shareholders' ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into 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 or redeem its share capital by Shareholders' special resolution. For more details, see "Summary of the Constitution of the Company and Cayman Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this document.

SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to our Share or any class of Shares may 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 our Shares of that class. For more details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, see "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 3. Resolutions in writing of our sole Shareholder passed on [•]" and "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 7. Repurchase of Our Securities by Our Company" in Appendix IV to this document.

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

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. Please refer to the sections entitled "Risk Factors" and "Forward-looking Statements" in this document.

OVERVIEW

We are a well-recognized comprehensive community service provider in Jiangsu province, China, with strong and balanced property management abilities in the management of residential and commercial properties. Through our continued development over the years, we have established our regional leading position in the property management market of Jiangsu province and are well-recognized nationwide. We were recognized as one of the Top 100 Property Management Companies by CIA for three consecutive years since 2017 and ranked 35th among the 2019 Top 100 Property Management Companies in terms of overall strength. In addition, we were awarded 2019 Leading Brand in Property Management Services in Eastern China in terms of branding value by CIA.

Since our inception in Nanjing in 2003, we have grown from a property management service provider to a well-recognized community service provider with national presence in China. We provide a wide range of property management services to property owners and residents. We also provide value-added services to non-property owners and community value-added services to property owners and residents. We have achieved rapid growth during the Track Record Period. Our revenue increased from RMB257.1 million in 2017 to RMB349.0 million in 2018 and further to RMB503.0 million in 2019, representing a CAGR of 39.9%. Our profit for the year increased from RMB28.7 million in 2017 to RMB33.0 million in 2018 and further to RMB57.1 million in 2019, representing a CAGR of 41.0%.

BASIS OF PRESENTATION

Pursuant to the Reorganization as disclosed in "History, Reorganization and Corporate Structure — The Reorganization," the Company became the holding company of the companies now comprising our Group on February 17, 2020. As the Reorganization did not result in a change of the respective voting and beneficial interest, the historical financial information for the Track Record Period has been presented as a continuation of the Company as if the Reorganization had been completed at the beginning of the Track Record Period. Accordingly, the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence through the Track Record Period. The combined statements of financial position as of December 31, 2017, 2018 and 2019 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates.

Our combined financial statements for the Track Record Period have been prepared in accordance with IFRS which comprise all standards and interpretations approved by the IASB. Our combined financial statements for the Track Record Period also comply with the applicable disclosure requirements of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. We have early adopted all IFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions in the preparation of our historical financial information for the Track Record Period. For the purpose of preparing and presenting the historical financial information, we have early applied IFRS 9, *Financial instruments* effective on January 1, 2018 and restated the financial information from January 1, 2017 for financial instruments in the scope of IFRS 9. We have early adopted IFRS 15 *Revenue from Contracts with Customers* effective on January 1, 2018 and IFRS 16 *Leases* effective on January 1, 2019 for the purpose of preparing and presenting the historical financial information throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

GFA Under Management

During the Track Record Period, a majority of our revenue was generated from our property management services, which contributed 86.7%, 80.2% and 70.5% to our total revenue in 2017, 2018 and 2019, respectively. Accordingly, our business and results of operations depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to renew existing service contracts and secure new service contracts. During the Track Record Period, we experienced a steady growth in our total GFA under management, which was 9.1 million sq.m., 9.9 million sq.m. and 15.8 million sq.m., as of December 31, 2017, 2018 and 2019, respectively.

During the Track Record Period, a significant portion of properties we managed were developed by Redsun Properties Group. As of December 31, 2017, 2018 and 2019, properties developed by Redsun Properties Group accounted for 73.1%, 72.3% and 61.8%, respectively, of our total GFA under management. In addition, we also manage certain commercial properties with aggregate GFA of 1.3 million sq.m. owned by Redsun Materials City Group and Redsun Business World, which are associates of our Controlling Shareholders. For details, see "Continuing Connected Transactions — Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements." We have devoted great efforts to expand our property management services to also cover properties developed by third-party property developers, aiming to expand additional sources of revenue and diversify our portfolio of property management service. The percentage of the GFA under management of the properties developed by third-party property developers to the total GFA under management was 12.7%, 14.7% and 30.0% as of December 31, 2017, 2018 and 2019, respectively.

Business Mix

Our business and results of operations are affected by our business mix. Our profit margins vary across different business lines, namely property management services, value-added services to non-property owners and community value-added services. Any change in the structure of revenue contribution from our business lines or change in profit margin of any business line may have a corresponding impact on our overall profit margin. The following tables set out the breakdowns of our gross profit and gross profit margin by business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	48,750	21.9	53,125	19.0	89,357	25.2
Value-added services to non-property owners	3,952	18.0	9,874	18.3	25,696	21.2
Community value-added services	5,347	43.4	6,773	45.2	12,391	46.1
Total	**58,049**	**22.6**	**69,772**	**20.0**	**127,444**	**25.3**

The gross profit margin for our community value-added services are generally higher than the gross profit margin for our other business lines, in particular, property management services which are relatively more labor-intensive. During the Track Record Period, the fluctuation in the overall gross profit margin was primarily due to the fluctuation in the gross profit margins for property management services and community value-added services. For more details regarding the fluctuation in our gross margins during the Track Record Period, see "— Results of Operations" and "Risk Factors — Risks Relating to Our Business and Industries — We may not be able to sustain the gross profit margins of our services at the levels we had during the Track Record Period."

We historically generated and expect to continue to generate the majority of our revenue from our property management services. We strive to maintain or improve our overall gross profit margin in the long term as (i) we endeavor to increase the prices we charge for our services, (ii) we seek to control our cost of services through our efforts in standardization, digitization and smart management, and (iii) we continue to expand our value-added services, in particular, our community value-added services, which contributed a higher gross profit margin during the Track Record Period.

Branding and Pricing Ability

We generally price our services by taking into account a number of factors, including (i) the types and locations of the properties, (ii) the overall planning of the project, (iii) the standard and scope of our services, (iv) our budgeted expenses, (v) our target profit margins, (vi) the profiles of property owners and residents, (vii) the local government's guidance price on property management fees, where applicable, and (viii) the pricing of comparable properties located in the same area. We strive to achieve a balance between pricing our projects competitively while maintaining our brand image as a quality property management service provider and ensuring an attractive profit margin. Failure to balance various factors in determining our pricing could adversely affect our financial condition and results of operations.

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

	For the year ended December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Total profit for the year	28,712	32,991	57,067
Assuming 5% decrease in our average property management fees			
Increase/(decrease) in revenue from our property management business	(11,146)	(13,994)	(17,738)
Increase/(decrease) in profit for the period	(8,359)	(10,496)	(13,304)
Assuming 10% decrease in our average property management fees			
Increase/(decrease) in revenue from our property management business	(22,292)	(27,988)	(35,477)
Increase/(decrease) in profit for the year	(16,719)	(20,991)	(26,608)

We strive to maintain or raise our property management fee rates when renewing the expiring property management service contracts to maintain or improve our profit margin in response to the enhancements to the standard or scope of our property management services and increases in our costs. Our ability to raise our fee rates will be impacted by our ability to uphold and enhance our brand recognition and industry position.

Ability to Mitigate the Impact of Rising Labor Costs and Sub-contracting Costs

Since our property management services are labor-intensive, labor costs constitute a substantial portion of our cost of sales. During the Track Record Period, our labor costs increased continuously as a result of the expansion of our operation scale and increases in average salary, as well as our increased staff resources to improve our service quality. In 2017, 2018 and 2019, our staff costs amounted to RMB129.7 million, RMB178.3 million and RMB242.8 million, representing 65.1%, 63.9% and 64.7%, respectively, of our cost of sales for the same years. To mitigate the impact brought by rising labor costs, we have implemented a series of cost control measures, including management standardization, digitalization and operation automation to reduce our reliance on manual labor. For details, please refer to the section entitled "Business — Property Management Services — Standardized Operation and Smart Management" in this document. We have also outsourced certain services, such as security, cleaning, maintenance and repairs, and greening and gardening services, to third-party sub-contractors while maintaining close supervision of their services to ensure service quality. In 2017, 2018 and 2019, fees paid to third-party sub-contractors amounted to RMB38.8 million, RMB64.6 million and RMB86.0 million, representing 19.5%, 23.1% and 22.9% of our cost of sales, respectively, for the same years. The rising labor costs would also affect our sub-contracting costs.

Competition

Our industry is highly competitive and fragmented, and we compete with other property management services providers on a number of aspects, including business scale, brand recognition, profitability, financial resources and adequacy of financing, price, diversity of services and service quality. Please refer to the sections entitled "Business — Competition" and "Industry Overview — Competition" in this document. We ranked the 35th by the CIA among the Top 100 Property Management Companies in China in terms of overall strength in 2019. Our ability to compete effectively with our competitors and maintain or improve our market position depends on our ability to enhance/maintain competitive strength. If we fail to compete and expand our GFA under management, we may lose market share in our principal business lines. See "Risk Factors — Risks Relating to Our Business and Industries — We operate in a highly competitive industry with numerous competitors and we may not be able to compete successfully against our competitors."

CERTAIN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGMENTS

Significant Accounting Policies

We have identified certain accounting policies that we believe are most significant to the preparation of our combined financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in details in Note 2 to the Accountants' Report included in Appendix I to this document.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future years, and as a result, actual results could differ from those estimates.

Revenue recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers when the control of goods or services is transferred to the customers at an amount reflecting the consideration to which we expect to be entitled in exchange for such goods or services. When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is recognised upon the satisfaction of relevant conditions as provided in the agreement. When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the customer and us at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

We recognize revenue from property management services over the scheduled period on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by us.

Revenue from the value-added services to non-property owners is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by us.

Revenue from Community value-added services is recognized when the related services are rendered and the customer simultaneously receives and consumes the benefits provided by us.

Other income

We recognize interest income 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 to the net carrying amount of the financial asset.

Business combinations other than common control combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. We measure the cost of an acquisition as the sum of the consideration transferred measuring at fair value as of acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, we determine 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. We measure all other components of non-controlling interests at fair value and expense acquisition-related costs as incurred.

When we acquire a business, we assess 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 re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer is recognized 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 recognized in profit or loss and contingent consideration classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill

We initially measure goodwill at cost (being the excess of the sum of the consideration transferred the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, we re-assess whether we have correctly identified all of the assets acquired and all of the liabilities assumed and review the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

Impairment of non-financial assets

We estimate an assets' recoverable amount where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets). We determine an asset's recoverable amount for an individual asset as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, we determine the recoverable amount for the cash-generating unit to which the asset belongs.

We recognize impairment loss only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

We also make assessment at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. We estimate the recoverable amount if such an indication exists. We reverse the previously recognized impairment loss of an asset other than goodwill 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 recognized 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 (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

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

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	257,140	348,981	502,990
Cost of sales	(199,091)	(279,209)	(375,546)
Gross profit	**58,049**	**69,772**	**127,444**
Other income and gains	1,073	632	3,129
Selling and marketing expenses	(694)	(699)	(364)
Administrative expenses	(16,996)	(24,227)	(50,944)
Other expenses	(1,554)	(37)	(190)
Impairment losses on financial assets, net	(73)	(160)	(384)
Finance costs	(1,174)	(837)	(392)
Profit before income tax	38,631	44,444	78,299
Income tax expenses	(9,919)	(11,453)	(21,232)
Profit for the year	**28,712**	**32,991**	**57,067**
Profit attributable to:			
— Owners of the Company	28,712	32,991	59,061
— Non-controlling interests	—	—	(1,994)
	28,712	32,991	57,067

Revenue

During the Track Record Period, we generated our revenue primarily from the following three business lines:

(i) *property management services*, primarily including security, cleaning, greening, gardening, facility management, repairs and maintenance services, represented 86.7%, 80.2% and 70.5%, respectively, of our total revenue in 2017, 2018 and 2019;

(ii) *value-added services to non-property owners*, primarily including consulting services, preliminary planning and design consultancy services, sales assistance services and pre-delivery services to property developers, represented 8.5%, 15.5% and 24.1%, respectively, of our total revenue in 2017, 2018 and 2019; and

(iii) *community value-added services*, primarily including property brokerage services, property decoration services, assets management services, community convenience services, and common area value-added services for residential properties, representing 4.8%, 4.3% and 5.4%, respectively, of our total revenue in 2017, 2018 and 2019.

The following table sets forth a breakdown of our revenue by each business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	222,917	86.7	279,884	80.2	354,767	70.5
Value-added services to non-property owners	21,899	8.5	54,097	15.5	121,352	24.1
Community value-added services	12,324	4.8	15,000	4.3	26,871	5.4
Total	**257,140**	**100.0**	**348,981**	**100.0**	**502,990**	**100.0**

Revenue from Property Management Services

Revenue from property management services continuously increased during the Track Record Period, primarily driven by the increase in the total GFA under management as a result of our business expansion as well as the increase in the average property management fees. Our total GFA under management increased from 9.1 million sq.m. as of December 31, 2017 to 9.9 million sq.m. as of December 31, 2018, and further to 15.8 million sq.m. as of December 31, 2019, representing a CAGR of 31.8%. Our average property management fees increased from RMB2.05 per sq.m. per month in 2017 to RMB2.43 per sq.m. per month in 2018, and further to RMB2.56 per sq.m. per month in 2019.

Revenue from Property Management Services by Type of Properties

During the Track Record Period, we recorded balanced revenue from property management services for residential properties and commercial properties. In 2017, 2018 and 2019, revenue from property management services for residential properties accounted for 49.1%, 51.2% and 49.0% of our total revenue, respectively, and revenue from property management services for commercial properties accounted for 49.8%, 47.9% and 49.9% of our total revenue. The general increase in the revenue from our property management services during the Track Record Period primarily reflected an increase in GFA under management from residential properties and commercial properties.

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

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)
Residential properties	7,196.0	109,476	49.1	7,889.6	143,160	51.2	12,061.5	173,878	49.0
Commercial properties	1,851.6	111,048	49.8	1,995.7	134,193	47.9	3,380.8	177,095	49.9
Other properties(1)	19.4	2,393	1.1	19.4	2,531	0.9	311.9	3,794	1.1
Total	**9,067.0**	**222,917**	**100.0**	**9,904.7**	**279,884**	**100.0**	**15,754.2**	**354,767**	**100.0**

Note:

(1) Other properties include office buildings and school.

Revenue from Property Management Services by Developer of Properties

During the Track Record Period, we derived the majority of our revenue from property management services for properties developed by Redsun Properties Group, which accounted for 61.9%, 61.8% and 55.6%, respectively, of our total revenue from property management services in 2017, 2018 and 2019. The gradual decrease in percentage of our total revenue from property management services for properties developed by Redsun Properties Group during the Track Record Period was primarily due to our continuous effort to strategically expand our property management services to cover properties developed by property developers other than Redsun Properties Group. The revenue generated from properties developed by third-party property developers increased in line with the increase in the relevant GFA under management during the Track Record Period. In addition, we also manage certain commercial properties with aggregate GFA of 1.3 million sq.m. owned by Redsun Materials City Group and Redsun Business World, which are associates of our Controlling Shareholders. For details, see "Continuing Connected Transactions — Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements."

The following table sets forth a breakdown of our GFA under management as of the dates indicated, and revenue generated from property management services for properties developed by Redsun Properties Group and third-party property developers, as well as properties owned by associates of our Controlling Shareholders for the years indicated.

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)
	(in thousands, except for percentages)								
Redsun Properties Group(1)	6,629.7	138,049	61.9	7,161.9	172,968	61.8	9,743.2	197,145	55.6
Third-party property Developers(2)	1,154.4	12,727	5.7	1,459.9	23,771	8.5	4,728.1	49,658	14.0
Third party developers(3)	700.0	11,820	5.3	1,005.5	16,180	5.8	3,572.0	40,484	11.4
Joint ventures and associates of Redsun Properties	454.4	907	0.4	454.4	7,591	2.7	1,156.1	9,174	2.6
Other associates of our Controlling Shareholder(3)	1,282.9	72,141	32.4	1,282.9	83,145	29.7	1,282.9	107,964	30.4
Total	**9,067.0**	**222,917**	**100.0**	**9,904.7**	**279,884**	**100.0**	**15,754.2**	**354,767**	**100.0**

Notes:

(1) Includes projects solely developed by Redsun Properties Group and properties that Redsun Properties Group jointly developed with other property developers for which properties Redsun Properties Group held a controlling interest.

(2) Includes properties developed by third-party property developers independent from Redsun Properties Group, as well as properties developed by property developers which are joint ventures and associates of Redsun Properties Group in which Redsun Properties Group does note hold a controlling interest.

(3) Includes properties owned by associates of our Controlling Shareholders.

Revenue from Property Management Services by Geographic Regions

To facilitate management of our property management network, we divide our geographic coverage into Nanjing, Jiangsu province (excluding Nanjing), Anhui province, Shanghai, Shandong province, Hunan province, Hebei province and Zhejiang province.

The table below sets forth a breakdown of our total GFA under management by geographic region as of the dates indicated, and the revenue generated from property management services by geographic region as well as their respective percentage of our total revenue generated from property management services for the years indicated.

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)	('000 sq.m.)	(RMB'000)	(%)
	(in thousands, except for percentages)								
Nanjing	7,442.1	184,289	82.7	8,082.1	236,663	84.6	10,397.5	297,044	83.8
Jiangsu province[1]	1,624.9	38,628	17.3	1,822.6	43,221	15.4	3,443.3	52,186	14.7
Shanghai	—	—	—	—	—	—	207.1	2,922	0.8
Anhui province	—	—	—	—	—	—	865.7	2,213	0.6
Shandong province	—	—	—	—	—	—	264.6	360	0.1
Hunan province	—	—	—	—	—	—	150.0	—[2]	—
Hebei province	—	—	—	—	—	—	76.9	42	0.0
Zhejiang province	—	—	—	—	—	—	349.1	—[2]	—
Total	**9,067.0**	**222,917**	**100.0**	**9,904.7**	**279,884**	**100.0**	**15,754.2**	**354,767**	**100.0**

Notes:

(1) Excluded Nanjing.

(2) We did not record any revenue for certain projects as they were delivered to property owners in late December 2019.

Revenue from Value-added Services to Non-property Owners

During the Track Record Period, we provided value-added services to non-property owners (mainly property developers), including (i) consulting services to other property management companies, enabling them to provide better services to their customers, (ii) preliminary planning and design consultancy services to property developers for property development projects from the perspective of property management, (ii) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, including visitor reception, cleaning, security inspection and maintenance, and (iii) other value-added services to property developers, such as inspection services. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of RMB21.9 million, RMB54.1 million and RMB121.4 million, respectively, from value-added services to non-property owners.

Revenue from Community Value-added Services

We provide a wide range of community value-added services to residential property owners and residents. Our community value-added services mainly include property brokerage services, property decoration services, assets management services, community convenience services and community resources operation services. For certain community value-added services utilized common area of the community, such as community convenience services and community resources operation services, we are required to share the profit from such services with property owners' associations or property owners under relevant laws and regulations. We negotiate with property owners' associations or property owners on our share of the profit received, generally ranging from approximately 30% to 50% of the total profit. Our revenue from community value-added services was recorded on net basis, after deducting the part of profit we shared with property owners' associations or property owners. For the years ended December 31, 2017, 2018 and 2019, we generated revenue of RMB12.3 million, RMB15.0 million and RMB26.9 million, respectively, from community value-added services.

Cost of Sales

Our cost of sales primarily consists of: (i) staff costs, primarily comprising staff salary and benefit in connection with our services provided, (ii) sub-contracting costs, primarily comprising amounts we paid to sub-contractors in connection with our services, (iii) maintenance and raw materials, primarily representing the consumables we use in our ordinary course of business, (iv) project administrative expenses, mainly including the administrative expenses incurred associated with our project operations, and (v) utility expenses, primarily representing our electricity, water and other utility expenses associated with our operations.

The following table sets forth the components of our cost of sales for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Staff costs	129,684	65.1	178,287	63.9	242,809	64.7
Sub-contracting costs	38,791	19.5	64,604	23.1	85,999	22.9
Maintenance and raw material	16,175	8.1	20,248	7.3	24,136	6.4
Project administrative expenses	9,365	4.7	10,646	3.8	14,305	3.8
Utility expenses	2,125	1.1	2,371	0.8	4,444	1.2
Others	2,951	1.5	3,053	1.1	3,853	1.0
Total	**199,091**	**100.0**	**279,209**	**100.0**	**375,546**	**100.0**

The general increase in the cost of sales during the Track Record Period was primarily due to the increase in staff costs as a result of rising average labor costs and the number of employees. The increase was also caused by the increase in the sub-contracting costs, which was generally in line with our business expansion and our service quality improvement.

The following table sets forth our cost of sales by each business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	174,167	87.5	226,759	81.2	265,410	70.7
Value-added services to non-property owners	17,947	9.0	44,223	15.8	95,656	25.5
Community value-added services	6,977	3.5	8,227	3.0	14,480	3.8
Total	**199,091**	**100.0**	**279,209**	**100.0**	**375,546**	**100.0**

Gross Profit and Gross Profit Margin

For the years ended December 31, 2017, 2018 and 2019, our gross profit amounted to RMB58.0 million, RMB69.8 million and RMB127.4 million, respectively, and our overall gross profit margin was 22.6%, 20.0% and 25.3%, respectively.

The following table sets forth our gross profit and gross profit margin by each business line for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property Management Services	48,750	21.9	53,125	19.0	89,357	25.2
Value-added services to non-property owners	3,952	18.0	9,874	18.3	25,696	21.2
Community value-added services	5,347	43.4	6,773	45.2	12,391	46.1
Total	**58,049**	**22.6**	**69,772**	**20.0**	**127,444**	**25.3**

Property Management Services

Gross profit from property management services amounted to RMB48.8 million, RMB53.1 million and RMB89.4 million, respectively, and gross profit margin for property management services was 21.9%, 19.0% and 25.2%, in 2017, 2018 and 2019. The decrease in the gross profit margin for property management services from 21.9% in 2017 to 19.0% in 2018 was primarily due to, as our cost of sales increased at a faster pace as compared with that of the revenue. This is caused by the increased staff cost in line with the increased number of staff whom we hired in 2018 for projects to be delivered in 2019. The increase in the gross profit margin for property management services to 25.2% in 2019 was primarily due to (i) a smaller increase in our staff costs in proportion to our overall cost of sales from 2018 to 2019 due to our expanded business scale, and (ii) our increased average property management fee in 2019.

Value-added Services to Non-property Owners

Gross profit from value-added services to non-property owners amounted to RMB4.0 million, RMB9.9 million and RMB25.7 million, respectively, and gross profit margin for value-added services to non-property owners was 18.0%, 18.3% and 21.2%, in 2017, 2018 and 2019. The general increase in the gross profit margin for value-added services to non-property owners during the Track Record Period was primarily due to increased number of projects for which we provided preliminary planning and design consultancy services while the relatively stable number of staff providing such services.

Community Value-added Services

Gross profit from community value-added services amounted to RMB5.3 million, RMB6.8 million and RMB12.4 million, respectively, and gross profit margin for community value-added services was 43.4%, 45.2% and 46.1%, in 2017, 2018 and 2019. The general increase in the gross profit margin for community value-added services during Track Record Period was primarily due to the operation of our community value-added services having achieved, greater economies of scale as a result of our business expansion.

Other Income and Gains

Our other income and gains primarily include: (i) government grants, which consist mainly of financial subsidies granted by the local governments to promote of employment and tax refund, (ii) gain on disposal of financing assets at fair value through profit or loss, which consisted of our gain from disposal of asset management products we purchased from banks, (iii) interest income from bank deposits, and (iv) others, which mainly include income incurred not in the ordinary course of business, such as income from disposal of wasting and/or wasted assets.

The following table sets forth the breakdown of our other income and gains for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Government grants	591	55.1	443	70.1	2,433	77.7
Gain on disposal of financing assets at fair value through profit or loss	—	—	36	5.7	240	7.7
Interest income	382	35.6	94	14.9	71	2.3
Others	100	9.3	59	9.3	385	12.3
Total	**1,073**	**100.0**	**632**	**100.0**	**3,129**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses primarily include (i) advertising expenses, including advertising expenses we incurred and fees we paid to third-party marketing companies, and (ii) depreciation and amortization on our office facilities in connection with sales and marketing. The following table sets forth the breakdown of our selling and distribution expenses for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Advertising expenses	654	94.2	649	92.8	316	86.8
Depreciation and amortization	40	5.8	50	7.2	48	13.2
Total	**694**	**100.0**	**699**	**100.0**	**364**	**100.0**

Our selling and distribution expenses remained relatively stable in 2017 and 2018. Our selling and distribution expenses decreased in 2019 primarily due to a decrease in fees paid to third parties marketing companies following less marketing activities in 2019, as compared with that in 2019.

Administrative Expenses

Our administrative expenses primarily include: (i) staff costs, mainly including salaries and benefits of our staff such as management, operations management, administration, human resources and finance staff at subsidiaries, branches and headquarters levels, (ii) professional fees such as auditors' remuneration and professional service fees for legal counsels and tax consultants, (iii) traveling expenses, (iv) depreciation and amortization, (v) entertainment expenses, (vi) office expenses, (vii) bank charges, and (viii) other miscellaneous administrative expenses. The following table sets forth the breakdown of our administrative expenses for the years indicated.

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Staff costs	12,861	75.7	19,573	80.8	36,378	71.4
Professional fees	465	2.7	203	0.8	4,576	9.0
Traveling expenses	761	4.5	1,325	5.5	2,235	4.4
Depreciation and amortization	485	2.9	747	3.1	1,696	3.3
Entertainment expenses	599	3.5	547	2.3	1,180	2.3
Office expenses	494	2.9	699	2.9	2,196	4.3
Bank charges	481	2.8	683	2.8	839	1.6
Others	850	5.0	450	1.8	1,844	3.7
Total	**16,996**	**100.0**	**24,227**	**100.0**	**50,944**	**100.0**

Other Expenses

Our other expenses primarily include incidental expenses incurred not in the ordinary course of business, such as investment loss recorded for asset management products purchased, liquidated damages and penalties paid due to our breach of contract, and loss from disposal of wasting and/or wasted assets. For the years ended December 31, 2017, 2018 and 2019, our other expenses amounted to RMB1.6 million, RMB37,000 and RMB0.2 million, respectively.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets, which primarily included the impairment allowance we recorded for trade and other receivables in accordance with our accounting policy, amounted to RMB73,000, RMB0.2 million and RMB0.4 million for the years ended December 31, 2017, 2018 and 2019, respectively. The general increase in the net impairment losses on financial assets was primarily in line with our increased trade and other receivables.

Finance Costs

Our finance costs, mainly representing our interest expenses on bank borrowings, amounted to RMB1.2 million, RMB0.8 million and RMB0.4 million for the years ended December 31, 2017, 2018 and 2019, respectively. The decrease in the finance costs during the Track Record Period was primarily in line with the decreased average balance of our bank borrowings during the respective periods.

Income Tax Expenses

Our income tax expenses primarily comprise PRC corporate income tax.

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Current income tax			
— PRC corporate income tax	6,989	11,371	25,868
Deferred tax	2,930	82	(4,636)
Total	**9,919**	**11,453**	**21,232**

In 2017, 2018 and 2019, our effective income tax rates were 25.7%, 25.8% and 27.1%, respectively. Our effective income tax rate increased in 2019, primarily due to an increase in certain non-tax deductible expenses such as entertainment expenses and certain deferred tax derived from taxable losses that had not been recognized.

RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 44.1%, from RMB349.0 million in 2018 to RMB503.0 million in 2019. The increase in revenue was primarily due to an increase in revenue from property management services, and to a lesser extent, an increase in revenue from value-added services to non-property owners.

- *Revenue from property management services.* Revenue from property management services increased by 26.8%, from RMB279.9 million in 2018 to RMB354.8 million in 2019, primarily due to increases in revenue from commercial and residential properties.

  (i) Revenue from commercial property management increased by 32.0%, from RMB134.2 million in 2018 to RMB177.1 million in 2019, primarily due to an increase in the GFA under management as a result of the reopening of Redsun Plaza (弘陽廣場) and the theme park in May 2018 following the completion of partial renovation and the opening of a home improvement and furnishings mall in Nanjing in June 2018. The increase was also caused by an increase in the average property management fee from RMB5.60 per sq.m. per month in 2018 to RMB7.08 per sq.m. per month in 2019, primarily due to higher property management fees paid to us by certain renowned brand newly moving into Redsun Plaza after its renovation in May 2018, as we incurred more operating expenses in response to their demands. The increase was also due to higher property management fees for the management of a home improvement and furnishings mall, as the usage of some warehouse in such mall was changed to shops in 2019.

(ii) Revenue from residential property management increased by 21.5%, from RMB143.2 million in 2018 to RMB173.9 million in 2019, primarily due to an increase in the GFA under management as a result of an increase in delivered projects which we were contracted to provide property management services and our acquisition of Nanjing Ya Dong Property Management and Shanghai Andi in 2019.

- *Revenue from value-added services to non-property owners*. Revenue from value-added services to non-property owners increased by RMB67.3 million, from RMB54.1 million in 2018 to RMB121.4 million in 2019, primarily attributable to an increase in the number of projects we provided sales assistance services.

- *Revenue from community value-added services*. Revenue from community value-added services increased by 79.1%, from RMB15.0 million in 2018 to RMB26.9 million in 2019, primarily attributable to an increase in revenue generated from property decoration services and community resources operation services.

Cost of Sales

Our cost of sales increased by 34.5%, from RMB279.2 million in 2018 to RMB375.5 million in 2019, primarily due to an increase of RMB64.5 million in staff costs and an increase of RMB21.4 million in sub-contracting costs, generally in line with our increased operation scale.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 82.7%, from RMB69.8 million in 2018 to RMB127.4 million in 2019. Our gross profit margin increased from 20.0% in 2018 to 25.3% in 2019, primarily due to the increase in the gross profit margin for both property management services and community value-added services.

- *Property management services.* Our gross profit margin for property management services increased from 19.0% in 2018 to 25.2% in 2019, primarily due to (i) the effect brought by staff hiring in 2018 for our projects to be delivered in 2019 no longer existed, and (ii) our increased average property management fee.

- *Value-added services to non-property owners.* Our gross profit margin for value-added services to non-property owners increased from 18.3% in 2018 to 21.2% in 2019, primarily due to increased number of projects for which we provided preliminary planning and design consultancy services while the relatively stable number of staff providing such services.

- *Community value-added services.* Our gross profit margin for community value-added services slightly increased from 45.2% in 2018 to 46.1% in 2019, primarily due to the operation of our community value-added services having achieved greater economies of scale.

Other Income and Gains

Our other income and gains increased by 395.1%, from RMB0.6 million in 2018 to RMB3.1 million in 2019, primarily due to an increase of RMB2.0 million in the government grant associated with tax refund and reduction associated with personal income tax handling fee and tax on small-size enterprises.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 47.9%, from RMB0.7 million in 2018 to RMB0.4 million in 2019, primarily due to less expenses paid to third-party marketing companies for advertisement in 2019, caused by less marketing activities in 2019, as compared with that in 2018.

Administrative Expenses

Our administrative expenses increased by 110.3%, from RMB24.2 million in 2018 to RMB50.9 million in 2019, primarily due to an increase of RMB16.8 million in staff costs caused by the increase in the average salary paid to our staff and the number of management personnel we hired in connection with our business expansion and the [REDACTED].

Other Expenses

Our other expenses increased by RMB0.2 million, from RMB37,000 in 2018 to RMB0.2 million in 2019, primarily due to an increase in liquidated damages paid for breach of contract when we terminated certain lease agreements for our community properties and expenses incurred for insurance claims.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets increased from RMB0.2 million in 2018 to RMB0.4 million in 2019, generally in line with our increased trade and other receivables.

Finance Costs

Our finance costs decreased by 53.2%, from RMB0.8 million in 2018 to RMB0.4 million in 2019, primarily due to the decreased average balance of bank borrowings in 2019.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 76.2%, from RMB44.4 million in 2018 to RMB78.3 million in 2019.

Income Tax Expenses

Our income tax expenses increased by 85.4%, from RMB11.5 million in 2018 to RMB21.2 million in 2019, primarily due to the increased in the taxable income. Our effective income tax rate increased from 25.8% in 2018 to 27.1% in 2019, primarily due to an increased in certain non-tax deductible expenses such as entertainment expenses and certain deferred tax derived from taxable losses that have not been recognized.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 73.0%, from RMB33.0 million in 2018 to RMB57.1 million in 2019, and our net profit margin increased from 9.5% in 2018 to 11.3% in 2019.

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

Revenue

Our revenue increased by 35.7%, from RMB257.1 million in 2017 to RMB349.0 million in 2018. The increase in revenue was primarily due to an increase in revenue from property management services, and to a lesser extent, an increase in revenue from value-added services to non-property owners.

- *Revenue from property management services.* Revenue from property management services increased by 25.6%, from RMB222.9 million in 2017 to RMB279.9 million in 2018, primarily due to increases in revenue from residential and commercial properties.

  (i) Revenue from residential property management increased by 30.8%, from RMB109.5 million in 2017 to RMB143.2 million in 2018, primarily due to an increase in the number of residential projects under our management from 38 in 2017 to 44 in 2018. The increase was also due to the increase in the average management fee from RMB1.27 sq.m. per month in 2017 to RMB1.57 per sq.m. per month in 2018, as certain residential properties we newly commenced management in 2018 had generally higher property management fee than those we managed in 2017.

  (ii) Revenue from commercial property management increased by 21.9%, from RMB110.0 million in 2017 to RMB134.2 million in 2018, primarily due to the reopening of Redsun Plaza and the theme park in May 2018 and the opening of a home improvement and furnishings mall in Nanjing in June 2018.

- *Revenue from value-added services to non-property owners*. Revenue from value-added services to non-property owners increased by RMB32.2 million, from RMB21.9 million in 2017 to RMB54.1 million in 2018, primarily attributable to an increase in the number of projects we provided sales assistance services as a result of our effort to expand our value-added services.

- *Revenue from community value-added services*. Revenue from community value-added services increased by 21.7%, from RMB12.3 million in 2017 to RMB15.0 million in 2018, in line with our expanding GFA under management.

Cost of Sales

Our cost of sales increased by 40.2%, from RMB199.1 million in 2017 to RMB279.2 million in 2018, primarily due to an increase of RMB48.6 million in the staff costs and an increase of RMB25.8 million in sub-contracting costs, generally in line with the increase in total GFA under our management and the rising labor costs. Our cost of sales increased at a rate faster than that of our revenue, primarily as we hired more staff in 2018 for projects to be delivered in 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 20.2%, from RMB58.0 million in 2017 to RMB69.8 million in 2018. Our gross profit margin decreased from 22.6% in 2017 to 20.0% in 2018, primarily due to the decrease in the gross profit margin for property management services.

- *Property management services.* Our gross profit margin for property management services decreased from 21.9% in 2017 to 19.0% in 2018, primarily due to increased staff cost resulted from the increased number of staff whom we hired for projects to be delivered in 2019.

- *Value-added services to non-property owners.* Our gross profit margin for value-added services to non-property owners increased from 18.0% in 2017 to 18.3% in 2018, primarily due to increased number of projects for which we provided preliminary planning and design consultancy services while the relatively stable number of staff providing such services.

- *Community value-added services.* Our gross profit margin for community value-added services increased from 43.4% in 2017 to 45.2% in 2018, primarily due to the operation of our community value-added services having developed to be more sophisticated, leading to greater economies of scale.

Other Income and Gains

Our other income and gains decreased by 41.1%, from RMB1.1 million in 2017 to RMB0.6 million in 2018, primarily due to a decrease of RMB0.3 million in interest income as we had more time deposit in 2017 which generated more bank interest.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB0.7 million and RMB0.7 million in 2017 and 2018, respectively.

Administrative Expenses

Our administrative expenses increased by 42.5%, from RMB17.0 million in 2017 to RMB24.2 million in 2018, primarily due to an increase of RMB6.7 million in staff costs, caused by increases in both the number of our employees in line with our business expansion and an increase in our average salary paid to our employees.

Other Expenses

Our other expenses were RMB1.6 million and RMB37,000 in 2017 and 2018, respectively. We recorded investment loss of RMB1.4 million in 2017 when we redeemed the assets management products we purchased.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets increased from RMB73,000 in 2017 to RMB0.2 million in 2018, primarily due to the increased loss recognized on the increased trade and other receivables.

Finance Costs

Our finance costs decreased by 28.7%, from RMB1.2 million in 2017 to RMB0.8 million in 2018, primarily due to a decrease in the average balance of our bank loans in 2018.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 15.0%, from RMB38.6 million in 2017 to RMB44.4 million in 2018.

Income Tax Expenses

Our income tax expenses increased by 15.5%, from RMB9.9 million in 2017 to RMB11.5 million in 2018, primarily due to an increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 14.9%, from RMB28.7 million in 2017 to RMB33.0 million in 2018, and our net profit margin decreased from 11.2% in 2017 to 9.5% in 2018.

CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

The table below sets forth our financial position as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Assets			
Non-current assets			
Property, plant and equipment	4,696	7,821	9,326
Other intangible assets	1,427	1,635	8,631
Goodwill	—	—	12,301
Deferred tax assets	1,272	1,446	6,313
Other non-current assets	2,581	260	322
	9,976	11,162	36,893
Current assets			
Inventories	11	35	19
Trade receivables	9,981	8,440	25,626
Due from related companies	42,882	167,124	262,730
Prepayments, deposits and other receivables	4,355	5,951	32,030
Financial assets at fair value through profit or loss	—	33,720	3,100
Cash and cash equivalents	69,635	37,709	179,111
	126,864	252,979	502,616
Total assets	**136,840**	**264,141**	**539,509**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	—	(256)	(2,250)
	—	(256)	(2,250)
Current liabilities			
Trade payables	(8,649)	(15,359)	(43,155)
Other payables, deposits received and accruals	(46,240)	(65,313)	(128,714)
Contract liabilities	(28,201)	(48,295)	(81,907)
Due to related companies	(33,329)	(73,876)	(38,418)
Interest-bearing bank borrowings	—	(5,000)	—
Tax payable	(3,237)	(5,867)	(27,731)
	(119,656)	(213,710)	(319,925)
Total liabilities	**(119,656)**	**(213,966)**	**(322,175)**
Equity			
Equity attributable to owners of the Company			
Share capital	(5,000)	(5,000)	(103,788)
Reserves	(12,184)	(45,175)	(104,236)
	(17,184)	(50,175)	(208,024)
Non-controlling interests	—	—	(9,310)
Total equity	**(17,184)**	**(50,175)**	**(217,334)**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of parking systems and other machinery, vehicles and office equipment. Our property, plant and equipment increased by 66.5% from RMB4.7 million as of December 31, 2017 to RMB7.8 million as of December 31, 2018, primarily due to our acquisition of surveillance equipment for property management projects we newly launched in 2018. The increase was also due to the installation of smart parking systems for some projects under our management in 2018. Our property, plant and equipment further increased by 19.2% from RMB7.8 million as of December 31, 2018 to RMB9.3 million as of December 31, 2019, primarily due to our acquisition of office equipment and vehicles.

Other Intangible Assets

Our other intangible assets primarily include our Red Life mobile application and other software systems. Our other intangible assets increase by 14.6% from RMB1.4 million as of December 31, 2017 to RMB1.6 million as of December 31, 2018, primarily due to our investment on the improvement of Red Life mobile application and development of new software systems. Our other intangible assets increased by 427.9% from RMB1.6 million as of December 31, 2018 to RMB8.6 million as of December 31, 2019, primarily due to our increased intangible assets resulted from the acquisition of Nanjing Ya Dong Property Management.

Goodwill

We recorded goodwill of RMB12.3 million as of December 31, 2019, primarily in connection with our acquisition of Nanjing Ya Dong Property Management in 2019. We did not record any goodwill as of December 31, 2017 and 2018.

Inventories

Our inventories primarily consist of consumables to be used in our daily operations. Due to our business nature, we only maintain a small amount of inventories. Our inventories increased by RMB24,000 from RMB11,000 as of December 31, 2017 to RMB35,000 as of December 31, 2018, primarily due to increased consumables required as a result of the increased GFA under management. Our inventories decreased to RMB19,000 as of December 31, 2019.

As of February 29, 2020, approximately RMB19,000, or 100.0% of our inventories as of December 31, 2019 were subsequently consumed.

Trade Receivables

Our trade receivables primarily include property management service fees due from customers not related to us. The table below sets forth the breakdown of our trade receivables as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Trade receivables	10,428	8,920	26,126
Less: impairment losses recognized	(447)	(480)	(500)
	9,981	**8,440**	**25,626**

Our trade receivables, before impairment losses recognized, decreased by 14.5%, from RMB10.4 million as of December 31, 2017 to RMB8.9 million as of December 31, 2018, primarily due to our enhanced collection efforts. Our trade receivables, before impairment losses recognized, increased by 192.9% to RMB26.1 million as of December 31, 2019, primarily due to the increased trade receivables we recorded as a result of our acquisition of Nanjing Ya Dong Property Management in 2019. Nanjing Ya Dong had a relatively lower collection rate than us.

The following table sets forth our trade receivable turnover days for the years indicated.

	For the year ended December 31,		
	2017	**2018**	**2019**
Trade receivable turnover days(1)	13.0	9.5	12.0

Note:

(1) Calculated as the average balances of trade receivables of the relevant period divided by revenue for that relevant period then multiplied by 360 for a year.

The decrease in our trade receivables turnover days from 2017 to 2018, primarily due to our enhanced collection. The increase in our trade receivables turnover days from 2018 to 2019, primarily due to our acquisition of Nanjing Ya Dong Property Management, which had a relatively lower property management fee collection rate than us.

As of February 29, 2020, approximately RMB0.6 million, or 2.3%, of our trade receivables as of December 31, 2019 were subsequently settled.

The following table sets forth an aging analysis of our trade receivables based on the date of revenue recognition as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	7,350	5,977	19,622
Over one year and within two years	1,739	1,435	4,162
Over two years and within three years	556	773	985
Over three years	336	255	857
	9,981	8,440	25,626

We recorded allowance for impairment of trade receivables of RMB0.4 million, RMB0.5 million and RMB0.5 million as of December 31, 2017, 2018 and 2019, respectively.

The table below sets forth the movements in our allowance for impairment of trade receivables as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
At the beginning of the year	461	447	480
Impairment losses recognized	—	33	20
Write-off	(14)	—	—
At the end of the year	447	480	500

We perform impairment analysis and use a provision matrix to measure expected credit losses. We determine the provision rates based on aging of trade receivables for groupings of various customer segments with similar loss patterns. Our calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, we write off trade receivables if their aging were more than one year and were not subject to enforcement activity.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of: (i) prepayments on behalf of customers to utility suppliers, (ii) other deposits mainly being performance deposit paid, (iii) amounts due from third parties, (iv) other tax recoverable, (v) advance to our staff for small purchases, and (vi) other receivables mainly being other fees and expenses paid on behalf of property owners or residents. The following table sets forth the breakdown of prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments on behalf of customers to utility suppliers	1,742	3,042	17,287
Other deposits	1,101	1,978	10,237
Other tax recoverable	632	109	2,040
Advance to staff	473	742	1,131
Due from third parties	496	296	1,915
Impairment	(89)	(216)	(580)
Total	**4,355**	**5,951**	**32,030**

Our prepayments, deposits and other receivables increased by 36.6% from RMB4.4 million as of December 31, 2017 to RMB6.0 million as of December 31, 2018, primarily due to an increase of RMB1.3 million in prepayments on behalf of customers to utility suppliers, mainly caused by the delivery of new commercial properties in 2018.

Our prepayments, deposits and other receivables increased by 438.2% from RMB6.0 million as of December 31, 2018 to RMB32.0 million as of December 31, 2019, primarily due to (i) an increase of RMB14.2 million in prepayments on behalf of customers to utility suppliers, mainly caused by our acquisition of Nanjing Ya Dong and the higher occupancy rate of the commercial properties under our management; (ii) an increase of RMB8.3 million in other deposits, mainly including performance deposit and other deposit paid.

Cash and Cash Equivalents

Our cash and cash equivalents decreased by 45.9%, from RMB69.6 million as of December 31, 2017 to RMB37.7 million as of December 31, 2018, primarily due to our purchase of assets management products of RMB33.7 million in 2018. Our cash and cash equivalents increased by 375.0% from RMB37.7 million as of December 31, 2018 to RMB179.1 million as of December 31, 2019, primarily due to the increased net cash inflow from operating activities and increased capital contribution.

Financial Assets at Fair Value through Profit or Loss

We had financial assets at fair value through profit or loss of RMB33.7 million and RMB3.1 million as of December 31, 2018 and 2019, primarily comprising the short-term assets management product we purchased from one of the major state-owned bank in China. The short-term assets management product is principal-guaranteed with floating income, which can be redeemed at any time upon request. The fair value decreased to RMB3.1 million as of December 31, 2019, due to our redemption of such assets management product in 2019.

Due from Related Companies

As of December 31, 2017, 2018 and 2019, amount due from related companies was RMB42.9 million, RMB167.1 million and RMB262.7 million, respectively. For details, please see "— Related Party Transactions".

Trade Payables

Our trade payables primarily represent our obligations to pay for services provided by sub-contractors in the ordinary course of business. All of the sub-contractors during the Track Record Period were Independent Third Parties. As of December 31, 2017, 2018 and 2019, our trade payables amounted to RMB8.6 million, RMB15.4 million and RMB43.2 million, respectively.

Our trade payables increased by 77.6%, from RMB8.6 million as December 31, 2017 to RMB15.4 million as of December 31, 2018, primarily due to our increased sub-contracting costs in relation to security, cleaning and repair and maintenance services caused by the increased number of projects under our management in 2018. Our trade payables increased by 181.0% to RMB43.2 million as of December 31, 2019, primarily due to our increased payables arising from projects managed by Nanjing Ya Dong Property Management which we acquired 51% equity interest in 2019.

The following table sets forth our trade payable turnover days for the years indicated.

	For the year ended December 31,		
	2017	2018	2019
Trade payable turnover days(1)	10.5	15.5	28.0

Note:

(1) Calculated as the average balances of trade payables of the relevant year divided by cost of sales for that relevant period then multiplied by 360 for year.

Our trade payable turnover days increased from 10.5 days in 2017 to 15.5 days in 2018, primarily due to an increased trade payable as of December 31, 2018. Our trade payable turnover days increased from 15.5 days in 2018 to 28.0 days in 2019, primarily due to increased trade payables due to the acquisition of Nanjing Ya Dong Property Management.

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	8,116	14,767	39,954
Over one years	533	592	3,201
	8,649	**15,359**	**43,155**

As of February 29, 2020, approximately RMB10.3 million, or 23.8%, of our trade payables as of December 31, 2019 were subsequently settled.

Other Payables, Deposits Received and Accruals

Our other payables, deposits received and accruals primarily comprising: (i) payroll and welfare payable to our employees, (ii) receipts on behalf of community residents for utilities, mainly being utility charges we received from our residents on behalf of third parties, (iii) expense expenditure, mainly comprising our expenses incurred in connection with the installation of smart entrance systems, (iv) business tax and surcharges, (v) reimbursed expenses, primarily representing reimbursement to staff contribution for social insurance and housing provident fund on behalf of our employees each month and other expenses, (vi) deposits received, mainly being decoration deposits, utilities supply deposits and quality guarantee deposits we received, (vii) other payables, mainly being disbursements, insurance premium and other fees payables during our ordinary course of business.

The following table sets out our other payables, deposits received and accruals as of the dates indicated.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Payroll and welfare payable	21,266	34,296	48,788
Receipts on behalf of community residents for common areas	11,909	14,844	36,645
Business tax and surcharges	2,480	5,627	18,307
Deposits received	6,963	4,574	9,314
Others	3,622	5,972	15,660
	46,240	**65,313**	**128,714**

Our other payables, deposits received and accruals increased by 41.2%, from RMB46.2 million as of December 31, 2017 to RMB65.3 million as of December 31, 2018, primarily due to an increase of RMB13.0 million in payroll and welfare payable, mainly caused by increases in both the number of our employees in line with our expansion and the average wage of our employees. Our other payables, deposits received and accruals further increased by 97.1% to RMB128.7 million as of December 31, 2019, primarily due (i) to an increase of RMB21.8 million in receipts on behalf of community residents for utilities caused by the increased utility fees for common area in line with our business expansion, (ii) an increase of RMB14.5 million in payroll and welfare payable due to increased staff costs, and (iii) an increase of RMB12.7 million in business tax and surcharges caused by the increase in our revenue.

Contract Liabilities

Our contract liabilities mainly represent the advance payments made by customers while our underlying services are yet to be provided. As of December 31, 2017, 2018 and 2019, our contract liabilities were RMB28.2 million, RMB48.3 million and RMB81.9 million, respectively. Our contract liabilities increased during the Track Record Period primarily due to the increase in contract liabilities due to the increase in the number of properties we managed.

Interest-bearing Bank Borrowings

As of December 31, 2018, our interest-bearing bank borrowings amounted to RMB5.0 million. We repaid our outstanding bank borrowings in 2017 and 2019 thus did not record any interest-bearing bank borrowings as of December 31, 2017 and 2019.

Due to Related Companies

As of December 31, 2017, 2018 and 2019, amount due to related companies was RMB33.3 million, RMB73.9 million and RMB38.4 million, respectively. For details, please see "— Related Party Transactions."

NET CURRENT ASSETS

	As of December 31,			As of February 29, 2020
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current assets				
Inventories	11	35	19	22
Trade receivables	9,981	8,440	25,626	27,691
Due from related companies	42,882	167,124	262,730	233,504
Prepayments, deposits and other receivables	4,355	5,951	32,030	24,388
Financial assets at fair value through profit or loss	—	33,720	3,100	—
Cash and cash equivalents	69,635	37,709	179,111	84,762
	126,864	252,979	502,616	370,367
Current liabilities				
Trade payables	(8,649)	(15,359)	(43,155)	(39,634)
Other payables, deposits received and accruals	(46,240)	(65,313)	(128,714)	(82,306)
Contract liabilities	(28,201)	(48,295)	(81,907)	(86,528)
Due to related companies	(33,329)	(73,876)	(38,418)	(37,575)
Interest-bearing bank borrowings	—	(5,000)	—	—
Tax payable	(3,237)	(5,867)	(27,731)	(7,864)
	(119,656)	(213,710)	(319,925)	(253,907)
Net current assets	**7,208**	**39,269**	**182,691**	**116,460**

We recorded net current assets of RMB7.2 million, RMB39.3 million and RMB182.7 million as of December 31, 2017, 2018 and 2019, respectively. The general increase in net current assets during the Track Record Period was primarily due to the increase in amounts due from related parties and the increase in our cash and cash equivalents. The net current assets decreased to RMB116.5 million as of February 29, 2020, primarily due to a decrease in the cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and procurement of property, plant and equipment and acquisition of subsidiaries, joint ventures and associates. We meet these cash requirements by relying on our cash at banks and financial institution and net cash flows from operating activities as our principal source of funding. Following the completion of the [REDACTED] and the [REDACTED], we intend to continue to fund our cash requirements through our net cash flows from operating activities.

	For the years ended December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash flows from operating activities	79,976	27,452	110,999
Net cash flows from/(used in) investing activities	71,337	(105,135)	(27,977)
Net cash flows (used in)/from financing activities	(110,850)	45,757	58,380
Net increase/(decrease) in cash and cash equivalents	40,463	(31,926)	141,402
Cash and cash equivalents at beginning of year	29,172	69,635	37,709
Cash and cash equivalents at end of year	69,635	37,709	179,111

Cash Flow from Operating Activities

Our cash from operating activities primarily consists of fees received from provision of property management services, value-added services to non-property owners and community value-added services. Cash flows from operating activities reflects profit before tax adjusted for (i) non-cash and non-operating items, such as finance costs, depreciation of items of property, plant and equipment and amortization of intangible assets; (ii) movements in working capital, such as increase or decrease in prepayments, deposits and other receivables, increase or decrease in other payables, deposits received and accruals, increase or decrease in contract liabilities; and (iii) other cash items consisting of income tax paid and interest paid.

In 2019, we had net cash generated from operating activities of RMB111.0 million, which was the result of the profit before tax of RMB78.3 million, adjusted by (i) an increase of RMB40.8 million in other payables, deposits received and accruals, and (ii) an increase of RMB27.4 million in contract liabilities, partially offset by a decrease of RMB60.4 million in amounts due from related parties.

In 2018, we had net cash generated from operating activities of RMB27.5 million, which was the result of the profit before income tax of RMB44.4 million, adjusted by a decrease of RMB55.7 million in amounts due from related parties, partially offset by (i) an increase in contract liabilities of RMB20.1 million, and (ii) an increase of RMB19.1 million in other payables, deposits received and accruals, and (iii) an increase of RMB6.7 million in trade payables.

In 2017, we had net cash generated from operating activities of RMB80.0 million, which was the result of the profit before tax of RMB38.6 million, adjusted by (i) an increase of RMB19.8 million in amounts due from related parties, (ii) an increase of RMB12.7 million in other payables, deposits received and accruals, (iii) an increase of RMB5.7 million in trade payables, and (iv) an increase of RMB5.1 million in contract liabilities.

Cash Flow (used in)/from Investing Activities

In 2019, net cash flows used in investing activities was RMB28.0 million, primarily due to (i) the advances to related companies of RMB63.1 million, and (ii) the acquisition of subsidiaries of RMB20.1 million, partially offset by (i) changes of financial assets at fair value through profit or loss of RMB30.6 million, and (ii) repayment of advances to related parties of RMB27.8 million.

In 2018, net cash used in investing activities was RMB105.1 million, primarily reflecting (i) advances to related companies of RMB198.7 million, (ii) changes of financial assets at fair value through profit or loss of RMB33.7 million, and (iii) the purchase of property, plant and equipment of RMB5.1 million.

In 2017, net cash generated from investing activities was RMB71.3 million, primarily reflecting the changes of financial assets at fair value through profit or loss of RMB78.6 million and acquisition of subsidiaries of RMB28.6 million, partially offset by (i) advances to related companies of RMB92.4 million, (ii) the purchase of property, plant and equipment of RMB5.0 million, and (iii) the purchase in other long term assets of RMB2.2 million.

Cash Flow from/(used in) Financing Activities

In 2019, net cash from financing activities was RMB58.4 million, primarily due to (i) the advances from related companies of RMB126.6 million, and (ii) the capital contribution by the then equity shareholders of subsidiaries of RMB98.8 million, partially offset by (i) the repayment of advances from related companies of RMB161.6 million, and (ii) the repayment of interest-bearing bank borrowing of RMB5.0 million.

In 2018, net cash from financing activities was RMB45.8 million, reflecting primarily (i) advances from related companies of RMB164.4 million and (ii) proceeds from interest-bearing bank borrowings of RMB20.0 million, partially offset by (i) the repayment of advances from related companies of RMB122.8 million and (ii) the repayment of interest-bearing bank borrowings of RMB15.0 million.

In 2017, net cash used in financing activities was RMB110.9 million, reflecting primarily (i) the repayment of advances from related companies of RMB368.2 million, (ii) the repayment of interest-bearing bank borrowings of RMB23.5 million, partially offset by the advances from related companies of RMB282.0 million.

Working Capital

Our Directors are of the opinion that, after taking into account the cash and cash equivalents on hand, our operating cash flow, the available bank facilities available to us and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital to satisfy our present requirements for at least the next 12 months following the date of this document.

INDEBTEDNESS

Bank Borrowings

As of December 31, 2017, 2018 and 2019 and February 29, 2020, our total borrowings amounted to nil, RMB5.0 million, nil and nil, respectively. The table below sets forth the aging analysis of our interest-bearing borrowings as of the date indicated.

	As of December 31,			As of February 29, 2020
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Repayment within one year	—	5,000	—	—
Repayment in the second year	—	—	—	—
Repayment within two to five years	—	—	—	—
	—	**5,000**	—	—

Our bank borrowings of RMB5.0 million as of December 31, 2018 has been fully repaid by us in 2019.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, 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 purchase commitments, guarantees or other material contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties. Our Directors have confirmed that there had not been any material change in the contingent liabilities of our Group since December 31, 2019 and up to the Latest Practicable Date.

COMMITMENTS

Capital Commitments

Capital expenditures contracted for at the end of each year but not yet incurred are as follows.

	As of December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Contracted, but not provided for:			
Equipment	2,007	1,838	1,452

Our capital commitments of approximately RMB2.0 million, RMB1.8 million and RMB1.5 million as of December 31, 2017, December 31, 2018 and December 31, 2019, respectively, refer to our commitments for equipment.

Capital Expenditures

During the Track Record Period, we incurred capital expenditures mainly for (i) purchase of property, plant and equipment such as electronic equipment and equipment and transportation equipment, and (ii) acquisition of subsidiaries. The table below sets forth the breakdown of capital expenditures incurred during the Track Record Period.

	For the year ended December 31,		
	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)
Addition of property, plant and equipment	5,893	5,736	5,688
Acquisition of subsidiaries, net of cash acquired	(28,607)	—	20,119
	(22,714)	5,736	25,807

We currently expect our capital expenditures for the year ending December 31, 2020 to be RMB28.6 million, which will be used mainly for potential acquisition of other property management companies.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any material off-balance sheet arrangements as of December 31, 2019, the date of our most recent financial statement, and as of the Latest Practicable Date.

SUMMARY OF KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,		
	2017	2018	2019
Current ratio(1)	1.06x	1.18x	1.57x
Liabilities to assets ratio(2)	87.4%	81.0%	59.7%
Gearing ratio(3)	—	10.0%	—
Return on total assets(4)	21.0%	12.5%	10.6%
Return on equity(5)	167.1%	65.8%	26.3%

Notes:

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

(2) Liabilities to assets ratio is calculated based on total liabilities divided by total assets as of the respective dates and multiplied by 100%. Total liabilities represent the sum of current liabilities and non-current liabilities. Total assets represent the sum of current assets and non-current assets.

(3) Gearing ratio is calculated based on the sum of long-term and short-term interest-bearing bank and other borrowings as of the respective dates divided by total equity as of the same dates.

(4) Return on total assets ratio is calculated based on our profit for the year divided by our total assets at the end of the year and multiplied by 100%.

(5) Return on equity ratio is calculated based on our profit for the year divided by total equity at the end of the year and multiplied by 100%.

Current Ratio

Our current ratio increased from 1.06 times as of December 31, 2017 to 1.18 times as of December 31, 2018 primarily because the increase in current liabilities is less than the increase in current assets, primarily due to an increase in amounts due from related companies. Our current ratio further increased to 1.57 times as of December 31, 2019, primarily due to an increase in cash and cash equivalents and amounts due from related parties.

Liabilities to Assets Ratio

Our liabilities to assets ratio decreased from 87.4% as of December 31, 2017 to 81.0% as of December 31, 2018, primarily due to the increase in total assets is less than the increase in total liabilities resulting from the increase in amounts due to related companies. Our liabilities to assets ratio further decreased to 59.7% as of December 31, 2019, primarily due to an increase in total assets caused by the increase cash and cash equivalents and amounts due from related companies and a decrease in total liabilities caused by increased other payables, deposits received and accruals and increased contract liabilities.

Gearing Ratio

Our gearing ratio was 10.0% as of December 31, 2018. We did not record any bank borrowings as of December 31, 2017 and 2019.

Return on Total Assets

Our return on total assets decreased from 21.0% in 2017 to 12.5% in 2018, and further to 10.6% in 2019, primarily attributable to a continuous increase in total assets.

Return on Equity

Our return on equity decreased from 167.1% in 2017 to 65.8% in 2018, and further to 26.3% in 2019, primarily attributable to an increase in equity.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. For further details, see Note 33 of the Accountants' Report in Appendix I to this document. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing bank borrowings. As of December 31, 2017, 2018 and 2019, our interest-bearing bank borrowings amount to nil, RMB5.0 million and nil, respectively. We do not expect our interest rate risk to be material as we obtain all bank borrowings with a fixed rate. We do not use derivative financial instruments to hedge interest rate risk.

Credit Risk

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

We expect that there is no significant credit risk associated with cash and cash equivalents at banks and financial institution since they are deposited in high-credit-quality financial institutions without significant credit risk. We do not expect that there will be any significant losses from non-performance by these financial institutions.

We have a large number of customers and there was no concentration of credit risk during the Track Record Period. To mitigate risk arising from trade receivables, we have established policies to monitor the credit term grant to customers. We only grand credit term ranging from one to three months to customers in health financial position and with good credit record. We also have established procedures to monitor the collection of overdue receivables. In addition, we regularly review the recoverable amount of our trade receivables and make adequate impairment allowance for amounts irrecoverable.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. We also consider available reasonable and supportive forwarding-looking information. We used the expected credit loss rate of 4.29%, 5.38% and 1.91%, respectively, as of December 31, 2017, 2018 and 2019, considering the default probability and recovery probability, to estimate the impairment of financial assets included in trade receivables.

Liquidity Risk

To manage the liquidity risk, we have built an appropriate liquidity risk management framework for the management of our short, medium and long term funding and liquidity management requirements and we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

Our objective is to maintain a balance between continuity of funding and flexibility through the utilization of interest-bearing bank borrowings. We monitor our cash flows closely on an ongoing basis.

The follow tables set forth the maturity profile of our financial liabilities as of the dates indicated, based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2019					
Trade payables	43,155	—	—	—	43,155
Other payables	61,619	—	—	—	61,619
Due to related companies	38,418	—	—	—	38,418
	143,192	—	—	—	143,192
December 31, 2018					
Interest-bearing bank borrowings	—	—	5,000	—	5,000
Trade payables	15,359	—	—	—	15,359
Other payables	25,390	—	—	—	25,390
Due to related companies	73,876	—	—	—	73,876
	119,625	—	5,000	—	124,625
December 31, 2017					
Trade payables	8,649	—	—	—	8,649
Other payables	22,494	—	—	—	22,494
Due to related companies	33,329	—	—	—	33,329
	64,472	—	—	—	64,472

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we carried out transactions with related parties as stated in Note 31 to the Accountant's Report in Appendix I to this document.

Services Provided to Related Parties

During the Track Record Period, we provided property management services to certain related companies and generated revenue of RMB128.7 million, RMB122.6 million and RMB170.3 million for the years ended December 31, 2017, 2018 and 2019, respectively.

In addition, we provided sales assistance services to certain related companies and generated revenue of RMB21.1 million, RMB54.0 million and RMB112.9 million for the years ended December 31, 2017, 2018 and 2019, respectively.

These related party transactions were conducted in accordance with terms as agreed between the respective related parties and us. Our Directors have confirmed that all the aforementioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

Balances with Related Parties

During the Track Record Period, we also recorded advances and receipt of advances to and from related companies, which represented the balances with related companies. For details, please see Note 31 to Accountants’ Report in Appendix I to this document.

As of December 31, 2017, 2018 and 2019, we recorded amounts due from related parties of RMB3.9 million, RMB59.6 million and RMB120.0 million, respectively, which were trade related and mainly represented trade receivables due from such related parties. In addition, we recorded amounts due from related parties of RMB39.0 million, RMB107.5 million and RMB142.7 million, respectively, which were non-trade related, non-interest bearing and mainly represented balances with such related parties.

As of December 31, 2017, 2018 and 2019, we recorded amounts due to related parties of RMB1.6 million, RMB0.5 million and RMB62,000, respectively, which were trade related and mainly represented trade payables due to such related parties. In addition, we recorded amounts due to related parties of RMB31.8 million, RMB73.4 million and RMB38.4 million, respectively, which were non-trade related, non-interest bearing and mainly represented balances with such related parties.

All related party balances which are non-trade in nature will be fully settled prior to the [REDACTED]. For further details on related party balances and transactions, please see Note 31 of the Accountant’s Report in Appendix I to this document.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

We have not declared or paid any dividends since the date of our incorporation. We do not have a pre-determined pay-out ratio for dividend distribution. Our dividend policy is subject to compliance with the relevant laws of the Cayman Islands. Our Board has absolute discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, our Board will evaluate the Company’s earnings, cash flow, financial condition, capital requirements, prevailing economic conditions and any other factors that the Directors deem relevant. There can be no assurance that dividends will be paid in any amount in the future, or at all.

As of December 31, 2017, 2018 and 2019, our distributable reserves were approximately RMB10.9 million, RMB40.5 million and RMB91.2 million, respectively.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this document, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

[REDACTED] EXPENSES

The total [REDACTED] expenses (including [REDACTED] commissions) for the [REDACTED] of the Shares are estimated to be approximately RMB[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] and the [REDACTED] is not exercised), among which, approximately RMB[REDACTED] million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [REDACTED], and approximately RMB[REDACTED] million will be charged to our combined statement of profit or loss and other comprehensive income. During the Track Record Period, we incurred [REDACTED] expenses of approximately RMB[REDACTED] million, of which approximately RMB[REDACTED] million was included in prepayments and will be subsequently charged to equity upon completion of the [REDACTED] and approximately RMB[REDACTED] million was charged to combined statement of profit or loss and other comprehensive income.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

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

	Audited Combined Net Tangible Assets of our Group as of December 31, 2019	Estimated [REDACTED] from the [REDACTED]	Unaudited Pro Forma Adjusted Combined Net Tangible Assets of our Group	Unaudited Pro Forma Adjusted Combined Net Tangible Assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an [REDACTED] of HK$[REDACTED] per Share	187,092	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	187,092	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The combined net tangible assets attributable to owners of the Company as of December 31, 2019 is extracted from the Accountants' Report, which is based on the audited combined equity attributable to owners of the Company as of December 31, 2019 of approximately RMB208.0 million less goodwill and other intangible assets of approximately RMB20.9 million.

(2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] per Share or HK$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.9021.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].

(4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.9021.

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

RECENT DEVELOPMENTS

New Property Management Service Contracts

From January 1, 2020 and up to the Latest Practicable Date, we had entered to property management service contracts for three projects with an aggregated GFA of 0.16 million sq.m., covering residential properties and school.

The Impact of COVID-19 on Our Business

See "Business — The Impact of The Outbreak of COVID-19 On Our Business" and "Risk Factors — Risks Relating to Our Business and Industries —We face certain risks associated with the outbreak of COVID-19."

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our business operations had remained stable after the Track Record Period and up to the date of this document.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no event since December 31, 2019 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this document.

FUTURE PLANS

See the section headed "Business — Business Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] range stated in this document), will be approximately HK$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to pursue selective strategic investment and acquisition opportunities and to further expand the scale of our property management business, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to acquire or invest in other property management companies focusing on residential properties which are suitable for and complementary to our business operations and strategies with a view to enlarge our business scale; (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to acquire or invest in other property management companies for non-residential properties, in order to strengthen our ability to serve non-residential properties and enrich our project portfolio. As of the Latest Practicable Date, we did not have any investment or acquisition target. We plan to explore the acquisition or investment target preferably in the Yangtze River Delta and Southwest China. When we evaluate a potential investment or acquisition target, we would prefer an investment on a target that meets our internal criteria in terms of brand recognition, operating scale, project quality, ability to renew contracts, expansion ability, managing system, cash flows, collection rate and profitability;

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to enhance research and development and upgrade intelligent system, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to purchase or upgrade hardware, equipment and intelligent system of residential and commercial properties under our management as well as maintenance and upgrade of existing intelligent system and hardware equipment; and (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used for research and development and upgrade of our intelligent system, in particular, (a) research and development of "Redsun Town (弘陽小鎮)" Integrated Platform, through which we aim to integrate various business terminals and improve the synergies among different platforms and enhance our big data analysis capability, (b) recruitment and cultivation of technical expert and research and development team.

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to improve our service quality to ensure the delivery of high-end services to our customers, and further to diversify our revenue stream, among which,

  (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used for expansion of our "Chenxin (宸忻)" service pursuing the implementation of our high-end service system. In particular, we plan to hire high-end butler teams with professional background and launch "Chenxin (宸忻)" series in residential properties under our management, and we plan to further explore our customers' need, utilize community resources and gather high-quality merchants, with the intention to provide refined, considerate, personalized and diversified services to residents. In addition, we also plan to invest in community activities to provide property owners and residents with better living experience through improving the volume and variety of the community activities; and

  (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to cooperate with third-party suppliers to improve the quality and variety of our value-added services. We would select appropriate third-party suppliers which are suitable for our future business development and satisfy our value-added service's characteristics and demand to optimize our value-added service system. We also plan to engage third-party institutions to conduct customer satisfaction survey and mystery customer visiting to help us better understand and response to our customers' demands on value-added services;

- approximately [REDACTED] (or HK$[REDACTED] million) will be used to continue to recruit talents and improve employee trainings and employee benefit system to support sustainable development of our business, among which, (i) approximately [REDACTED] (or HK$[REDACTED] million) will be used to facilitate the recruitment of mid and high-end managerial talents as well as reserve talents with high potential to supplement our business operation; and (ii) approximately [REDACTED] (or HK$[REDACTED] million) will be used to optimize employee training and learning system, set up training team and incentive plans to provide our employees with comprehensive trainings and guidance.

- approximately [REDACTED] (or HK$[REDACTED] million) for working capital and general corporate purposes. We expect to have increasing needs of working capital as a result of the rapid and endogenous growth of our business and diversifying service offerings along with any investment or acquisition if and when suitable opportunities arise.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] or that the [REDACTED] is exercised.

If the [REDACTED] is fixed at HK$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] stated in this document) and assuming the [REDACTED] is not exercised, we will receive the [REDACTED] of approximately HK$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is fixed at HK$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] stated in this document) and assuming the [REDACTED] is not exercised, the [REDACTED] we will receive will be approximately HK$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

In the event that the [REDACTED] is exercised in full, we will receive additional [REDACTED] ranging from approximately HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per Share, being the low-end of the proposed [REDACTED]) to HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per Share, being the high-end of the proposed [REDACTED]), after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the [REDACTED] into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

[REDACTED]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

Grounds for Termination

[REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that within six months from the [REDACTED] no further Shares or securities convertible into equity securities of our Company (whether or not of a class already [REDACTED]) shall be issued by our Company or form the subject of any agreement to such issue (whether or not such [REDACTED] of Shares or securities of our Company will be completed within six months from the [REDACTED]), except pursuant to the [REDACTED], the [REDACTED] and the exercise of the [REDACTED] or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

[REDACTED]

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the [REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

Indemnity

[REDACTED]

[REDACTED]

[REDACTED]

In connection with the [REDACTED], it is expected that our Company and our Controlling Shareholders will enter into the [REDACTED] with, among others, the [REDACTED] and the [REDACTED]. Under the [REDACTED], subject to the conditions set forth therein, the [REDACTED] would severally and not jointly agree to purchase, or procure purchasers to purchase, the [REDACTED] being offered pursuant to the [REDACTED] (subject to, among others, any [REDACTED] between the [REDACTED] and the [REDACTED]). It is expected that the [REDACTED] may be terminated on similar grounds as the [REDACTED]. Potential investors are reminded that in the event that the [REDACTED] is not entered into, the [REDACTED] will not proceed.

[REDACTED]

Commissions and Expenses

The [REDACTED] will receive a gross [REDACTED] equal to [REDACTED]% of the aggregate [REDACTED] in respect of all the [REDACTED] (excluding any [REDACTED] to and from the [REDACTED]). For [REDACTED] to the [REDACTED] (in such proportion as the [REDACTED] in its sole discretion considers appropriate), the [REDACTED] commission regarding such [REDACTED] shall be [REDACTED] to the [REDACTED] (in such proportion as the [REDACTED] in its sole discretion considers appropriate).

Assuming the [REDACTED] is not exercised, the aggregate commissions and fees, together with Stock Exchange [REDACTED] fees, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and all other expenses relating to the [REDACTED], which are currently estimated to amount in aggregate to approximately HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range stated in this document), are payable and borne by our Company.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the section headed "Statutory and general information — D. Other information — 4. Sole Sponsor" in Appendix IV to this document.

[REDACTED] INTERESTS IN OUR COMPANY

The [REDACTED] and other [REDACTED] will receive an [REDACTED]. Particulars of these [REDACTED] commission and expenses are set out in the paragraph headed "[REDACTED] Arrangements and Expenses — [REDACTED]" in this section above for further details.

Other than pursuant to the [REDACTED], none of the [REDACTED] has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the [REDACTED], the [REDACTED] and their affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the [REDACTED].

MINIMUM PUBLIC FLOAT

Our Directors and the [REDACTED] will ensure that there will be a minimum [REDACTED]% of the total issued Shares held in [REDACTED] in accordance with Rule 8.08 of the Listing Rules after completion of the [REDACTED].

[REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report on Redsun Services Group Limited. prepared for the purpose of incorporation in this document received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

The Directors
Redsun Services Group Limited

ABCI Capital Limited

Dear Sirs,

We report on the historical financial information of Redsun Services Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-57, which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and the statement of financial position of the Company as at 31 December 2019, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-57 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the "Document") in connection with the initial [REDACTED] 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 2017, 2018 and 2019 and the Company as at 31 December 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

[REDACTED]

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
REVENUE	5	257,140	348,981	502,990
Cost of sales		(199,091)	(279,209)	(375,546)
GROSS PROFIT		58,049	69,772	127,444
Other income and gains	5	1,073	632	3,129
Selling and distribution expenses		(694)	(699)	(364)
Administrative expenses		(16,996)	(24,227)	(50,944)
Other expenses		(1,554)	(37)	(190)
Impairment losses on financial assets, net		(73)	(160)	(384)
Finance costs	7	(1,174)	(837)	(392)
PROFIT BEFORE TAX		38,631	44,444	78,299
Income tax expense	10	(9,919)	(11,453)	(21,232)
PROFIT FOR THE YEAR		28,712	32,991	57,067
Profit attributable to:				
Owners of the parent		28,712	32,991	59,061
Non-controlling interests		—	—	(1,994)
		28,712	32,991	57,067
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	12	N/A	N/A	N/A
TOTAL COMPREHENSIVE INCOME, NET OF TAX, FOR THE YEAR		28,712	32,991	57,067
Profit attributable to:				
Owners of the parent		28,712	32,991	59,061
Non-controlling interests		—	—	(1,994)
		28,712	32,991	57,067

COMBINED STATEMENTS OF FINANCIAL POSITION

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	4,696	7,821	9,326
Goodwill	15	—	—	12,301
Other intangible assets	14	1,427	1,635	8,631
Deferred tax assets	16	1,272	1,446	6,313
Other non-current assets		2,581	260	322
Total non-current assets		9,976	11,162	36,893
CURRENT ASSETS				
Inventories	18	11	35	19
Trade receivables	19	9,981	8,440	25,626
Due from related companies	31	42,882	167,124	262,730
Prepayments, deposits and other receivables	20	4,355	5,951	32,030
Financial assets at fair value through profit or loss	17	—	33,720	3,100
Cash and cash equivalents	21	69,635	37,709	179,111
Total current assets		126,864	252,979	502,616
CURRENT LIABILITIES				
Trade payables	22	8,649	15,359	43,155
Other payables, deposits received and accruals	23	46,240	65,313	128,714
Contract liabilities	24	28,201	48,295	81,907
Due to related companies	31	33,329	73,876	38,418
Interest-bearing bank borrowings	25	—	5,000	—
Tax payable	10	3,237	5,867	27,731
Total current liabilities		119,656	213,710	319,925
NET CURRENT ASSETS		**7,208**	**39,269**	**182,691**
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,184**	**50,431**	**219,584**
NON-CURRENT LIABILITIES				
Deferred taxes liabilities	16	—	256	2,250
Total non-current liabilities		—	256	2,250
NET ASSETS		**17,184**	**50,175**	**217,334**
EQUITY				
Equity attributable to owners of the parent				
Share capital	26	5,000	5,000	103,788
Reserves	27	12,184	45,175	104,236
		17,184	**50,175**	**208,024**
Non-controlling interests		**—**	**—**	**9,310**
TOTAL EQUITY		**17,184**	**50,175**	**217,334**

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Merger reserve*	Statutory surplus reserve*	Retained profits/ (accumulated losses)*	Total	Non-controlling interests	Total equity
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	—	5,000	—	(16,528)	(11,528)	—	(11,528)
Profit for the year	—	—	—	28,712	28,712	—	28,712
Transfer to statutory surplus funds	—	—	1,252	(1,252)	—	—	—
Total comprehensive income for the year	—	—	1,252	27,460	28,712	—	28,712
Capital contribution by shareholder	—	—	—	—	—	—	—
As at 31 December 2017 and 1 January 2018	—	5,000*	1,252*	10,932*	17,184	—	17,184
As at 31 December 2017 and 1 January 2018	—	5,000	1,252	10,932	17,184	—	17,184
Profit for the year	—	—	—	32,991	32,991	—	32,991
Transfer to statutory surplus funds	—	—	3,401	(3,401)	—	—	—
Total comprehensive income for the year	—	—	3,401	29,590	32,991	—	32,991
As at 31 December 2018 and 1 January 2019	—	5,000*	4,653*	40,522*	50,175	—	50,175
As at 31 December 2018 and 1 January 2019	—	5,000	4,653	40,522	50,175	—	50,175
Profit for the year	—	—	—	59,061	59,061	(1,994)	57,067
Transfer to statutory surplus funds	—	—	8,355	(8,355)	—	—	—
Total comprehensive income for the year	—	—	8,355	50,706	59,061	(1,994)	57,067
Capital contribution by shareholder	—	98,788	—	—	98,788	—	98,788
Acquisition of non-controlling interests	—	—	—	—	—	11,304	11,304
As at 31 December 2018 and 1 January 2019	—	103,788*	13,008*	91,228*	208,024	9,310	217,334

* These reserve accounts comprised the combined other reserves of RMB17,184,000, RMB50,175,000 and RMB208,024,000 as at 31 December 2017, 2018 and 2019 respectively

COMBINED STATEMENTS OF CASH FLOWS

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		38,631	44,444	78,299
Adjustments for:				
Depreciation of items of property, plant and equipment	6&13	785	1,458	2,238
Amortisation of intangible assets	6&14	225	393	668
Loss on disposal of items of property, plant and equipment	6	17	5	2
Other impairment losses recognised	6	73	160	384
Finance costs	7	1,174	837	392
Decrease/(increase) in inventories		22	(24)	25
(Increase)/decrease in trade receivables		(1,420)	1,508	761
(Increase)/decrease in prepayments, deposits and other receivables		(912)	(1,723)	(667)
Increase in trade payables		5,735	6,710	26,291
Increase in other payables, deposits received and accruals		12,737	19,073	40,790
Increase in contract liabilities		5,128	20,094	27,431
Increase in amounts due from related companies		19,773	(55,695)	(60,386)
Increase/(decrease) in amounts due to related companies		1,551	(1,047)	(442)
Tax paid		(3,543)	(8,741)	(4,787)
Cash generated from operations		**79,976**	**27,452**	**110,999**
Net cash flows from operating activities		**79,976**	**27,452**	**110,999**
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of property, plant and equipment		1,138	547	1,773
Purchases of items of property, plant and equipment	13	(4,955)	(5,135)	(5,156)
Purchase of intangible assets	14	(938)	(601)	(532)
Changes of Financial assets at fair value through profit or loss		78,648	(33,720)	30,620
Acquisition of subsidiaries	29	28,607	—	(20,119)
Changes in other long term asset		(2,213)	2,321	657
Advances to related companies	31	(92,353)	(198,730)	(63,061)
Repayment of advances to related companies	31	63,403	130,183	27,841
Net cash flows from/(used in) investing activities		**71,337**	**(105,135)**	**(27,977)**

		31 December		
		2017	**2018**	**2019**
	Notes	**RMB'000**	**RMB'000**	**RMB'000**
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution by shareholder		—	—	98,788
Advances from related companies	31	281,975	164,352	126,561
Repayment of advances from related companies	31	(368,151)	(122,758)	(161,577)
Proceeds from interest-bearing bank borrowings		—	20,000	—
Repayment of interest-bearing bank borrowings		(23,500)	(15,000)	(5,000)
Interest paid		(1,174)	(837)	(392)
Net cash flows (used in)/from financing activities		**(110,850)**	**45,757**	**58,380**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**40,463**	**(31,926)**	**141,402**
Cash and cash equivalents at beginning of year		29,172	69,635	37,709
CASH AND CASH EQUIVALENTS AT END OF YEAR		69,635	37,709	179,111
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	69,635	37,709	179,111
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS		**69,635**	**37,709**	**179,111**

STATEMENT OF FINANCIAL POSITION

	31 December 2019
	RMB’000
CURRENT ASSETS	
Cash and cash equivalents	—
Total current assets	—
NET CURRENT ASSETS	—
TOTAL ASSETS LESS CURRENT LIABILITIES	—
NET ASSETS	—
EQUITY	
Equity attributable to owners of the parent	
Share capital*	—
Reserves	—
TOTAL EQUITY	—

* The Company was incorporated in the Cayman Islands on 12 December 2019. On its date of incorporation, 1 ordinary share of HK$0.01 was allotted (Note 26)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in the provision of property management services. The immediate holding company of the Company is Redsun Services Group (Holdings) Limited. The controlling shareholder of the Group is Mr Zeng Huansha(the "Controlling Shareholder").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 17 February 2020 as set out in the paragraph headed "History, Reorganisation and Group Structure" in the Document. Apart from the Reorganisation, 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:

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:					
弘陽服務投資有限公司 Redsun Services Investment Limited	(1)	BVI	USD50,000	100%	Investment Holding
Indirectly held:					
南京弘生活置業顧問有限公司 Nanjing Redlife Real Estate Consulting Co., Ltd.*	(1)	PRC/Mainland China	RMB5,000,000	100%	Consulting service
弘生活物業服務管理有限公司 Redlife Property Management Co., Ltd.*	(1)	PRC/Mainland China	RMB100,000,000	100%	Property management
南京弘誠物業管理有限公司 Nanjing Hongcheng Property Management Co., Ltd.*. . . .	(1)	PRC/Mainland China	RMB5,000,000	100%	Property management
江蘇弘陽小鎮運營發展有限公司 Jiangsu Redsun Town Operation and Development Co., Ltd.*	(1)	PRC/Mainland China	RMB50,000,000	100%	Project management
南京弘陽企業管理有限公司 Nanjing Hongyang Enterprise Management Co., Ltd.	(1)	PRC/Mainland China	RMB10,000,000	100%	Consulting
弘陽服務(香港)有限公司 Redsun Services (Hong Kong) Limited	(1)	Hong Kong	—	100%	Investment Holding

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
南京弘生活綠化管理有限公司 Nanjing Redlife Virescence Management Co., Ltd.*. . . .	(1)	PRC/Mainland China	RMB50,000,000	100%	Property management
南京弘生活機電有限公司 Nanjing Redlife Electromechanical Co., Ltd.*	(1)	PRC/Mainland China	RMB50,000,000	100%	Installation
南京弘生活家政服務有限公司 Nanjing Redlife Housekeeping Service Co., Ltd.*	(1)	PRC/Mainland China	RMB50,000,000	100%	Household services
南京弘生活教育諮詢有限公司 Nanjing Redlife Education Consulting Co., Ltd.*	(1)	PRC/Mainland China	RMB50,000,000	100%	Consulting services
南京弘生活裝飾工程有限公司 Nanjing Redlife Decoration .	(1)	PRC/Mainland China	RMB50,000,000	100%	Decoration services
南京弘生活信息科技有限公司 NanJing RedLife Information Technology Co., Ltd.*.	(1)	PRC/Mainland China	RMB5,000,000	100%	Software maintenance
南京弘生活養老服務有限公司 Nanjing Redlife Pension Service Co., Ltd.*	(1)	PRC/Mainland China	RMB5,000,000	100%	Pension services
南京弘生活投資管理有限公司 Nanjing Redlife Investment Management Co., Ltd.*. . . .	(1)	PRC/Mainland China	RMB5,000,000	100%	Investment holding
南京亞東物業管理有限公司 Nanjing Yadong Property Management Co., Ltd.** . . .	(1)	PRC/Mainland China	RMB6,000,000	51%	Property management
上海安邸物業管理有限公司 Shanghai Andi Property Management Co., Ltd** . . .	(1)	PRC/Mainland China	RMB3,500,000	51%	Property management
南京吉安智能科技有限公司 Nanjing Jian Intelligent Technology Co., Ltd.*.	(1)	PRC/Mainland China	RMB500,000	51%	System development

** These companies are wholly-owned subsidiaries of the Company.

** These companies are subsidiaries of wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2017, 2018 and 2019 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.

2.1 BASIS OF PRESENTATION

Pursuant to the Corporate Restructuring and the Reorganisation as more fully explained in the paragraph headed "The Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 17 February 2020. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on combination in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). IFRSs effective for the accounting period commencing from 1 January 2018 and 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018 have been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. Under IFRS 9, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, the standard requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. Early adoption of IFRS 9 and its amendments is permitted.

IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, which are effective for annual periods beginning on or after 1 January 2018, have been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. Early adoption of IFRS 15 and its amendments is permitted.

IFRS 16 *Leases*, which is effective for annual periods beginning on or after 1 January 2019, has been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. IFRS 16 includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Early adoption of IFRS 16 and its amendments is permitted.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss ("FVPL") which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

None of above amendments to IFRSs has had significant financial effect on these financial statements.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 acquire 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, he 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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of 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 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

(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 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 over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment, electronic and other devices	19%
Leasehold improvements	5%–33%
	(Over the shorter of the lease terms and useful lives)

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 the statement of 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other Intangible assets (other than goodwill)

Other Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over their estimated useful lives of 5 years.

Customer relationship

Customer relationship is stated at cost less any impairment losses and is amortised on the sum of the years digits basis over their estimated useful lives of ten years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. 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

At the commencement date of the lease, the Group recognises lease liabilities measured 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 terminating a lease, if the lease term reflects the Group exercising the option to terminate. 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 the incremental borrowing rate at the lease commencement date if 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 the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and at 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, 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.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

For purposes of subsequent measurement, financial assets are classified into two categories:

— Financial assets at amortised cost (debt instruments)

— Financial assets at fair value through profit or loss

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

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 combined statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for 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 90 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.

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 and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of 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 evaluated expected loss rate that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and 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 payables, amounts due to the related companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, interest-bearing bank borrowings 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 amount 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 assets and settle the liabilities simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of 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 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 the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, 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, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 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 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, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

When the contract contains a financing component which provides the customer 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 a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

a) Property management services income

The Group charged property management fees in respect of the property management services on a lump sum basis.

On a lump sum basis, the Group are 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 full 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 costs of services is recognised as incurred in connection with performing such services.

b) Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary planning and design consultancy services to property developers which is recognised at a point in time when such consultancy services have been provided and the Group has a present right to payment for the services or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage which are recognised as over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from the value-added services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

c) Community value-added services

Revenue from Community value-added services is recognised when the related services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and other intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their statements of 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made. Further details of current and deferred tax are set out in note 16 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 2019, the carrying amount of goodwill is RMB12,301,000 Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., 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 (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the property management sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements, respectively.

PRC corporate income tax ("CIT")

The Group is subject to corporate income tax in the PRC. As a result of the fact that certain matters relating to the income tax have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for the income tax to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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 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 carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 16 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management service income and value-added service income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the property management services and value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

In 2017, revenue from continuing operations of approximately RMB67,805K was derived from provides property management service to Jiangsu Redsun Industrial Raw Material City Co., Ltd., which was known to be controlled by the ultimate holding company with Nanjing Redsun Property Management Co., Ltd.

In 2018, revenue from continuing operations of approximately RMB69,552K was derived from provides property management service to Jiangsu Redsun Industrial Raw Material City Co., Ltd. which is known to be controlled by the ultimate holding company with Nanjing Redsun Property Management Co., Ltd.

In 2019, revenue from continuing operations of approximately RMB109,206K was derived from provides property management service to Jiangsu Redsun Industrial Raw Material City Co., Ltd. which is known to be controlled by the ultimate holding company with Nanjing Redsun Property Management Co., Ltd.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the property management services, value-added services to non-property owners and Community value-added services during the relevant periods.

An analysis of revenue and other income and gains is as follows:

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers				
Property management service income		222,917	279,884	354,767
Value-added services to non-property owners .		21,899	54,097	121,352
Community value-added services		12,324	15,000	26,871
Total		257,140	348,981	502,990

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	Property management services	Value-added services to non-property owners	Community value-added services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017				
Type of goods or services				
Rendering of services	222,917	21,899	12,324	257,140
Total revenue from contracts with customers	222,917	21,899	12,324	257,140
Geographical markets				
Mainland China	222,917	21,899	12,324	257,140
Timing of revenue recognition				
Revenue recognised over time. .	222,917	15,668	—	238,585
Revenue recognised at a point in time	—	6,231	12,324	18,555
Total revenue from contracts with customers	222,917	21,899	12,324	257,140
For the year ended 31 December 2018				
Type of goods or services				
Rendering of services	279,884	54,097	15,000	348,981
Total revenue from contracts with customers	279,884	54,097	15,000	348,981
Geographical markets				
Mainland China	279,884	54,097	15,000	348,981
Timing of revenue recognition				
Revenue recognised over time. .	279,884	44,756	—	324,640
Revenue recognised at a point in time	—	9,341	15,000	24,341
Total revenue from contracts with customers	279,884	54,097	15,000	348,981

Segments	Property management services	Value-added services to non-property owners	Other value-added services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019				
Type of goods or services				
Rendering of services	354,767	121,352	26,871	502,990
Total revenue from contracts with customers	354,767	121,352	26,871	502,990
Geographical markets				
Mainland China	354,767	121,352	26,871	502,990
Timing of revenue recognition				
Revenue recognised over time	354,767	101,347	—	456,114
Revenue recognised at a point in time	—	20,005	26,871	46,876
Total revenue from contracts with customers	354,767	121,352	26,871	502,990

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Notes	31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
Property management services		22,022	34,521	63,104

(ii) Performance obligations

For property management services and community value-added services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for pre-delivery and consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For Value-added services to non-property owners, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of the respective periods.

	Notes	31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
Other income				
Interest income		382	94	71
Government grants		591	443	2,433
Others		100	59	385
Total		1,073	596	2,889

	Notes	31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
Gains				
Gain on financial assets at fair value through profit or loss		—	36	240

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Cost of property management services provided		199,091	279,209	375,546
Other costs		1,554	37	190
Impairment of trade receivables	19	(14)	33	20
Impairment of prepayments, deposits and other receivables		87	127	364
Depreciation of items of property, plant and equipment	13	785	1,458	2,238
Amortisation of intangible assets	14	225	393	668
Loss on disposal of items of property plant and equipment		17	5	2
[REDACTED] expense		—	—	[REDACTED]
Employee benefit expense (excluding directors' and chief executive's remuneration):				
Wages and salaries		120,486	168,189	238,179
Pension scheme contributions and social welfare		21,097	28,276	39,144

7. FINANCE COSTS

An analysis of finance costs is as follows:

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	25	1,174	837	392

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Subsequent to the end of the Relevant Periods, Ms. Zeng Zi Xi were appointed as executive directors of the Company on 16 March 2020, respectively. Mr. Jiang Da Qiang, Mr. Luo Yan Bing and Mr. He Jie were appointed as non-executive directors of the Company on 16 March 2020.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind		682	1,056	1,498
Performance-related bonuses*		179	206	212
Pension scheme contributions and social welfare		101	133	154
Total		962	1,395	1,864

(a) Independent non-executive directors

Subsequent to the end of Reporting Period, Mr. Jing Zhi Shan, Mr. Wang Fen and Mr. Yan Ji Peng were appointed as independent non-executive directors of the Company. There was no emolument payable to the independent non-executive directors during the Reporting Period.

(b) Executive directors and non-executive directors

Year ended 31 December 2017

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Ms. Zeng Zi Xi	—	213	23	62	298
Non-executive directors:					
— Mr. He Jie	—	—	—	—	—
Chief executive:					
— Mr. Meng Li Lin	—	469	156	39	664
	—	682	179	101	962

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Ms. Zeng Zi Xi	—	501	201	68	770
Non-executive directors:					
— Mr. He Jie	—	—	—	—	—
— Mr. Jiang Da Qiang	—	—	—	—	—
— Mr. Luo Yan Bing	—	—	—	—	—
Chief executive:					
— Mr. Cao Xu Dong	—	555	5	65	625
	—	1,056	206	133	1,395

Year ended 31 December 2019

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Ms. Zeng Zi Xi	—	1,004	43	77	1,124
Non-executive directors:					
— Mr. He Jie	—	—	—	—	—
— Mr. Jiang Da Qiang	—	—	—	—	—
— Mr. Luo Yan Bing	—	—	—	—	—
Chief executive:					
— Mr. Yang Guang	—	494	169	77	740
	—	1,498	212	154	1,864

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2017, 2018 and 2019 included one executive directors, one Chief executive. Details of those directors' remuneration are set out in note 9 above. Details of the remuneration for the years ended 31 December 2017, 2018 and 2019 the highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind		968	830	710
Performance-related bonuses*		163	71	341
Pension scheme contributions and social welfare		158	178	166
Total		1,289	1,079	1,217

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Nil to HK$500,000		3	3	3
HK$500,001 to HK$1,000,000		—	—	—
HK$1,000,001 to HK$1,500,000		—	—	—
Total		3	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods.

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.

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC corporate income tax	6,989	11,371	25,868
Deferred tax (note 16)	2,930	82	(4,636)
Total tax charge for the year	9,919	11,453	21,232

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Profit before tax	38,631	44,444	78,299
At the statutory income tax rate	9,658	11,111	19,575
Expenses not deductible for tax	166	284	381
Tax losses utilised from previous years	(45)	—	—
Tax losses not recognised	140	58	1,276
Tax charge at the Group's effective rate	9,919	11,453	21,232

Tax payable in the combined statement of financial position represents:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
PRC Corporate income tax payable	(3,237)	(5,867)	(27,731)

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No earnings per share information is presented as its inclusion for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Office equipment, electronic and other devices RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017					
At 1 January 2017:					
Cost		2,319	449	—	2,768
Accumulated depreciation		(1,122)	(54)	—	(1,176)
Net carrying amount		1,197	395	—	1,592
At 1 January 2017, net of accumulated depreciation		1,197	395	—	1,592
Additions		3,606	—	1,349	4,955
Acquisition of subsidiaries (note 29)		89	—	—	89
Disposals		(47)	—	(1,108)	(1,155)
Depreciation provided during the year		(695)	(90)	—	(785)
At 31 December 2017, net of accumulated depreciation		4,150	305	241	4,696
At 31 December 2017:					
Cost		5,865	449	241	6,555
Accumulated depreciation		(1,715)	(144)	—	(1,859)
Net carrying amount		4,150	305	241	4,696
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost		5,865	449	241	6,555
Accumulated depreciation		(1,715)	(144)	—	(1,859)
Net carrying amount		4,150	305	241	4,696
At 1 January 2018, net of accumulated depreciation		4,150	305	241	4,696
Additions		4,688	151	296	5,135
Disposals		(15)	—	(537)	(552)
Depreciation provided during the year		(1,362)	(96)	—	(1,458)
At 31 December 2018, net of accumulated depreciation		7,461	360	—	7,821
At 31 December 2018:					
Cost		10,471	600	—	11,071
Accumulated depreciation		(3,010)	(240)	—	(3,250)
Net carrying amount		7,461	360	—	7,821

	Note	Office equipment, electronic and other devices RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost		10,471	600	—	11,071
Accumulated depreciation		(3,010)	(240)	—	(3,250)
Net carrying amount		7,461	360	—	7,821
At 1 January 2019, net of accumulated depreciation		7,461	360	—	7,821
Additions		2,177	258	2,721	5,156
Acquisition of a subsidiary	29	293	69	—	362
Disposals		(4)	—	(1,771)	(1,775)
Depreciation provided during the year		(2,070)	(168)	—	(2,238)
At 31 December 2019, net of accumulated depreciation		7,857	519	950	9,326
At 31 December 2019					
Cost		12,933	927	950	14,810
Accumulated depreciation		(5,076)	(408)	—	(5,484)
Net carrying amount		7,857	519	950	9,326

There were no property, plant and equipment being pledged as at 31 December 2017, 2018, 2019.

14. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Software and trademark RMB'000	Total RMB'000
31 December 2017			
At 1 January 2017:			
Cost	—	21	21
Accumulated amortisation	—	(21)	(21)
Net carrying amount	—	—	—
Cost at 1 January 2017, net of accumulated amortisation	—	—	—
Acquisition of subsidiaries (note 29)	—	714	714
Additions	—	938	938
Amortisation provided during the year (note 6)	—	(225)	(225)
At 31 December 2017	—	1,427	1,427
At 31 December 2017:			
Cost	—	1,673	1,673
Accumulated amortisation	—	(246)	(246)
Net carrying amount	—	1,427	1,427

	Customer relationship	Software and trademark	Total
	RMB'000	RMB'000	RMB'000
31 December 2018			
At 1 January 2018:			
Cost	—	1,673	1,673
Accumulated amortisation	—	(246)	(246)
Net carrying amount	—	1,427	1,427
Cost at 1 January 2018, net of accumulated amortisation	—	1,427	1,427
Additions	—	601	601
Acquisition of a subsidiary (note 29)	—	—	—
Amortisation provided during the year (note 6)	—	(393)	(393)
At 31 December 2018	—	1,635	1,635
At 31 December 2018:			
Cost	—	2,274	2,274
Accumulated amortisation	—	(639)	(639)
Net carrying amount	—	1,635	1,635

	Customer relationship	Software and trademark	Total
	RMB'000	RMB'000	RMB'000
31 December 2019			
At 1 January 2019:			
Cost	—	2,274	2,274
Accumulated amortisation	—	(639)	(639)
Net carrying amount	—	1,635	1,635
Cost at 1 January 2019, net of accumulated amortisation	—	1,635	1,635
Additions	—	532	532
Acquisition of a subsidiary (note 29)	7,050	82	7,132
Amortisation provided during the year (note 6)	(294)	(374)	(668)
At 31 December 2019	6,756	1,875	8,631
At 31 December 2019:			
Cost	7,050	2,888	9,938
Accumulated amortisation	(294)	(1,013)	(1,307)
Net carrying amount	6,756	1,875	8,631

15. GOODWILL

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Cost and net carrying amount at 1 January		—	—	—
Acquisition of subsidiaries		—	—	12,301
Cost and net carrying amount at 31 December		—	—	12,301

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to a group of communities managed by the Group collectively as the property management cash-generating unit (the "Property Management CGU").

The recoverable amount of the Property Management CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is of 15% per annum. The growth rate used to extrapolate the cash flows beyond the five-year period is 2%.

Cash flow projections during the budget period for the Property Management CGU are based on management's estimate of cash inflows/outflows including revenue, operating expenses and working capital requirements. The assumptions and estimation are based on the past performance of the Property Management CGU and the management's expectation of market development. The management of the Group believes that any reasonably possible change in the key assumptions of the value-in-use calculation would not cause the carrying amount to exceed recoverable amount of the Property Management CGU.

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to exceed the recoverable amount.

Assumptions were used in the value in use calculation of the Property Management CGU for 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Operating profit — Operating profit are based on the average values achieved in the three years preceding the beginning of the budget period. The operating profit for the Property Management CGU is within a range of 21% to 31%.

Operating expense — The value assigned to the key assumptions reflects past experience and the management's commitment to maintain the Group's operating expenses to an acceptable level.

Perpetuity growth and discount rates — Perpetuity growth rate is based on published industry research. Discount rate represents the current market assessment of the risks specific to the CGU taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from the Group's weighted average cost of capital.

The values assigned to the key assumptions on market development of the property management industry and the discount rates are consistent with external information sources.

During the years ended 31 December 2019, the management of the Group determined that no impairment of goodwill should be recognized for the Property Management CGU.

16. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment	Tax loss	Fair value change loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	116	3,165	338	3,619
Acquisition of subsidiaries	—	583	—	583
Deferred tax credited/(charged) to profit or loss during the year (note 10)	18	(2,610)	(338)	(2,930)
At 31 December 2017 and 1 January 2018	134	1,138	—	1,272
Deferred tax credited to profit or loss during the year	40	134	—	174
At 31 December 2018 and 1 January 2019	174	1,272	—	1,446
Deferred tax credited to profit or loss during the year	96	4,771	—	4,867
At 31 December 2019	270	6,043	—	6,313

Deferred tax liabilities

	Intangible assets	Depreciation allowance in excess of related depreciation	Total
	RMB'000	RMB'000	RMB'000
Deferred tax debited to profit or loss during the year	—	(256)	(256)
At 31 December 2018 and 1 January 2019	—	(256)	(256)
Acquisition of subsidiary	(1,763)	—	(1,763)
Deferred tax debited to profit or loss during the year	74	(305)	(231)
At 31 December 2019	(1,689)	(561)	(2,250)

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:

Deferred tax assets and liabilities

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised in the combined statements of financial position	1,272	1,446	6,313
Deferred tax liabilities recognised in the combined statements of financial position	—	(256)	(2,250)
	1,272	1,190	4,063

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 2017, 2018 and 2019, 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. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The Group had tax losses arising in the PRC of approximately RMB5,431,000, RMB6,199,000, and RMB30,387,000 as at 31 December 2017, 2018 and 2019, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Tax loss	879	1,111	6,215

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	—	33,720	3,100
	—	33,720	3,100

The above unlisted investments at 31 December 2018 and 2019 were wealth management products issued by 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.

18. INVENTORIES

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Consumables	11	35	19

19. TRADE RECEIVABLES

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	10,428	8,920	26,126
Impairment	(447)	(480)	(500)
	9,981	8,440	25,626

Trade receivables mainly arise from property management service income. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance in normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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 date of revenue recognition, net of provision the loss allowance for impairment, is as follows:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	7,350	5,977	19,622
Over 1 year and within 2 years	1,739	1,435	4,162
Over 2 years and within 3 years	556	773	985
Over 3 years	336	255	857
	9,981	8,440	25,626

The movements in provision the loss allowance for impairment of trade receivables are as follows:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year	461	447	480
Impairment losses recognised	—	33	20
Reversal	(14)	—	—
At the end of the year	447	480	500

Impairment under IFRS 9 for the year ended 31 December 2017, 2018 and 2019

An impairment analysis was performed at 31 December 2017, 2018 and 2019, using a provision matrix to measure expected credit losses. The provision rates were based on ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageing were more than three year and were not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2017

		Past due			
	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.74%	6.15%	12.99%	26.32%	4.29%
Gross carrying amount (RMB'000)	7,480	1,853	639	456	10,428
Expected credit losses (RMB'000)	130	114	83	120	447

31 December 2018

		Past due			
	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.69%	6.82%	14.21%	36.09%	5.38%
Gross carrying amount (RMB'000)	6,080	1,540	901	399	8,920
Expected credit losses (RMB'000)	103	105	128	144	480

31 December 2019

		Past due			
	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.62%	2.62%	8.20%	17.20%	1.91%
Gross carrying amount (RMB'000)	19,744	4,274	1,073	1,035	26,126
Expected credit losses (RMB'000)	122	112	88	178	500

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Prepayments on behalf of customers to utility suppliers		1,742	3,042	17,287
Other deposits	32	1,101	1,978	10,237
Other tax recoverable		632	109	2,040
Advance to staffs	32	473	742	1,131
Due from third parties	32	496	296	1,915
Impairment		(89)	(216)	(580)
		4,355	5,951	32,030

The movements in the loss allowance for impairment of other receivables are as follows:

	31 December		
	2017	2018	2019
At beginning of year	(2)	(89)	(216)
Impairment losses, net	(87)	(127)	(364)
Amount written off as uncollectible	—	—	—
	(89)	(216)	(580)

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

Deposits and other receivables mainly represent deposits with suppliers. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, 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 loss rate applied for where there are no comparable companies as at 31 December 2017, 2018 and 2019 were 5.08%, 5.10% and 5.15%, respectively.

21. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and bank balances	69,635	37,709	179,111

At 31 December 2017, 2018 and 2019, 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.

The Group collects deposits from profitable operating activities in the common areas of the community in accordance with the relevant rules and regulations in the PRC.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

22. 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		
	2017	2018	2019
Within 1 year	8,116	14,767	39,954
Over 1 year	533	592	3,201
	8,649	15,359	43,155

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2017, 2018 and 2019, the carrying amounts of trade payables approximated their fair values.

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Receipts on behalf of community residents for utilities	32	11,909	14,844	36,645
Deposits received	32	6,963	4,574	9,314
Business tax and surcharges		2,480	5,627	18,307
Payroll and welfare payable		21,266	34,296	48,788
Others	32	3,622	5,972	15,660
		46,240	65,313	128,714

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.

24. CONTRACT LIABILITIES

		31 December		
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
Contract liabilities		28,201	48,295	81,907

The Group receives payments from customers based on billing schedules as established in the property management contracts. A portion of Payments are usually received in advance of the performance under the contracts which are mainly from property management services. According to the business model of the Group, for revenue recognised from the provision of property management services, all such revenue was carried forward from contract liabilities during the Relevant Periods.

The expected timing of recognition of revenue at the end of each of the Relevant Periods is as follows:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	27,722	47,292	80,760
Over 1 year	479	1,003	1,147
	28,201	48,295	81,907

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue from property management	22,022	34,521	63,104
Revenue from parking	5,578	12,771	17,095
Revenue from public space rent	122	—	561

25. INTEREST-BEARING BANK BORROWINGS

	31 December 2017			31 December 2018			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Non-current									
Bank loans — secured	—	—	—	6.80	2019	5,000	—	—	—
			—			5,000			—

Bank borrowings

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Analysed into:			
Repayable within one year	—	5,000	—

The Group's borrowings are all denominated in RMB with fixed interest rates. Redsun Group Company Limited have guaranteed the Group's bank loans.

The management of the Company has assessed that the fair values of interest-bearing bank borrowings approximately to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

26. SHARE CAPITAL

	2019
Authorised:	
38,000,000 of ordinary shares of HK$0.01 each	38,000,000

	2019
	RMB
Issued and fully paid:	
1 ordinary share at HK$0.01	—

The Company was incorporated in the Cayman Islands on 12 December 2019 with an authorised share capital of HK$380,000 divided in 38,000,000 shares of HK$0.01 par value each. On its date of incorporation, 1 ordinary share of HK$0.01 was allotted by the Company to a subscriber and was transferred to Mr Zeng Huansha. Mr, Zeng Huansha then transferred the share to Redsun Services Group (Holdings) Limited on 20 December 2019.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017, 2018 and 2019 are presented in the combined statements of changes in equity.

(a) Statutory surplus reserves

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 Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Merger reserves

The merger reserve of the Group represents the issued capital of the holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

28. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

	Interest-bearing bank borrowings	Due to related companies	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000
At 31 December 2016	18,700	117,954	136,654
Cash flows from operating activities	—	1,551	1,551
Cash flows from financing activities	(18,700)	(86,176)	(104,876)
At 31 December 2017	—	33,329	33,329
Cash flows from operating activities	—	(1,047)	(1,047)
Cash flows from financing activities	5,000	41,594	46,594
At 31 December 2018	5,000	73,876	78,876
Cash flows from operating activities	—	(442)	(442)
Cash flows from financing activities	(5,000)	(35,016)	(40,016)
At 31 December 2019	—	38,418	38,418

29. BUSINESS COMBINATIONS

The major acquisition of subsidiaries accounted for as business combinations not under common control are:

In May 2017, the Group acquired a 100% interest in Nanjing Redlife Real Estate Consulting Co.,Ltd and Redlife Property Management Co., Ltd from Ms. Zeng Suqing (曾素清), sister of Mr. Zeng and Ms. Chen Sihong, Spouse of Ms. Zeng. The purchase considerations for the acquisition were in the form of cash, with RMB112,933 paid in May 2017 and RMB2,082,875 paid in May 2017, respectively. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC.

In August 2019, the Group acquired a 51% interest in Nanjing Yadong Real Estate Management Co.,Ltd. from two independent third parties. Nanjing Yadong is engaged in the provision of property management services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC. The purchase consideration for the acquisition was in the form of cash with the amount of RMB23,000,000.

In August 2019, the Group acquired a 51% interest in Shanghai Andi from two independent third parties at a cash consideration of RMB1,785,000. Shanghai Andi is engaged in the provision of property management services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year was as follows:

	Notes	Fair value recognised acquisition of Redlife Property Management	Fair value recognised on acquisition of Nanjing Redlife Real Estate Consulting
		2017	2017
		RMB'000	RMB'000
Property and equipment	13	89	—
Other non-current assets		1,154	—
Cash and bank balances		30,576	227
Other intangible assets	14	714	—
Prepayments and other receivables		333	4
Trade receivables		184	—
Interest-bearing bank borrowings		(23,500)	—
Deferred tax assets		583	—
Accruals and other payables		(8,050)	(118)
Non-controlling interests		—	—
Goodwill on acquisition		—	—
Satisfied:			
Cash		2,083	113

Since the acquisition, the acquired subsidiaries contributed RMB592,615 to the Group's revenue and RMB1,011,296 to the combined losses for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB919,681 and RMB2,043,580, respectively.

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	2017
	RMB'000
Cash consideration	(2,196)
Cash and bank balances acquired	30,803
Net inflow of cash and cash equivalents included in cash flows from investing activities	28,607

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year was as follows:

	Notes	Fair value recognised acquisition of Andi 2019	Fair value recognised on acquisition of Yadong 2019
		RMB'000	RMB'000
Property and equipment	13	—	362
Cash and bank balances		1,047	2,727
Other intangible assets	14	—	7,132
Inventory		—	9
Trade receivables		3,133	15,198
Prepayments and other receivables		501	24,911
Other current assets		719	—
Trade payables		(483)	(1,022)
Advances from customers		(1,255)	(4,926)
Accruals and other payables		(852)	(20,867)
Deferred tax liabilities		—	(1,763)
Tax payable		(1)	(782)
Non-controlling interests		(1,024)	(10,280)
Goodwill on acquisition		—	12,301
Satisfied:			
Cash		893	23,000
Deferred cash consideration		892	—

Since the acquisition, the acquired subsidiaries contributed RMB24,829,350 to the Group's revenue and RMB3,849,523 to the combined losses for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB540,539,411 and RMB57,006,110, respectively.

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	2019
	RMB'000
Cash consideration	(23,893)
Cash and bank balances acquired	3,774
Net outflow of cash and cash equivalents included in cash flows from investing activities	(20,119)

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Equipment	2,007	1,838	1,452

31. RELATED COMPANIES TRANSACTIONS

(1) Name and relationship

Name of related companies	Relationship with the Group
弘陽集團有限公司 (Hong Yang Group Co., Ltd.)	The ultimate holding company of the Company
江蘇亮科建設工程有限公司 (Jiangsu Liangke Construction Engineering Co., Ltd.)	Company controlled by a closed family member of the controlling shareholder
南京廣德建築工程有限公司 (Nanjing Guangde Construction Engineering Co., Ltd.)	Company controlled by a closed family member of the controlling shareholder
南京江韵廣告有限公司 (Nanjing JiangYun Advertising Co., Ltd.)	Company controlled by a closed family member of the controlling shareholder
南京紅太陽商業大世界有限公司 (Nanjing Redsun Business World Co., Ltd.)	Company controlled by a closed family member of the controlling shareholder
常熟弘陽房地產開發有限公司 (Changshu Redsun Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州弘陽廣場置業有限公司 (Changzhou Redsun Square Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
滁州弘陽房地產開發有限公司 (Chuzhou Redsun Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
弘陽集團南通房地產有限公司 (Redsun Group Nantong Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
句容紫金房地產開發有限公司 (Jurong Zijin Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽家居有限公司 (Nanjing Redsun Home Co., Ltd.) Nanjing Redsun Home Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽瑞尚房地產開發有限公司 (Nanjing Redsun Ruishang Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽商業管理有限公司 (Nanjing Redsun Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽業茂房地產開發有限公司 (Nanjing Redsun Yemao Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京紅太陽房地產開發有限公司 (Nanjing Redsun Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
蘇州弘陽房地產開發有限公司 (Suzhou Redsun Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
無錫弘陽商業管理有限公司 (Wuxi Redsun Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
安徽弘嵐房地產開發有限公司 (Anhui Hongsheng Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州華風置業有限公司 (Changzhou Huafeng Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州桑麻文化博覽園有限公司 (Changzhou Sangma Culture Expo Park Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州桑麻置業有限公司 (Changzhou Sangma Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
江蘇弘陽家居有限公司 (Jiangsu Redsun Household Co., Ltd.)	Company controlled by the ultimate holding company of the Company

Name of related companies	Relationship with the Group
江蘇紅太陽工業原料城有限公司 (Jiangsu Redsun Industrial Raw Material City Co., Ltd.)	Company controlled by the ultimate holding company of the Company
名流置業武漢有限公司 (Mingliu Real Estate Wuhan Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京國港置業發展有限公司 (Nanjing Guogang Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽恒瑞房地產開發有限公司 (Nanjing Redsun Hengrui Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽全生活商業管理有限公司 (Nanjing Redsun Fulllife Business Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
上海弘陽信息科技發展有限公司 (Shanghai Redsun Information Technology Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
蘇州弘陽置業有限公司 (Suzhou Redsun Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
無錫蘇源檀溪灣置業有限公司 (Wuxi Suyuan Tanxiwan Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
重慶柏景銘廈置業有限公司 (Chongqing Baijing Mingsha Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
安徽弘鵬置業有限公司 (Anhui Hongpeng Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
安徽威林置業有限公司 (Anhui Weilin Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company
成都市弘陽蜀興房地產開發有限公司 (Chengdu Redsun Yuxing Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
湖州弘瑞房地產開發有限公司 (Huzhou Hongrui Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘潤房地產開發有限公司 (Nanjing Hongrun real estate Development co. Ltd.).	Company controlled by the ultimate holding company of the Company
鎮江金弘房地產開發有限公司 (Zhenjiang Jinhong real estate Development co. Ltd.)	Company controlled by the ultimate holding company of the Company
泰興市瑞尚房地產開發有限公司 (Taixing Ruishang Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
無錫煦陽房地產開發有限公司 (Wuxi Yuyang Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
江陰嘉鴻房地產開發有限公司 (Jiangyin Jiahong Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州金壇旭潤置業有限公司 (Changzhou Jintan Xurun real estate Co. Ltd.)	Company controlled by the ultimate holding company of the Company
南昌弘陽房地產開發有限公司 (Nanchang Hongyang real estate Development co. Ltd.).	Company controlled by the ultimate holding company of the Company
西安弘陽錦業置業有限公司 (Xian Hongyang Jingye real estate co. Ltd.)	Company controlled by the ultimate holding company of the Company
阜陽弘壯房地產開發有限公司 (Fuyang Hongzhuang Real Estate Development Co. Ltd.)	Company controlled by the ultimate holding company of the Company
張家港弘晨置業有限公司 (Zhangjiagang Hongchen Real Estate Co., Ltd.)	Company controlled by the ultimate holding company of the Company

Name of related companies	Relationship with the Group
張家港弘盛置業有限公司 (Zhangjiagang Hongsheng Real Estate Development co. Ltd.)	Company controlled by the ultimate holding company of the Company
開封市寶隆房地產開發有限公司 (Kaifeng Baolong Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
江陰通陽房地產開發有限公司 (Jiangyin Tongyang Real Estate Development co. Ltd.)	Company controlled by the ultimate holding company of the Company
南京銳晟房地產開發有限公司 (Nanjing Ruisheng Real Estate Development Co. Ltd.)	Company controlled by the ultimate holding company of the Company
湖州弘源房地產開發有限公司 (Huzhou Hongyuan Real Estate Development Co. Ltd.)	Company controlled by the ultimate holding company of the Company
重慶弘嘉實業有限公司 (Chongqing Hongjia Industrial. Co., Ltd)	Company controlled by the ultimate holding company of the Company
重慶弘環實業有限公司 (Chongqing Hongye Industrial. Co., Ltd)	Company controlled by the ultimate holding company of the Company
上海弘陽電子商務有限公司 (Shanghai Hongyang E-Commerce Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京智誠信息科技有限公司 (Nanjing Zhicheng Information Technology Co., Ltd.)	Company controlled by the ultimate holding company of the Company
無錫弘陽洛克菲花園酒店管理有限公司 (Wuxi Redsun Rockefeller Garden Hotel Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽酒店有限公司 (Nanjing Redsun Hotel Co., Ltd.)	Company controlled by the ultimate holding company of the Company
煙台弘陽商業管理有限公司 (Yantai Hongyang Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州弘陽商業管理有限公司 (Changzhou Redsun Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
江蘇紅太陽工業原料城有限公司蕪湖分公司 (Wuhu Branch of Jiangsu Red Sun Industrial Materials City Co., Ltd.)	Company controlled by the ultimate holding company of the Company
徐州弘陽商業管理有限公司 (Xuzhou Hongyang Business Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
湖南德一房地產開發有限公司 (Hainan Deyi real Estate Development Co. Ltd.)	Company controlled by the ultimate holding company of the Company
青島弘陽家居有限公司 (Qingdao Hongyang Home	Company controlled by the ultimate holding company of the Company
佛山市弘堅房地產開發有限公司 (Foshan Hongjian Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京弘陽中瑞房地產開發有限公司 (Nanjing Redsun Zhongrui Real Estate Development Co., Ltd.)	Company controlled by the ultimate holding company of the Company
四川仁壽三宇置業有限公司 (Sichuan Renshou Sanyu Real Estate Co. Ltd.)	Company controlled by the ultimate holding company of the Company
南通弘都房地產有限公司 (Nantong Hongdu Real Estate Co. Ltd.)	Company controlled by the ultimate holding company of the Company
蕪湖弘陽商業管理有限公司 (Wuhu Hongyang Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
揚州弘陽商業管理有限公司 (Yangzhou Hongyang Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company

Name of related companies	Relationship with the Group
三河弘陽商業廣場管理有限公司 (Sanhe Hongyang Commercial Plaza Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
衡陽弘昶商業管理有限公司 (Hengyang Hongyang Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
滁州弘陽商業管理有限公司 (Chuzhou Hongyang Commercial Management Co., Ltd.)	Company controlled by the ultimate holding company of the Company
常州弘陽置業廣場有限公司 (Changzhou Hongyang Real Estate Plaza Co., Ltd.)	Company controlled by the ultimate holding company of the Company
南京綠弘房地產開發有限公司高新分公司 (Nanjing Green Hong Real Estate Development Co., Ltd. High-tech Branch)	Associate of a fellow subsidiary
南京舜鴻房地產開發有限公司 (Nanjing Yuhong Real Estate Development Co., Ltd.)	Associate of a fellow subsidiary
諸暨弘陽房地產開發有限公司 (Zhuji Redsun Real Estate Development Co., Ltd.)	Associate of a fellow subsidiary
常州誠遠置業發展有限公司 (Changzhou Chengyuan real estate Development co. Ltd.)	Associate of a fellow subsidiary
邛崍市弘陽璟粹房地產開發有限公司 (Sakai Hongyang Suci real estate Development co. Ltd.)	Associate of a fellow subsidiary
滁州弘正房地產開發有限公司 (Chuzhou Hongzheng real estate Development co. Ltd.)	Associate of a fellow subsidiary
南京弘佳房地產開發有限公司 (Nanjing Hongjia Real Estate Development Co. Ltd.)	Associate of a fellow subsidiary
南京綠弘房地產開發有限公司 (Nanjing Lvhong Real Estate Development Co. Ltd.)	Associate of a fellow subsidiary
溫州市弘途房地產開發有限公司 (Wenzhou Hongtu Real Estate Development Co. Ltd.)	Associate of a fellow subsidiary
重慶鬥十千房地產開發有限公司 (Chongqing Douji Real Estate Development Co., Ltd.)	Associate of a fellow subsidiary
南京弘威盛房地產開發有限公司 (Nanjing Hongweisheng Real Estate Development Co., Ltd.)	Joint venture of a fellow subsidiary
南京明弘新房地產開發有限公司 (Nanjing Minghongxin Real Estate Development co. Ltd.)	Joint venture of a fellow subsidiary
南京銳昱房地產開發有限公司 (Nanjing Ruiyu Real Estate Development Co. Ltd.)	Joint venture of a fellow subsidiary
句容市銳翰房地產開發有限公司 (Reihan Real Estate Development Co., Ltd.)	Joint venture of a fellow subsidiary
南京招陽房地產開發有限公司 (Nanjing Zhaoyang real estate Development co. Ltd.)	Joint venture of a fellow subsidiary
南京平弘房地產開發有限公司 (Nanjing Pinghong real estate Development co. Ltd.)	Joint venture of a fellow subsidiary
揚州啟輝置業有限公司 (Yangzhou Qihui Real Estate Co. Ltd.)	Joint venture of a fellow subsidiary

Name of related companies	Relationship with the Group
南京弘巽房地產開發有限公司 (Nanjing Hongye Real Estate development co. Ltd.)	Joint venture of a fellow subsidiary
襄陽弘展房地產開發有限公司 (Xiangyang Hongzhan real estate development co. Ltd.)	Joint venture of a fellow subsidiary
儀征弘麟置業有限公司 (Yizheng Honglin real estate co. Ltd.)	Joint venture of a fellow subsidiary
常州乾晟房地產開發有限公司 (Changzhou Qiansheng real estate development co. Ltd.)	Joint venture of a fellow subsidiary
徐州新城弘陽房地產開發有限公司 (Xuzhou Xincheng Hongyang real estate development co. Ltd.)	Joint venture of a fellow subsidiary
常州天宸房地產開發有限公司 (Changzhou Tiancheng real estate development co. Ltd.)	Joint venture of a fellow subsidiary
南京溪茂置業有限公司 (Nanjing Ximao Real Estate Co. Ltd.)	Joint venture of a fellow subsidiary
南京禹陽東房地產開發有限公司 (Nanjing Yuyangdong Real Estate Development co. Ltd.)	Joint venture of a fellow subsidiary
弘陽正發房地產開發有限公司 (Hongyang Zhengfa real estate development co. Ltd.)	Joint venture of a fellow subsidiary
合肥玖叁置業有限公司 (Hefei Sansan real estate Co. Ltd.)	Joint venture of a fellow subsidiary
江門市弘順房地產開發有限公司 (Jiangmen Hongshun real estate Development co. Ltd.)	Joint venture of a fellow subsidiary
江西中大弘雲地產有限公司 (Jiangxi Zhongda Hongyun real estate Co. Ltd.)	Joint venture of a fellow subsidiary
南昌佳境房地產開發有限公司 (Nanchang Jiajing real estate development co. Ltd.)	Joint venture of a fellow subsidiary
徐州威新房地產開發有限公司 (Xuzhou Weixin Real estate development co. Ltd.)	Joint venture of a fellow subsidiary
常熟弘潤房地產開發有限公司 (Changshu Hongrun Real estate development co. Ltd.)	Joint venture of a fellow subsidiary
南京弘利房地產開發有限公司 (Nanjing Hongli real estate development co. Ltd.)	Joint venture of a fellow subsidiary
鎮江市金捷房地產開發有限公司 (Zhenjiang Jinjie real estate development co. Ltd.)	Joint venture of a fellow subsidiary

(2) Significant related companies' transactions

The following transactions were carried out with related companies during the Relevant Periods:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Advances to related companies			
Companies controlled by the Controlling Shareholder	80,353	137,234	55,285
Companies controlled by a closed family member of the controlling shareholder	12,000	61,496	7,776
	92,353	198,730	63,061
Receivement of advances to related companies			
Companies controlled by the Controlling Shareholder	41,403	130,183	27,404
Companies controlled by a closed family member of the controlling shareholder	22,000	—	437
	63,403	130,183	27,841
Advances from related companies			
Companies controlled by the Controlling Shareholder	273,617	159,359	88,455
Joint ventures and associates of a fellow subsidiary	—	32	—
Companies controlled by a closed family member of the controlling shareholder	8,358	4,961	38,106
	281,975	164,352	126,561
Repayment of advances from related companies			
Companies controlled by the Controlling Shareholder	368,151	117,797	143,085
Companies controlled by a closed family member of the controlling shareholder	—	4,961	18,492
	368,151	122,758	161,577
Property management income from related companies			
Companies controlled by the Controlling Shareholder	121,200	115,185	159,219
Companies controlled by a closed family member of the controlling shareholder	7,453	7,447	11,064
	128,653	122,632	170,283
Value-added services income from related companies			
Companies controlled by the Controlling Shareholder	14,769	37,981	73,034
Joint ventures and associates of a fellow subsidiary	6,376	16,009	39,915
	21,145	53,990	112,949
Other purchase from related companies			
Companies controlled by the Controlling Shareholder	—	16	300
	—	16	300

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the companies involved. The service fees take into account a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price charged by other independent third party services providers to related parties in respect of comparable services; and (iii) any applicable rates recommended by the relevant government authorities.

(3) Outstanding balances with related companies

Due from related companies:

Trade related

	31 December		
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Companies controlled by the Controlling Shareholder	1,963	54,465	96,589
Companies controlled by a closed family member of the controlling shareholder	—	759	—
Joint ventures and associates of a fellow subsidiary	1,969	4,403	23,424
	3,932	59,627	120,013

Due from related companies:

Non-Trade related

	31 December		
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Companies controlled by the Controlling Shareholder	38,950	46,001	73,882
Companies controlled by a closed family member of the controlling shareholder	—	61,496	68,835
	38,950	107,497	142,717

Due to related companies:

Trade related

	31 December		
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Companies controlled by the Controlling Shareholder	1,551	504	62
	1,551	504	62

Due to related companies:

Non-Trade related

	31 December		
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Companies controlled by the Controlling Shareholder	31,777	73,340	18,710
Companies controlled by a closed family member of the controlling shareholder	1	—	19,614
Joint ventures and associates of a fellow subsidiary	—	32	32
	31,778	73,372	38,356

The credit periods granted to related parties are mainly 3 months. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment under the general approach based on 12-month expected credit loss, and has assessed that the expected credit losses are immaterial.

(4) Compensation of key management personnel of the Group:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	5,772	5,846	6,603
Short-term employee benefits	407	450	514
Total compensation paid to key management personnel	6,179	6,296	7,117

32. 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:

31 December 2019

Financial assets

	Financial assets at amortised cost	FVTPL	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 20)	13,283	—	13,283
Trade receivables (note 19)	25,626	—	25,626
Due from related companies (note 31)	262,730	—	262,730
Financial assets at FVTPL (note 17)	—	3,100	3,100
Cash and cash equivalents (note 21)	179,111	—	179,111
	480,750	3,100	483,850

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables (note 22)	43,155
Financial liabilities included in other payables, deposits received and accruals (note 23)	61,619
Due to related companies (note 31)	38,418
	143,192

31 December 2018

Financial assets

	Financial assets at amortised cost	FVTPL	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 20)	3,016	—	3,016
Trade receivables (note 19)	8,440	—	8,440
Due from related companies (note 31)	167,124	—	167,124
Financial assets at FVTPL (note 17)	—	33,720	33,720
Cash and cash equivalents (note 21)	37,709	—	37,709
	216,289	33,720	250,009

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables (note 22)	15,359
Financial liabilities included in other payables, deposits received and accruals (note 23)	25,390
Interest-bearing bank borrowings (note 25)	5,000
Due to related companies (note 31)	73,876
	119,625

31 December 2017

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 20)	2,070
Trade receivables (note 19)	9,981
Due from related companies (note 31)	42,882
Financial assets at FVTPL (note 17)	—
Cash and cash equivalents (note 21)	69,635
	124,568

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables (note 22)	8,649
Financial liabilities included in other payables, deposits received and accruals (note 23)	22,494
Due to related companies (note 31)	33,329
	64,472

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December 2017	31 December 2018	31 December 2019	31 December 2017	31 December 2018	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Other unlisted investments, at fair value (note 17)	—	33,720	3,100	—	33,720	3,100
Financial liabilities						
Interest-bearing bank borrowings (note 25)	—	5,000	—	—	5,000	—

Management has assessed that the fair values of cash and cash equivalents, amounts due from related companies, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss.	—	3,100	—	3,100

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss.	—	33,720	—	33,720

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings.	—	5,000	—	5,000

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, pledged deposits, trade and other receivables, trade payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 25. The Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings borrowings with a fixed rate.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2017, 2018 and 2019.

As at 31 December 2017, 2018 and 2019, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from one to three months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group expects that the credit risk associated with trade receivables and other receivables due from related parties is considered to be low, since the related parties have a strong capacity to meet contractual cash flow obligation in the near term. Thus, the impairment provision recognised during the Relevant Periods was nil for the trade receivables and other receivables due from related parties.

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward-looking information based on key economic variables such as inflation rate.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables and amounts due from related companies as well as individual assessment on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. The Group has classified financial assets included in prepayments, deposits and other receivables and amounts due from related companies in stage 1 and continuously monitors their credit risk. The Company used the expected credit loss rate of 5.08%, 5.10% and 5.15%, respectively, as at 31 December 2017, 31 December 2018 and 31 December 2019, considering the default probability and recovery probability, to estimate the impairment of financial assets included in prepayments, deposits and other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

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
Trade receivables	—	—	—	26,126	26,126
Financial assets included in prepayments other receivables and other assets					
— Normal	32,610	—	—	—	32,610
Cash and cash equivalents					
— Not yet past due.	179,111	—	—	—	179,111
	211,721	—	—	26,126	237,847

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
Trade receivables	—	—	—	8,920	8,920
Financial assets included in prepayments other receivables and other assets					
— Normal	6,167	—	—	—	6,167
Cash and cash equivalents					
— Not yet past due	37,709	—	—	—	37,709
	43,876	—	—	8,920	52,796

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	—	10,428	10,428
Financial assets included in prepayments other receivables and other assets					
— Normal	4,444	—	—	—	4,444
Cash and cash equivalents					
— Not yet past due	69,635	—	—	—	69,635
	74,079	—	—	10,428	84,507

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
Trade payables	43,155	—	—	—	43,155
Other payables	61,619	—	—	—	61,619
Due to related companies	38,418	—	—	—	38,418
	143,192	—	—	—	143,192
31 December 2018					
Interest-bearing bank borrowings	—	—	5,000	—	5,000
Trade payables	15,359	—	—	—	15,359
Other payables	25,390	—	—	—	25,390
Due to related companies	73,876	—	—	—	73,876
	119,625	—	5,000	—	119,625
31 December 2017					
Trade payables	8,649	—	—	—	8,649
Other payables	22,494	—	—	—	22,494
Due to related companies	33,329	—	—	—	33,329
	64,472	—	—	—	64,472

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings and amounts due to related companies less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	—	5,000	—
Due to related companies	33,329	73,876	38,418
Less: Cash and cash equivalents	(69,635)	(37,709)	(179,111)
Net debt	(36,306)	41,167	(140,693)
Equity attributable to owners of the parent	17,184	50,175	208,024
Gearing ratio	N/A	45%	N/A

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

31 December 2019

	Percentage of equity interest held by non-controlling interests	Loss for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	RMB'000	RMB'000
Shanghai Andi Property Management Co., Ltd	49	(148)	(876)
Nanjing Yadong Real Estate Management Co., Ltd	49	(1,846)	(8,434)

The following tables illustrate the summarised financial information of the above subsidiary from acquisition day to 31 December 2019. The amounts disclosed are before any inter-company eliminations:

	Shanghai Andi Property Management Co., Ltd	Nanjing Yadong Real Estate Management Co., Ltd
	RMB'000	RMB'000
Revenue	3,081	21,501
Total expenses	(3,384)	(25,343)
Income tax expense	—	74
Loss and other comprehensive expense for the year	(303)	(3,768)
Current assets	9,812	52,936
Non-current assets	4	7,157
Current liabilities	(8,028)	(42,880)
Non-current liabilities	—	—
Net cash flows from operating activities	5,406	31,114
Net cash flows used in investing activities	(4)	(349)
Net cash flows from financing activities	—	—
Net decrease in cash and cash equivalent	(5,402)	(30,765)

36. SUBSEQUENT EVENT

There has been an outbreak of the novel coronavirus that was first reported from Wuhan, China in December 2019. On 24 January 2020, the People's Government of Jiangsu Province decided to activate first-level public health emergency response and strongly recommend limiting the crowd gathering activities. To prevent or control the epidemic, the Chinese government has adopted a series of measures nationwide, including among others, restrictions on enterprises from resuming work, traffic control and travel bans. The Company had one residential project located in Wuhan, Hubei province and one project located in Xiangyang, Hubei province for which we provide sales assistance services. In addition, we had a significant portion of our operation is concentrated in Jiangsu province, which are now resuming normal operations.

As of the date of this Historical Financial Information, the assessment is still in progress, the Group will continue to closely monitor the development of the novel coronavirus, assess and actively respond to its impact on the financial condition, operating results and other aspects of the Group.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our combined net tangible assets as of 31 December 2019 as if it had taken place on 31 December 2019.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of 31 December 2019 or any future date. It is prepared based on our combined net tangible assets as of 31 December 2019 as set out in the Accountants' Report as set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this document.

	Audited Combined Net Tangible Assets of our Group as of December 31, 2019	Estimated [REDACTED] from the [REDACTED]	Unaudited Pro Forma Adjusted Combined Net Tangible Assets of our Group	Unaudited Pro Forma Adjusted Combined Net Tangible Assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an [REDACTED] of HK$[REDACTED] per Share	187,092	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	187,092	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The combined net tangible assets attributable to owners of the Company as of 31 December 2019 is extracted from the Accountants' Report, which is based on the audited combined equity attributable to owners of the Company as of 31 December 2019 of approximately RMB208.0 million less goodwill and other intangible assets of approximately RMB20.9 million.

(2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] per Share or HK$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB[0.9059].

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].

(4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB[0.9059].

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

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 12, 2019 under the Cayman Companies Law. 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

(a) 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, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) 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 [•]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, 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 authorized 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.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) 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; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law 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.

(v) 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.

(vi) 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.

(vii) 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.

(b) Directors

(i) 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 the 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 the 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. The 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 lodgment 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:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the 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.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, 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 Cayman Companies Law, 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.

(iii) 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 Cayman Companies Law 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.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, 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.

(v) Remuneration

The 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 the 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. The 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.

(vi) 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.

(vii) 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 the 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.

(viii) ***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 the 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:

(aa) 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;

(bb) 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;

(cc) 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;

(dd) 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: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) 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

(ee) 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.

(c) 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.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law 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.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or 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 Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands 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.

(ii) 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: (a) 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 (b) 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):

(A) at least two members;

(B) 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

(C) 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.

(iii) 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.

(iv) 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 Cayman Companies Law 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.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, 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.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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 authorized 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.

(f) 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 Cayman Companies Law (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 Cayman Companies Law 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 the 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 summarized 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 of the Company, 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.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect 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;

(ii) 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

(iii) 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:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the 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

(bb) 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.

(h) 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.

(i) 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.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution 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

(ii) 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 Cayman Companies Law, 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.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, 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 ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 December 2019 subject to the Cayman Companies Law. 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 matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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 of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, 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:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) 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.

(c) 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 the 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a 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 Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

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. The 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.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, 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.

(f) 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.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the 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).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) 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 Law (2013 Revision) of the Cayman Islands, 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) 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

(ii) 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:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 23 December 2019.

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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, 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 in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) 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 the 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: (i) the company is or is likely to become insolvent; or (ii) 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 authorized 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.

(q) 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.

(r) 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 it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) 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 COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on December 12, 2019. Our Company has established a place of business in Hong Kong at Unit 3712–13, 37/F The Center, No. 99 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 26, 2020. Mr. Wong Yu Kit of 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong.

The operation of our Company is subject to the Cayman Companies Law, and our constitution comprises the Memorandum of Association and the Articles of Association. A summary of certain provisions of the Articles of Association and relevant aspects of the Cayman Companies Law is set forth in Appendix III to this document.

2. Changes in the Share Capital of Our Company

The authorized share capital of our Company as of the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

On December 12, 2019, one Share was allotted and issued at par value to WNL Limited, an Independent Third Party, as the initial subscriber. On the same day, WNL Limited transferred its one Share to Mr. Zeng at par value.

On December 20, 2019, Mr. Zeng transferred his one Share to Redsun Services Group (Holdings) at par value.

On January 21, 2020, 99 Shares were allotted and issued to Redsun Services Group (Holdings) in consideration of the transfer of the entire equity interest in Hong Yang Enterprise Management from Redsun Services Group (Holdings) to our Company.

Pursuant to the written resolutions of our sole Shareholder passed on [•], the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$[10,000,000] divided into [1,000,000,000] Shares by the creation of an addition of [962,000,000] Shares of par value HK$0.01 each.

Immediately following the [REDACTED] and the completion of the [REDACTED] but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], the issued share capital of our Company will be HK$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Save for aforesaid and as mentioned in "— A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of our sole Shareholder passed on [•]" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

Save as disclosed above, as of the Latest Practicable Date, our Company had no founder shares, management shares, treasury shares, or deferred shares.

3. Resolutions in Writing of Our Sole Shareholder Passed on [•]

(i) Pursuant to the resolutions in writing of our sole Shareholder passed on [•]:

(a) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$[10,000,000] divided into [1,000,000,000] Shares by the creation of an addition of [962,000,000] Shares;

(b) the Memorandum of Association and the Articles of Association, which will take effect on the [REDACTED], were adopted and approved;

(c) conditional on (i) the [REDACTED] of the Stock Exchange granting approval for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued (pursuant to the [REDACTED], the [REDACTED] and the exercise of the [REDACTED]) and such approval not subsequently having been withdrawn or revoked prior to the commencement of [REDACTED] in the Shares on the Stock Exchange; (ii) the [REDACTED] having been agreed; (iii) the execution and delivery of the [REDACTED] on or about the [REDACTED]; and (iv) the obligations of the [REDACTED] under the [REDACTED] becoming and remaining unconditional (including, if relevant, as a result of the waiver of any (condition(s)) (for themselves and on behalf of the other [REDACTED])) and the [REDACTED] not being terminated in accordance with their terms or otherwise:

(i) the [REDACTED], the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the [REDACTED] and [REDACTED];

(ii) the grant of the [REDACTED] by our Company, pursuant to which our Company may be required to allot and issue up to an aggregate of [REDACTED] additional Shares to cover, among other things, the over-allocations approved in the [REDACTED]; and

(iii) the proposed [REDACTED] was approved and our Directors were authorized to implement the [REDACTED];

(d) subject to the share premium account of our Company being credited as a results of the issue of [REDACTED] pursuant to the [REDACTED], our Directors were authorized to allot and issue a total of [REDACTED] Shares credited as fully paid at par value to the holders of Shares on the register of members of our Company at the close of business on the business day immediately preceding the [REDACTED] (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a

Share) by way of [REDACTED] of the sum of HK$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(e) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue, and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time, subject to the requirement that the aggregate nominal value of the Shares so allotted and issued, or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the Shares in issue immediately following the [REDACTED] referred to in sub-paragraph (d) above and the completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]), and the nominal amount of the share capital repurchased by our Company (if any) pursuant to the repurchase mandate referred to in sub-paragraph (f) below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, any scrip dividend scheme, or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Memorandum of Association and the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting of our Company,

whichever is the earliest;

(f) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the Share in issue immediately following the [REDACTED] referred to in sub-paragraph (d) above and the completion of the [REDACTED] (excluding Shares which may be allotted and issued upon the exercise of the [REDACTED]).

This mandate only relates to repurchase made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and regulations and the requirements of the Listing Rules. Such mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Memorandum of Association and the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting of our Company,

whichever is the earliest;

(g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued, or agreed to be allotted and issued, by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the [REDACTED] referred to in sub-paragraph (d) above and the completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]).

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED]. See "History, Reorganization and Group Structure" in this document for further details.

5. Particulars of Our Subsidiaries

Particulars of our principal subsidiaries are set forth in note 1 of the Accountant's Report set out in Appendix I to this document.

Set out below is certain information of our non-wholly owned subsidiaries as of the Latest Practicable Date:

No.	Name of Non-Wholly Owned Subsidiary	Other Non-Group Shareholders[1]	Approximate Shareholdings
1.	Nanjing Ya Dong Property Management	Nanjing Ya Dong International Industrial Co., Ltd.	51%
2.	Shanghai Andi Property Management Co., Ltd. (上海安邸物業管理有限公司)	Mr. Chen Xiao Feng[2]	51%

Notes:

(1) Save as disclosed below, to the best of our knowledge, information, and belief, having made all reasonable enquiries, none of the other non-Group shareholders was a connected person of our Company as of the Latest Practicable Date (other than being substantial shareholders of our subsidiaries).

(2) Mr. Chen Xiao Feng is also a director of Shanghai Andi Property Management Co., Ltd.

6. Changes in the Share Capital of Our Subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

(1) Hong Yang Enterprise Management

On October 31, 2019, the registered share capital of Hong Yang Enterprise Management was increased from RMB10 million to RMB100 million.

(2) Nanjing Hong Yang Property Management

On March 21, 2019, the registered share capital of Nanjing Hong Yang Property Management was increased from RMB5 million to RMB100 million.

(3) Nanjing Hong Cheng Property Management

On October 15, 2018, Nanjing Hong Cheng Property Management was established in the PRC as a limited liability company with a registered capital of RMB5 million.

(4) Jiangsu Hong Yang Small Town Operation and Development Co., Ltd. (江蘇弘陽小鎮運營發展有限公司)

On January 28, 2019, Jiangsu Hong Yang Small Town Operation and Development Co., Ltd. was established in the PRC as a limited liability company with a registered capital of RMB50 million.

7. Repurchase of Our Securities by Our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of our sole Shareholder passed on [•], a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the [REDACTED] and the completion of the [REDACTED] (excluding Shares which may be issued upon the exercise of the [REDACTED]), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Memorandum of Association and the Articles of Association, or when such mandate is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting of our Company, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options, or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted, and the certificates for those securities must be canceled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly, or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its 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 ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the 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 following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share, or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive, or substantial shareholder of the company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules), and a core connected person (as defined in the Listing Rules) is prohibited from knowingly selling his securities to the company on the Stock Exchange.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements, and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this document in the event that the Repurchase Mandate is exercised in full.

(d) Share Capital

Exercise in full of the Repurchase Mandate, on the basis of Shares in issue immediately after the [REDACTED] (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Memorandum of Association and the Articles of Association; or

(iii) the date on which the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since its incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, 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 as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% (or a higher percentage upon completion of the exercise of the [REDACTED]) of the Shares then in issue could only be implemented if the Stock Exchange agreed 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.

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) have been entered into by us within the two years preceding the date of this document and are or may be material:

(1) an equity transfer agreement dated June 24, 2019 entered into between Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司) and Nanjing Hong Life Investment Management, pursuant to which Jiangsu Ya Dong Construction Development Group Co., Ltd. agreed to transfer a 50% equity interest in Nanjing Ya Dong Property Management, to Nanjing Hong Life Investment Management at a total consideration of RMB22.55 million;

(2) an equity transfer agreement dated June 24, 2019 entered into between Nanjing Ya Dong International Industrial Co., Ltd. (南京亞東國際實業有限公司) and Nanjing Hong Life Investment Management, pursuant to which Nanjing Ya Dong International Industrial Co., Ltd. agreed to transfer 1% equity interest in Nanjing Ya Dong Property Management to Nanjing Hong Life Investment Management at a consideration of RMB0.45 million;

(3) an equity transfer agreement dated July 20, 2019 entered into between Jiangsu Hong Yang Group Company and Hong Life Property Management, pursuant to which Jiangsu Hong Yang Group Company agreed to transfer its entire equity interest in Nanjing Hong Life Housekeeping Service Co., Ltd. (南京弘生活家政服務有限公司) to Hong Life Property Management at nil consideration;

(4) an equity transfer agreement dated July 20, 2019 entered into between Jiangsu Hong Yang Group Company and Hong Life Property Management, pursuant to which Jiangsu Hong Yang Group Company agreed to transfer its entire equity interest in Nanjing Hong Life Education Consulting Co., Ltd. (南京弘生活教育咨詢有限公司) to Hong Life Property Management at nil consideration;

(5) an equity transfer agreement dated July 20, 2019 entered into between Jiangsu Hong Yang Group Company and Hong Life Property Management, pursuant to which Jiangsu Hong Yang Group Company agreed to transfer its entire equity interest in Nanjing Hong Life Electrical Engineering Co., Ltd. (南京弘生活機電有限公司) to Hong Life Property Management at nil consideration;

(6) an equity transfer agreement dated July 20, 2019 entered into between Jiangsu Hong Yang Group Company and Hong Life Property Management, pursuant to which Jiangsu Hong Yang Group Company agreed to transfer its entire equity interest in Nanjing Hong Life Green Management Co., Ltd. (南京弘生活綠化管理有限公司) to Hong Life Property Management at nil consideration;

(7) an equity transfer agreement dated July 20, 2019 entered into between Jiangsu Hong Yang Group Company and Hong Life Property Management, pursuant to which Jiangsu Hong Yang Group Company agreed to transfer its entire equity interest in Nanjing Hong Life Decoration Engineering Co., Ltd. (南京弘生活裝飾工程有限公司) to Hong Life Property Management at nil consideration;

(8) an equity transfer agreement dated July 31, 2019 entered into between Mr. Chen Xiao Feng and Nanjing Hong Life Investment Management, pursuant to which Mr. Chen Xiao Feng agreed to transfer a 51% equity interest in Shanghai Andi Property Management Co., Ltd. (上海安邸物業管理有限公司) to Nanjing Hong Life Investment Management at a consideration of RMB1.785 million;

(9) an instrument of transfer dated December 20, 2019 entered into between our Company and Mr. Zeng, pursuant to which Mr. Zeng agreed to transfer one ordinary share in Redsun Services Investment at par value;

(10) an equity transfer agreement dated January 5, 2020 entered into between our Company and Redsun Services Group (Holdings), pursuant to which Redsun Services Group (Holdings) agreed to transfer the entire equity interest in Hong Yang Enterprise Management to our Company;

(11) a trademark licence agreement dated March 1, 2020 entered into between our Company and Hong Yang Group Company, pursuant to which Hong Yang Group Company agreed to irrevocably license certain trademarks registered in Hong Kong at a consideration of HK$1 to our Company;

(12) a trademark licence agreement dated [•], 2020 entered into between our Company and Hong Yang Group Company, pursuant to which Hong Yang Group Company agreed to irrevocably license certain trademarks registered in the PRC at nil consideration to our Company;

(13) the deed of indemnity dated [•], 2020 as described in the subsection headed "— D. Other Information — 2. Tax and Other Indemnity" below in this appendix;

(14) the Deed of Non-Competition; and

(15) the [REDACTED].

2. Intellectual Property Rights of Our Group

(a) Trademarks

(i) Trademarks for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Registration Period
1.	弘生活	PRC	17113599	Nanjing Hong Yang Property Management	35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	August 21, 2016 to August 20, 2026
2.		PRC	17738144A	Nanjing Hong Yang Property Management	35, 36, 37, 39, 40, 41, 42, 43, 44	November 14, 2016 to November 13, 2026

As of the Latest Practicable Date, our Group was granted a licence to the use of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Application	Application Number [(1)]	Licensor	Licensee	Class	Valid Period
1.		Hong Kong	305114871	Hong Yang Group Company	Company	35, 36, 37, 39, 42, 43	March 1, 2020 to February 28, 2030
2.	RSUN SERVICE	Hong Kong	305114899	Hong Yang Group Company	Company	35, 36, 37, 39, 42, 43	March 1, 2020 to February 28, 2030
3.	弘生活	Hong Kong	305114880	Hong Yang Group Company	Company	35, 36, 37, 39, 42, 43	March 1, 2020 to February 28, 2030

Note:

1. As of the Latest Practicable Date, the trademarks were under application for registration.

(ii) Trademark under application

As of the Latest Practicable Date, we had also applied for the registration of the following trademark which we consider to be or may be material to our business:

No.	Trademark	Place of Application	Application Number	Applicant	Class	Application Date
1.	弘空间	PRC	42495049	Hong Life Property Management	9, 35, 37, 42	November 28, 2019

(b) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registrant	Registration Date	Expiry Date
1.	rsunservice.hk	Redsun Services (Hong Kong)	January 6, 2020	January 6, 2021
2.	hongshenghuo.net	Hong Life Information Technology	July 6, 2015	July 6, 2024

(c) Copyright

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Software Name	Place of Registration	Registration Number	Registered Owner	Registration Date
1.	Hong Life community services control management platform	PRC	2016SR402840	Hong Life Information Technology	December 20, 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interest — Interests and Short Positions of Our Directors and the Chief Executive of Our Company in the Shares, Underlying Shares, and Debentures of Our Company and Its Associated Corporations

Immediately following the [REDACTED] and the completion of the [REDACTED] (but without taking into account the exercise of the [REDACTED]), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares, and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], are as follows:

Interests in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested[1]	Approximate percentage shareholding
Mr. Jiang Daqiang	Redsun Properties	Beneficial owner	11,814,000	0.37%
Mr. He Jie	Redsun Properties	Beneficial owner	7,357,000	0.23%

Note:

1. The number of shares interested represents the number of underlying shares subject to the pre-IPO share options of Redsun Properties granted to the respective Directors.

(b) Particulars of Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on [•]. We have issued letters of appointment to each of our non-executive Directors and independent non-executive Directors on [•]. The principal particulars of these service contracts and the letters of appointment are (i) for an initial fixed term of three years commencing from the [REDACTED], and (ii) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' Remuneration

The aggregate remuneration (including fees, salaries, bonuses, allowances, and other benefits in kind such as contributions to pension plans) of our Directors incurred for the three years ended December 31, 2019 was approximately RMB962,000, RMB1,395,000, and RMB1,864,000, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

Save as disclosed in note 8 of the Accountant's Report set out in Appendix I to this document, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

Pursuant to the existing arrangements that are currently in force as of the date of this document, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2020 is estimated to be approximately RMB2.76 million in aggregate.

2. Substantial Shareholders

(a) So far as our Directors are aware, immediately following the [REDACTED] and the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons (other than a Director or chief executive of our Company) will have an interest in the Shares or the 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:

Name	Capacity	Number of Shares	Percentage of Shareholding
Redsun Services Group (Holdings)	Beneficial owner	[REDACTED]	[REDACTED]
Hong Yang Group Company[(2)]	Interest in controlled corporation	[REDACTED]	[REDACTED]
Hong Yang International[(2)]	Interest in controlled corporation	[REDACTED]	[REDACTED]
Hong Yang Group (Holdings) [(2)]	Interest in controlled corporation	[REDACTED]	[REDACTED]
Mr. Zeng[(2)]	Interest in controlled corporation	[REDACTED]	[REDACTED]
Ms. Chen Sihong[(3)]	Interest of spouse	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) Redsun Services Group (Holdings) is wholly owned by Hong Yang Group Company, which in turn is wholly owned by Hong Yang International, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) (a company wholly owned by Mr. Zeng) and Mr. Zeng, respectively. Accordingly, each of Hong Yang Group Company, Hong Yang International, Hong Yang Group (Holdings) and Mr. Zeng is deemed to be interested in the Shares held by Redsun Services Group (Holdings) by virtue of the SFO.

(3) Ms. Chen Sihong is the spouse of Mr. Zeng and is therefore deemed to be interested in the Shares in which Mr. Zeng is interested by virtue of the SFO.

(b) As of the Latest Practicable Date, so far as is known to our Directors, the following persons were 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 subsidiaries in respect of such capital:

Name of Member of Our Group	Name of Shareholder	Approximate Percentage of Shareholding
Nanjing Ya Dong Property Management	Nanjing Ya Dong International Industrial Co., Ltd.	49%
Shanghai Andi Property Management Co., Ltd.	Mr. Chen Xiao Feng	49%

3. Personal Guarantees

Our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted or to be granted to any member of our Group.

4. Agency Fees or Commissions Received

No commissions, discounts, brokerages, or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

5. Related-Party Transactions

During the two years preceding the date of this document, we were engaged in related-party transactions as described in note 31 of the Accountant’s Report set out in Appendix I to this document.

6. Directors’ Competing Interest

None of our Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

7. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares, or debentures of our Company or our associated corporations (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 has taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code once the Shares are [REDACTED] on the Stock Exchange;

(b) none of our Directors nor any of the parties referred to under "— D. Other Information — 8. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors nor any of the parties referred to under "— D. Other Information — 8. Qualification of Experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the [REDACTED] and the completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO, or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) none of our Directors, their respective close associates (as defined under the Listing Rules), or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnity

Our Controlling Shareholders [have entered into] a deed of indemnity dated [•], 2020 in favor of our Company (for ourselves and as trustee for each of our subsidiaries) (being a material contract referred to in "— B. Further Information about Our Business — 1. Summary of Material Contracts" in this appendix) to provide indemnities in respect of, among other things, any liabilities for estate duty which may be incurred, any taxation resulting from profits or gains earned, accrued or received, as well as any claims, penalties, indebtedness or liabilities imposed or arising due to non-compliance with any applicable laws and regulations on or before the [REDACTED] when the [REDACTED] becomes unconditional.

3. Litigation

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, no member of our Group had been involved in any arbitration, litigation or administrative proceedings, or any other claims or disputes of material importance, and no arbitration, litigation or administrative proceedings, or claim or dispute of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that could be expected to have a material adverse effect on our reputation, business, results of operations, or financial condition.

4. Sole Sponsor

The Sole Sponsor has made an [REDACTED] on behalf of our Company to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued as mentioned in this document. All necessary arrangements have been made to enable such Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to a fee of HK$5 million for acting as our sole sponsor in connection with the [REDACTED].

5. Preliminary Expenses

Our estimated preliminary expenses are approximately US$5,300 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this document, no cash, securities, or other benefit has been paid, allotted, or given, or is proposed to be paid, allotted, or given, to any promoter in connection with the [REDACTED] and the related transactions described in this document.

7. Taxation of Holders of Shares

(a) Hong Kong

The sale, purchase, and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty 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.

8. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance who have given opinion or advice which are contained in this document:

Name	Qualifications
ABCI Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the Sole Sponsor of the [REDACTED]
Ernst & Young	Certified Public Accountants
Jingtian & Gongcheng	PRC legal advisor to our Company
Walkers (Hong Kong)	Cayman Islands legal advisor
China Index Academy	Industry consultant

9. Consents of Experts

Each of the experts as referred to in "— D. Other Information — 8. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its report(s), view(s), and/or letter(s) and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this document, the English language version shall prevail.

11. Binding Effect

This document shall have the effect, if an [REDACTED] is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. 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 December 31, 2019 (being the date to which the latest audited combined financial statements of our Group were prepared).

13. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages, or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commissions had 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 share in our Company or any of our subsidiaries.

(b) Save as disclosed in this document, no founder, management or deferred shares, convertible debt securities, nor any debentures in our Company or any of our subsidiaries has been issued or agreed to be issued.

(c) Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(d) Our Directors confirm that our Company has no outstanding convertible debt securities or debentures.

(e) All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED] for clearing and settlement.

(f) No members of our Group are presently listed on any stock exchange or traded on any trading system, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the [REDACTED], [REDACTED] and [REDACTED];

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 9. Consents of Experts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Paul Hastings at 21–22/F, Bank of China Tower, 1 Garden Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report for the three years ended December 31, 2019 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the reporting accountants' assurance report on the compilation of unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited combined financial statements of our Group for the three years ended December 31, 2019;

(e) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisor, dated [•], 2020 in respect of certain aspects of the Group and the property interests of the Group;

(f) the letter of advice issued by Walkers (Hong Kong), our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this document;

(h) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 9. Consents of Experts" in Appendix IV to this document;

(i) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this document;

(j) the Cayman Companies Law; and

(k) the industry report issued by China Index Academy, an independent industry consultant.