An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statement and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. 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 INDUSTRY

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

We believe that our ability to expand our portfolio of service contracts is key to sustaining growth of our business. During the Track Record Period, we procured new service contracts primarily through the tender and bidding process. For other contracts which do not require the tender and bidding process, we procured new agreements primarily through negotiations. Factors affecting customers' choice include the quality of services, the level of pricing and the track record of the property management company. We cannot assure you that we will be able to procure new service contracts on favorable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. In addition, both termination and non-renewal of contracts aforesaid could potentially be detrimental to our reputation and brand value and diminish our competitiveness within the market.

Furthermore, a substantial portion of our service contracts during the Track Record Period were awarded by independent third parties. Our revenue derived from properties developed by independent third parties accounted for 56.5%, 58.7% and 57.8% of our total revenue for 2020, 2021 and the nine months ended September 30, 2022, respectively. Any adverse development in the operations of independent third parties or their ability to develop new properties may affect our ability to procure the relevant new contracts. As a large number of independent third parties in China have their affiliated property management companies, we cannot assure you that the independent third parties will actually engage us as their property management service provider or that the number of independent third parties who engaged us will continue to grow at a similar rate as we previously experienced.

During the Track Record Period, we had also procured service contracts that come from our related parties. Our revenue derived from properties developed by related parties accounted for 43.5%, 41.3% and 42.2% of our total revenue in 2020, 2021 and the nine months ended September 30, 2022, respectively. We cannot assure you that our related parties will always engage us as their property management service provider, particularly because the appointment of property management enterprises is generally subject to the tender and bidding process under the PRC laws. There is no guarantee that we would be able to find other business opportunities and enter into service contracts on favorable terms, or at all.

Our business of providing city and industrial park services may not be as successful as we have expected.

We strategically focus on the provision of services to our government customers, which we believe would generate stable income. However, our strategic focus is based upon our 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. In addition, the expansion of our city and industrial park services may be restricted geographically due to local government policies in terms of public property management. We cannot assure you that we can expand this business nationally as successfully as we have expected.

During the Track Record Period, most of our city and industrial park service contracts were awarded by the local governments in China. We cannot assure you that the local governments will actually engage us as their city and industrial park service provider, particularly because the appointment of city and industrial park service providers is generally subject to several factors including the tender and bidding processes on the government procurement platforms and our relationship with the local government. There is no guarantee that we would be able to find other business opportunities or enter into alternative city and industrial park service contracts on favorable terms, or at all.

According to Frost & Sullivan, public properties, in particular, government properties, generally require a higher standard for security services and facility management for property management companies compared to other types of properties. We may have to recruit and train new managers and other employees, select experienced third-party subcontractors and suppliers for our operations, and understand more profoundly the evolving needs of the owners and occupiers of the public properties we manage or operate. If we fail to do so, we may not be able to secure stable income for provision of city and industrial park services.

We may not be able to assist property owners in our commercial operational services in renting out all newly developed properties and renewing existing leases, and accurately positioning the shopping malls.

For commercial operational services, we provide tenant sourcing services with respect to units located within shopping malls. However, we may not be able to assist property owners in leasing all of their new properties to an appropriate mix of tenants. In addition, when leases for existing tenants expire, we may not be able to assist property owners in renewing such leases on terms commercially favorable to them, or at all. Even if we manage to help them renew the leases, the rent as agreed may decrease due to other factors such as unfavorable market conditions. If we are unable to help property owners rent out such properties to tenants at the rent level we expect, or at all, and the commercial properties under our management fail to achieve the expected occupancy rate or maintain a high occupancy rate during their life cycle as expected, our revenue may decrease and, as a result, our results of operations and financial condition may be adversely affected.

Meanwhile, we also help property owners to position their shopping malls. We endeavor to improve our ability to accurately position shopping malls and assess the market demand and competitive landscape. However, these efforts may not be successful, which could adversely affect our results of operations and financial condition.

Some anchor stores or other major tenants could affect our ability to attract consumers to shopping malls under our management.

Shopping malls under our management are typically anchored by several large and widely recognized tenants. The operations of these shopping malls could be adversely affected if these anchor stores or other major tenants fail to comply with their contractual obligations or cease their operations while we fail to source new tenants at comparable or attractive rates in a timely manner.

Some anchor stores and major tenants may experience decreases in consumer traffic in their storefronts due to uncertainty as a result of pandemic events (such as the COVID-19 outbreak) and less-than-desirable levels of consumer confidence, increased competition from alternative retail options such as those accessible via the Internet and other forms of pressure on their business models. Accordingly, the ability of these tenants to maintain their stores and meet their obligations to property owners, their external lenders and us may be impaired. As a result, they may close their stores or seek more favorable lease terms with the property owners. These could in turn result in decreases in our operational service fees.

If any of the anchor or major tenants closes its stores at the shopping malls under our management, we may experience difficulty and delays in sourcing new tenants as well as in leasing spaces adjacent to such vacant anchor store or major tenants at attractive or comparable rates, or at all. Additionally, anchor store or major tenant closures may result in decreased consumer traffic, which could lead to decreased sales at other stores. If the business of stores operating in the shopping malls under our management declines significantly due to the closing of anchor stores or major tenants, tenants may be unable to pay their rents, service fees or other expenses. If any default by a tenant, we may not be able to fully recover and/or may experience delays and costs in enforcing our rights as a service provider to recover amounts due to us under the terms of our agreements with such parties.

Rapid growth of e-commerce business in China may have an adverse impact on the operation of shopping malls, which may, in turn, affect the profitability of our commercial operational services.

As the e-commerce business in China has experienced rapid growth, the purchasing habits of the consumers may undergo significant changes. People may tend to shop online instead of visiting shopping malls, which may adversely impact the business and financial condition of our tenants. If the business and financial condition of these tenants are affected by change in the purchasing habits or preferences of consumers, they may reduce their rental area or even cease to rent the storefronts. As a result, our commercial operational services may be affected.

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

We were expanding our businesses and services during the Track Record Period. Our revenue increased from RMB1,837.6 million for 2020 to RMB2,151.5 million for 2021. We also recorded an overall gross profit margin of approximately 15.1%, 13.0% and 14.6% in 2020, 2021 and the nine months ended September 30, 2022, respectively. See "Financial Information — Principal Components of our Consolidated Statements of Profit or Loss." However, the fee collection from our clients and profit margins of our projects largely depend on various factors, including the scale, complexity and specifications of the projects, our capacity, the competitive conditions at the contract negotiation stage and the general market conditions. As such, there is no assurance that we can maintain our income or estimate our project profitability of a project at any particular level. We seek to continue expanding our existing business. See "Business — Business Strategies." However, we base our expansion plans on our assessment of market prospects and other factors. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control, which include, among others:

- changes in the general economic conditions in China and respective real estate markets in particular;
- changes in disposable personal income in China;
- changes in government regulations or policies;
- changes in the supply of and demand for city and industrial park services, residential property management services and commercial property operational and management services;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable third-party subcontractors and suppliers;
- our ability to understand the needs of customers;
- our ability to understand the needs of property developers in the commercial properties where we provide commercial property operational and management services;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- our ability to diversify our service offerings and to optimize our business mix;
- our ability to reinforce our current market position and our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than we do; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

Since our business strategies are subject to uncertainties and risks, we cannot assure you that our future growth will materialize. Unsuccessful expansion plan in whole or in part may have a material and adverse effect on our business, financial condition, results of operations and growth prospects.

Future acquisitions, joint ventures and investments may expose us to new risks or fail to perform as expected.

One of the key components of our strategies is to consolidate our market position through selective acquisitions and joint ventures. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions and joint ventures involve uncertainties and risks, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management's attention. In addition, we are facing competition from industry peers, in particular those listed on the Stock Exchange which are actively seeking quality acquisition or investment targets in the market to achieve their expansion goals. Even if we manage to identify suitable opportunities, we may not be able to complete the transactions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable opportunities or complete transactions could materially and adversely affect our competitiveness and growth prospects.

We may be exposed to uncertainties and risks even if the transactions are completed, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden legal, regulatory, financial or other liabilities;
- inability to apply our business model or standardized business processes to the acquisition targets and joint ventures;
- failure to achieve the intended objectives, synergy benefits or revenue-enhancing opportunities;
- assumption of debt and liabilities of the acquired companies and joint ventures, some of which may not have been revealed during the due diligence process; and
- diversion of resources and management's attention.

In addition, we may face difficulties in integrating acquired operations with our existing business. Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

A significant portion of our operations are concentrated in the Greater Bay Area, and we are susceptible to any adverse development in government policies or business environment in this region.

A significant portion of our operations are concentrated in the Greater Bay Area. As of December 31, 2020, December 31, 2021 and September 30, 2022, our GFA under management in the Greater Bay Area totaled 26.9 million sq.m., 37.0 million sq.m. and 37.3 million sq.m., representing 57.7%, 63.0% and 63.0% of our total GFA under management, respectively. In 2020, 2021 and the nine months ended September 30, 2022, our revenue from the Greater Bay Area amounted to RMB1,297.0 million, RMB1,629.3 million and RMB1,279.9 million, representing 70.6%, 75.7% and 77.5% of our total revenue during the relevant periods, respectively. Due to such concentration, any adverse development in government policies or business environment in the area will materially and adversely affect our business, financial position and results of operations.

Our operations rely heavily on the following factors in Greater Bay Area, most of which are beyond our control:

- changes in the economic condition, the level of economic activities and the pace of urban development;
- the future regional development prospects;
- changes in government regulations and policies regarding the property management industry and real estate development industry; and
- our ability to compete with other property management companies operating in the region.

We may experience intense competition and fail to compete effectively.

According to Frost & Sullivan, the city and industrial park services, residential property management services and commercial property operational and management services industries are intensely competitive and highly fragmented in China. See "Industry Overview." Our competitors include city and industrial park, residential property management and commercial property operational and management service providers operating on national, regional and local scales that may have stronger capital resources, longer operating histories, better track records, greater brand or name recognition, greater expertise in regional and local markets and greater financial, technical, marketing and public relations resources than we do. Such service providers may be better positioned than we are to compete for customers, financing, skilled management and labor resources. They may also be able to devote more resources to the development, expansion, and promotion of their property management services. In addition, property developers may establish their own in-house property management businesses or engage their affiliated service providers. These developments may reduce the availability of business opportunities and customers as there would be fewer property developers on the market who would be willing to refer business to us. We may lose our competitive edge should we fail to continue evolving and thereby distinguishing ourselves from other service providers. Our customers may opt to work with our competitors upon the expiration of our existing service contracts as competition pressures intensify, and we may be less likely to successfully obtain new service contracts.

In addition, our efforts to compete may compel us to reduce prices for our property management services, while competitive pressures may force us to further enhance our service quality, thereby increasing our cost of services. We cannot assure you that we will be able to pass additional costs to our customers. Failure to compete effectively may erode our profit margins and market share, which could in turn materially and adversely affect our business, financial condition, results of operations and growth potential.

Increase in employee benefits expenses and outsourcing costs could adversely impact our business and affect our profitability.

For 2020, 2021 and the nine months ended September 30, 2022, our employee benefits expenses accounted for approximately 62.7%, 64.3% and 64.1% of our total cost of services and administrative expenses, respectively. We also delegate certain services, such as cleaning and gardening, to third-party subcontractors. For 2020, 2021 and the nine months ended September 30, 2022, our outsourcing costs accounted for approximately 16.1%, 16.2% and 18.8% of our total cost of services, respectively. Since our staff and outsourcing costs accounted for a significant portion of our cost of services, we believe that controlling and reducing our employee benefits expenses and outsourcing costs are essential to maintaining and improving our profit margins.

We face pressure from the rising employee benefits expenses and outsourcing costs due to various contributing factors, including but not limited to:

- the minimum wage in regions we operate has increased substantially in recent years, directly affecting our employee benefits expenses as well as the fees we pay to our third-party subcontractors; and

- with the expansion of our business, the number of our employees may continue to increase. We need to retain and continue to recruit qualified employees to meet the growing demand for talent. In addition, the number of third-party subcontractors we need will also increase. The increase in the number of employees may also lead to an increase in other costs, such as training, social insurance, housing provident fund contributions and quality control measures.

We cannot assure you that we will be able to control our costs or improve our efficiency. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

We may fail to effectively anticipate or control our costs in providing our services, for which we charge our customers on a lump-sum basis.

We generated a large portion of our revenue on a lump-sum basis during the Track Record Period. For 2020, 2021 and the nine months ended September 30, 2022, all of our revenue from city and industrial park services were charged on a lump-sum basis; 99.9%, 99.9% and 99.9% of our revenue from residential property management services were charged on a lump-sum basis, respectively; and all of our revenue from commercial property management services were charged on a lump-sum basis. On a lump-sum basis, we charge property management fees at a pre-determined fixed price per sq.m. per month, representing an "all-inclusive" fee for the property management services we provided. The fixed management fees do not fluctuate with the actual amount of costs we incur in the course of providing our services. We recognize the full amount of property management fees we charge as our revenue, and recognize the actual costs we incur in connection with rendering our services as our cost of services.

If we fail to accurately anticipate our actual costs prior to negotiating and entering into our property management services contracts, and our fees are insufficient to sustain our profit margins, we would not be entitled to collect additional amounts from our customers to make up the shortfalls. We also cannot assure you that we will be able to adequately control our costs in the course of providing property management services. As a result, such losses may have a material and adverse effect on our results of operations.

If we are unable to raise property management fee rates to fully cover the property management costs we incur, we would seek to adopt certain cost-saving initiatives with a view to reducing the loss. However, our attempts to mitigate such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which consequently would further reduce the owners' willingness to pay us property management fees.

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

We may encounter difficulties in collecting service fees from customers. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective. In addition, before accepting new engagements, we may assess the historical collectability of property management fees of these customers. However, we cannot assure you that such assessment would enable us to accurately predict our future property management fee collection rates. Moreover, although most of the property management fees were paid to us through non-cash methods such as bank transfers during the Track Record Period, certain property owners and residents may choose to pay their property management fees in cash, which may impose cash management risks on us.

The balance of our allowance for impairment of trade receivables was RMB34.6 million, RMB44.9 million and RMB54.1 million as of December 31, 2020, December 31, 2021 and September 30, 2022, respectively. Although our management made estimation and the related assumptions according to the information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if the 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 of such impairment allowance, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our collection of some property management fees is susceptible to seasonal fluctuations.

We experienced seasonal fluctuations in collecting some of our property management fees during the Track Record Period and expect to continue experiencing such seasonal fluctuations going forward. Property owners and tenants of some properties under our management tend to settle the outstanding property management fee balances toward the second half of the year, especially near the end of the year. In general, our trade receivable amounts increase throughout the year and decrease toward the end of the year when property owners and tenants clear their outstanding property management fee balances. Our contract liabilities, which primarily represent property management fees collected in advance from our customers, are therefore also subject to seasonal fluctuations. A comparison of our outstanding trade receivables and contract liabilities between different points in time within a single financial year may not necessarily be meaningful and should not be relied upon as indicators of our financial performance. Seasonal fluctuations in our trade receivables and contract liabilities require that we manage our liquidity carefully so as to provide our business with adequate cash for operations. Any inability to ensure adequate liquidity could cause us to incur higher financing costs and hamper our expansion and growth efforts, which could in turn materially and adversely affect our results of operations.

We rely on third-party subcontractors to perform certain property management services and may be held responsible for their substandard services to our customers.

In conducting our business, we delegate certain services, such as cleaning, gardening and greening services, to third-party subcontractors. For 2020, 2021 and the nine months ended September 30, 2022, our outsourcing costs accounted for 16.1%, 16.2% and 18.8% of our total cost of services, respectively. We may not be able to monitor the services of our third-party subcontractors as directly and effectively as with of our own employees. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. They may not have obtained or renewed the relevant business permits or licenses for the provision of their services on a timely basis. As a result, we may have disputes with our third-party subcontractors, or may be held responsible for their actions, 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 may be able to recover from a third-party subcontractor the amounts we are required to pay to customers due to the third-party subcontractor's failure to perform pursuant to the agreements that we enter into with the third-party subcontractor, but there is no guarantee that we will be able to do so. Upon the expiration of our agreements with our current third-party subcontractors, there can be no assurance that 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 subcontractors fail to maintain a stable team of qualified labor or have easy access to a stable supply of qualified labor, the work process may be interrupted. Any interruption to the third-party subcontractors' work process may potentially result in a breach of the contract that we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

Moreover, we may become, or may be joined as, a defendant in litigation or other proceedings brought against our third-party subcontractors. These proceedings could involve claims alleging, among other things, the failure of services provided by our third-party subcontractors to conform to required quality standards, false or misleading representations made by our third-party subcontractors in relation to the services provided, property damages or personal injuries arising from the services provided by our third-party subcontractors and infringement of third parties' intellectual property rights by our third-party subcontractors in connection with the services provided. We may be required to pay damage as a result of such litigation or other proceedings. We may also be subject to administrative fines and ordered to cease provision of the relevant services. In the event of serious offences, our business license may be suspended or revoked, and we may be investigated or even prosecuted under the PRC criminal laws. Any of the foregoing events could harm our brand and reputation, divert our management's attention and other resources and have a material adverse effect on our business, financial position and results of operations.

We are susceptible to changes in the regulatory landscape of the PRC property management services industry and commercial operational services industry.

We seek to comply with the regulatory regime of the property management and commercial operational services industries in conducting our business operations. In particular, the PRC government promulgates new laws and regulations relating to property management fees from time to time. In December 2014, the NDRC issued the Circular of NDRC on the Opinions on 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(發改價格)[2014]2755號) (the "**Circular**"), which requires the relevant provincial authorities to abolish all price control policies in relation to residential properties. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. See "Regulatory Overview — Legal Supervision over Property Management Service — Property Management Service Charges." On August 1, 2019, the Notice on Further Standardization of Property Service Charges (《廣東省發展改革委廣東省住房和城鄉建設廳關於進一步規範物業服務收費的通知》(粵發改價格函[2019]2897號)) issued by Guangdong Provincial Development and Reform Commission and the Guangdong Provincial Bureau of Housing and Urban-rural Development took effect. The price for property management services shall be determined by the property management companies and the property owners through negotiation within the scope of the government guidance price, and is no longer required to report to the local development and reform commission for filing. In light of the Circular, we expect that price controls on residential properties will be relaxed. However, in other provinces where we have operations, our property management fees for residential properties will continue to be subject to price controls until the relevant authorities pass local regulations to implement the Circular, while our commercial property management fees are not subject to price control. We cannot assure you that the PRC government would not reverse its policy and re-impose limits on property management fees.

In the event that it imposes limits on property management fees, we may see diminished profit margins as our employee benefits, outsourcing and other costs increase while our ability to raise management fees correspondingly is limited by the relevant rules and regulations. We cannot assure you that we would be able to respond to such changes timely and effectively by implementing our cost-saving measures, nor that we would be able to pass any additional costs to our customers. The PRC government may also unexpectedly promulgate new laws and regulations related to other aspects of our industry. This could increase our compliance and operational costs, thereby materially and adversely affecting our business, financial condition and results of operations.

We are susceptible to changes in the regulatory landscape of the PRC real estate industry.

As we are a property management service and commercial operational service provider, our growth potential is, and will likely continue to be, affected by developments in China's real estate industry. The PRC government promulgates new laws and regulations from time to time in relation to the PRC real estate industry. Among other measures, the PRC government may reduce the land available for property development, impose foreign exchange restrictions on cross-border investment and financing and restrict foreign investment. Such policies are introduced to curb overheating or speculation in the real estate industry and may reduce market demand for properties overall.

For example, in August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard to the assessment of the debt burden of property developers which lay out "Three Red-Line" standards on debt-to-asset ratio, net gearing ratio and cash to short-term debt ratio applicable to property developers. The proposed "Three Red Line" standards are expected to speed up real estate companies' deleveraging process and promote the healthy development of the PRC real estate industry.

In the event that government policies and regulations decelerate the overall growth of property development in China, we may experience slower growth in the market for property management services and commercial operational services, which could in turn restrict our potential and efforts to expand our business.

We have obtained some of our property management service contracts and city service contracts without going through the required tender and bidding process.

Under the PRC laws and regulations, property developers are typically required to enter into a preliminary property management service contract for residential properties with a property management company through a tender and bidding process. A residential property developer may be required to take rectification measures within a prescribed period and would be fined if it fails to comply with such tender and bidding requirements under the PRC laws for entering into preliminary property management service contracts. In addition, a public tender process may also be required under the PRC laws and regulations for the PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public facilities. See "Regulatory Overview — Legal Supervision over Property Management Service — Appointment of the Property Management Enterprises."

We had a small portion of preliminary property management service contracts and city service contracts as of September 30, 2022, which were obtained without conducting the required tender and bidding process under the PRC laws and regulations and the compulsory requirement of relevant local authorities. As confirmed by our Directors, the lack of a tender and bidding process for the selection of property management service providers for the aforementioned preliminary property management service contracts was not caused by us but the relevant property developers. As advised by our PRC Legal Advisors, according to Article 56 of the Regulations on Property Management (2018 Revised) (《物業管理條例(2018修正)》), where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose a penalty of no more than RMB100,000. In addition, according to Article 152 of the Civil Code of the People's Republic of China (《中華人民共和國民法典》), a civil juristic act in violation of the mandatory provisions of laws and administrative regulations is void. According to the Minutes of the National Court Work Conference for Civil and Commercial Trials (《全國法院民商事審判工作會議紀要》(法[2019]254號), where the transaction method is severely illegal, for example contracts concluded in violation of competitive contracting methods such as tender and bidding, the transaction shall be regarded as violating the mandatory provisions of laws and administrative regulations. Therefore, preliminary property management service contracts that fail to go through a tender and bidding process may be determined to be invalid by the local judicial authorities. If this occurs, the relevant property developer may need to organize a tender and bidding process to select a property management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

Failure to file our property management service contracts with competent government agencies in time may subject us to penalties.

Under the PRC laws and regulations, property management service enterprises are typically required to file property management service contracts with relevant government agencies within a specified period of time. As of the Latest Practicable Date, we had certain property management service contracts which we had not filed with competent government agencies. Failure to observe the compulsory filing requirement stipulated in regulations passed by local authorities may subject us to administrative penalties. For example, as advised by our PRC Legal Advisors, pursuant to Article 58 and 114 of the Regulations on Property Management of Shenzhen Special Economic Zone (《深圳經濟特區物業管理條例》), property management service enterprises shall, within 15 days from the date of signing the property management service contract, submit a copy of the contract to the housing and construction department for filing. If the property service contract is not filed accordingly, the housing and construction department shall give a warning, order it to make corrections within a prescribed time limit and can impose a fine ranging from RMB20,000 to RMB50,000.

Our prospects may be adversely affected by COVID-19 or other adverse public health developments and government relief measures in response to COVID-19.

In 2020, the COVID-19 spread across China and globally. The outbreak of COVID-19 has, amongst others, endangered the health of many people in China, resulting in a large number of confirmed cases and deaths and significantly disrupted economies in China and globally. In order to contain the COVID-19 pandemic, the PRC government had introduced a series of continuous measures, including, but not limited to, restrictions on enterprises from resuming work, traffic control, travel bans, management, control over commencement schedules of construction in new and existing property development sites and quarantining affected areas. In particular, we followed the emergency guidance of the PRC government by offering temporary rent reliefs to our tenants in 2020 and 2022. Considering the interruptions caused to our operations in these events, there is no assurance that any events of a similar kind will not result in any material adverse impact on our business, financial performance and results of operations. See "Business — Effects of the COVID-19 Pandemic." Such measures may severely affect and restrict the level of economic activities in China, which, along with the disruption of business in major industries, may adversely and materially affect the overall business sentiment and environment in China, which in turn, may lead to slower overall economic growth in China. Any contraction or slowdown in the economic growth of China could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, the COVID-19, or any other adverse public health developments, are likely to have an adverse impact on the livelihood of the people in and the economy of the PRC and may, consequently, adversely impact the property market in China. The outlook of the real estate market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the property management services market and our business operations and financial condition may be adversely affected. For instance, such events may disrupt our business operations and cause temporary suspension and shortage of labor and third-party outsourcing services for our business operations, as well as delays in construction, sales and delivery of projects for us to subsequently provide property management and other services. In addition, if any of our employees or staff of our third-party subcontractors were suspected of contracting or contracted an epidemic disease, it would adversely affect or disrupt our operations, as we may be required to quarantine some or all of our employees and third-party subcontractors, disinfect the buildings or sites or even scale-down or close some of our business to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the financial condition, or as the case may be, business operations of our customers, suppliers and other partners, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We are uncertain as to when the COVID-19 pandemic will be fully contained, and we also cannot predict if the impact will be short-lived, recurring or long-lasting. If the COVID-19 pandemic, or any similar adverse public health developments, are not effectively contained, our business operations and financial condition may be materially and adversely affected, which may make us fail to materialize our future growth as planned. See "Business — Effects of the COVID-19 Pandemic."

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 governmental approvals in the form of licenses, permits and certificates for our business operations, which, in general, are only issued or renewed after we have certified certain conditions. See "Regulatory Overview — Legal Supervision over Property Management Service." We cannot guarantee that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary governmental approvals for our operations in a timely manner, or at all. Moreover, we anticipate that the PRC government will promulgate new laws, regulations and policies in relation to the conditions for issuance or renewal of these governmental approvals from time to time and we cannot guarantee that we will be able to adapt to and meet these new conditions for us to obtain and/or renew the relevant governmental approvals in a timely manner, or at all. Loss of or failure to obtain or renew our permits, licenses and certificates necessary for our business operations, may stall our business development plans and operations, increase our compliance costs and leading to adverse impact on our business, financial condition and results of operations.

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

Our certain subsidiaries and branches are entitled to a preferential income tax rate lower than the 25% statutory corporate income tax rate in China. See "Regulatory Overview — Legal Supervision over Taxation in the PRC — Enterprise Income Tax". Meanwhile, we enjoy financial support received from local governments relating to business operations as an incentive for business development.

There can be no assurance that the policies on preferential tax treatment or government grants will not change or that any preferential tax treatment or government grants we enjoy or will be entitled to enjoy will not be terminated. If any change or termination of preferential tax treatment or government grants occurs, the increase in our tax charge or any other related tax liabilities or decrease in our other income could adversely affect our results of operations and financial condition.

Brands are our key assets and affect how we are perceived in the market. Any inappropriate use of any of "深業" (Shum Yip) or "深享" (Shenxiang) or related trade names or trademarks and deterioration in the "深業" (Shum Yip) or "深享" (Shenxiang) brand image could adversely affect our business.

Brands are our key assets. We provide services under the trade name of "深業" (Shum Yip) and integrated brand portfolio, the "深享" (Shenxiang) series. Our ability to attract and retain customers is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, management, workplace culture, financial condition, our response to unexpected events and other subjective qualities. The success of our business depends substantially upon our continued ability to increase brand recognition and further grow brand equity.

As certain trade names such as "深業" (Shum Yip) are shared by us and members of the Shum Yip Group, if we or these entities or our or their respective directors, management personnel or other employees take action that damages such brand names or corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged in by any such entity or person, our brand image and reputation as well as our market value may be adversely affected.

Meanwhile, unauthorized use of our brand names or related trademarks could diminish the value of our brands, market reputation and competitive advantages. Negative perceptions or publicity regarding these matters, even if related to seemingly isolated incidents and whether or not factually correct, could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new customers and maintain existing ones.

If we fail to fulfill our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, December 31, 2021 and September 30, 2022, our contract liabilities amounted to RMB83.9 million, RMB75.2 million, and RMB60.7 million, respectively. Our contract liabilities primarily arise from the advance payments made by customers while the underlying services are yet to be provided. See "Financial Information — Description of Certain Components of our Consolidated Statements of Financial Position — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the property management fees we have received, which may adversely affect our cash flows and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also affect our reputation and results of operations in the future.

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

We are exposed to fraud, negligence or other misconduct, intended or unintended, committed by our employees, third-party subcontractors, customers or other third parties that could subject us to financial losses and penalties imposed by governmental authorities as well as seriously harm our reputation. We cannot assure you that our risk management and internal control systems will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct committed by our employees, third-party subcontractors or other third parties in a timely and effective manner.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. In the event that we cannot recover related costs from the employees, third-party subcontractors or third parties involved in the misconducts, our business, financial condition and results of operations could be materially and adversely affected. Such misconducts could also attract negative publicity on us, damaging our reputation and brand value.

Our employees and third-party subcontractors may sustain work injuries during the ordinary course of providing property management services.

Work injuries may occur during the ordinary course of our business. For example, repair and maintenance services performed by our employees and third-party subcontractors may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations. Nevertheless, we are exposed to risks in relation to work safety, including, but not limited to, claims for injuries sustained by our employees and third-party subcontractors. Such occurrences may also damage our reputation within the property management industry. We may also experience business disruptions and be required to implement additional safety measures or modify our business model as a result of any governmental or other investigations. As a result, our business, financial condition, results of operations could be materially and adversely affected.

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

The common areas of the properties we manage may suffer damage as a result of incidents beyond our control. These incidents include, among others, natural disasters, accidents or intentional damage. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be material and extensive. Although a residential community is required under the PRC laws to establish a special fund to pay for the repair and maintenance costs of common areas, we cannot guarantee you that such fund will be sufficient. As the property management service provider, we may be viewed as the responsible party for restoring the common areas and at times we need to allocate additional resources to assist the police and other governmental authorities in investigating criminal actions that may have been involved in connection with damage caused to the common areas. If there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference and fix the damages with our own resources first before we attempt to collect the amount of the shortfall from property owners, property developers and residents. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial condition and results of operations. As we intend to continue expanding our business, the likelihood of such incidents may rise in proportion to any increases in the number of our managed properties and the expansion of our geographic coverage. Moreover, we may expand into markets that are geographically located in areas susceptible to natural disasters, which may consequently increase the possibility that common areas of the properties we manage may be subject to damage.

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

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may have a material adverse effect on our business. We believe that their insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. For details of the background and experience of our directors and senior management, see "Directors, Supervisors and Senior Management." Should any or all members of our senior management team join or form a competing business with their expertise, connections and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial condition and results of operations could be materially and adversely affected.

We may be involved in legal and other disputes and claims arising from our daily operations from time to time.

From time to time, we may be involved in disputes with and subject to claims by various parties, such as property developers, property owners or residents, to whom we provide our property management services. Disputes may also arise if they are dissatisfied with the quality of our services. In addition, they may take legal actions against us if they perceive that our services are inconsistent with the prescribed service standards contained in the service contracts, or that the performance of our obligations are not in strict compliance with the terms of the service contracts. In addition, we may, from time to time, be involved in disputes with and subject to claims by other parties involved in the ordinary course of our business, including our employees and third-party subcontractors who sustain injuries or damages. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any litigation, arbitration proceedings or administrative proceedings against us which may have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any of disputes and claims may not lead to legal or other proceedings against us or cause negative publicity, resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We may experience failures in protecting our customers' personal information and complying with laws and regulations regarding cybersecurity, privacy, data protection and information security.

We collect, process and store significant amounts of personal data concerning our customers, business partners and employees. While we have taken steps to protect the confidential information, we may be unable to identify the techniques used to sabotage or obtain unauthorized access, or implement adequate preventive measures to employee errors, malfeasances, system errors, fraudulent inducement, vulnerabilities or similar incidents. Any wilful or accidental security breaches or unauthorized access to our platforms could cause confidential information leakage, usage for unlawful purposes and expose us to significant litigation, enforcement actions, legal sanctions (including but not limited to, fines, suspensions of our production activities and limitations on our commercial activities), reputational harm, management distraction and, potentially, corporate criminal liabilities. See "Regulatory Overview — Legal Supervision Over Cyber Security" and "Regulatory Overview — Legal Supervision Over Internet Privacy".

Despite our efforts to comply with applicable laws, regulations and policies relating to cybersecurity, privacy, data protection and information security, we cannot assure you that our practices, offerings, services or platform will meet all of the requirements by such laws, regulations or policies. Any failure or perceived failure to comply with applicable laws, regulations or policies may result in inquiries or other proceedings being instituted against, or other lawsuits, decisions or sanctions being imposed on us by governmental authorities, consumers or other parties, including warnings, fines, directions for rectifications, suspension of the related business and termination of our applications, as well as in negative publicity on us and damage to our reputation, any of which could have a material adverse effect on our business, financial condition and operating results.

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

We rely on our information technology systems to manage certain of our operational functions. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar incidents in relation to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could result in, among others, transaction errors, processing inefficiencies and the loss of customers loyalty and sales. We may thus experience material adverse effects on our business, financial position, results of operations and our reputation.

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

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. See "Business — Insurance." However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. In addition, the insurance policies against disruption or damage caused by instances such as natural disasters, wars, civil unrest and acts of terrorism are not available in China on commercially practicable terms. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could be subject to significant costs and experience diversion of our resources, which would in turn materially and adversely affect our business, financial condition and results of operations.

Failure to make adequate contributions to social insurance and housing provident funds for our employees as required by the PRC regulations may subject us to penalties.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees. We have made provisions in the amounts of RMB4.2 million, RMB5.7 million and RMB4.3 million to our consolidated statements of profit or loss and other comprehensive income in respect of such potential liabilities in 2020, 2021 and the nine months ended September 30, 2022, respectively. As advised by our PRC Legal Advisors, according to the Social Insurance Law of the PRC (2018 Revision) (中華人民共和國社會保險法(2018年修訂)), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to make such payments within the stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount. Under the Regulations on Administration of Housing Provident Funds (2019 Revision) (住房公積金管理條例(2019修訂)), (i) if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) if we fail to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. As of the Latest Practicable Date, we had not received any notifications from the relevant authorities demanding payment of the social security fund and housing provident funds. See "Business — Employees — Social Insurance and Housing Provident Fund Enforcement."

We may be subject to fines for our failure to adhere to national health and safety standards.

We cannot assure you that our procedures and training will be completely effective in meeting all relevant health and safety requirements. Failure to meet such requirements could occur in our operations or those of our third-party subcontractors or suppliers. See "Business — Environmental, Social and Corporate Governance Matters." Our failure to adhere to the relevant laws and regulations could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against us and/or our management. In addition, negative publicity could result from false, unfounded or nominal liability claims. Any of these failures or occurrences could materially and adversely affect our business, financial condition, results of operations and brand image.

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

We are subject to environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard that is higher than the requirement under the prevailing environmental laws and regulations in China. In addition, we cannot assure you that more stringent environmental protection requirements will not be imposed in the future. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial condition, results of operations and prospects. See "Business — Environmental, Social and Corporate Governance Matters — Environmental Protection."

We may fail to protect our intellectual property rights

Our business success and competitive positioning depend to a significant extent upon our ability to protect our intellectual property. We have registered and are in the process of registering a number of intellectual property rights in China. See "Business — Intellectual Property."

We devote substantial efforts to the establishment and protection of our trademarks and other intellectual property rights. However, we cannot exclude the possibility that our intellectual property rights may be infringed or challenged by others, or that we may be unable to register our intellectual property rights or otherwise adequately protect them.

In addition, we may need to invest significant resources on protecting and enforcing our rights, including bringing claims against such third parties. There is no assurance that our efforts will be successful, particularly since the enforceability, scope and validity of laws governing intellectual property rights in China are still evolving and may involve substantial risks for us. If any of the above-mentioned risks materialize and we are unable to take appropriate steps to enforce our intellectual property rights, it would materially affect our business, financial condition, results of operations and prospects.

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

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

Some of our leased properties are with title defects, and we may be forced to relocate due to the title defects, which may result in a disruption of our operations and subject us to penalties.

As of January 31, 2023, we had 25 leased properties, some of which are with title defects. Defective titles of our leased properties include inconsistencies between planned and actual use, failure to obtain ownership registration certificates, and failure to perform lease registration and filing procedures. See "Business — Properties — Leased Properties".

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 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. 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.

We are subject to risks beyond our control relating to epidemics, acts of terrorism or wars in China and globally.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in markets where we have, or plan to have, business operations. Some of these markets are situated in geographic regions of the PRC that are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as COVID-19, Ebola, severe acute respiratory syndrome (SARS), Middle East Respiratory Syndrome (MERS), strains of avian influenza, the human swine influenza A (H1N1), the Highly Pathogenic Asian Avian Influenza A (H5N1) and the Asian Lineage Avian Influenza A (H7N9). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disrupt our business operations. Severe communicable disease outbreaks could result in widespread health crises that materially and adversely affect economic systems and financial markets. Acts of war or terrorism may also injure our employees, cause loss of life, disrupt our business operations and adversely affect the financial well-being of our customers. Any of these and other factors beyond our control may create uncertainties within the overall business environment, thereby causing our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

All of our major businesses, assets, operations are located in China. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of reform and opening up policies beginning in 1978, the PRC was primarily a planned economy. Since then, the PRC economy has been transitioning to a market economy with socialist characteristics.

For approximately four decades, the PRC government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC government has periodically implemented a number of measures intended to slow down certain segments of the economy that the PRC government believed were overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our services and therefore could materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchange under the PRC laws and regulations may limit our ability to satisfy obligations denominated in foreign currencies.

Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. See "Regulatory Overview — Legal Supervision over Foreign Exchange." Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, we derive our income primarily from dividend payments made by our PRC subsidiaries.

Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from SAFE for current account transactions so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments.

However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. There can be no assurance that the PRC government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC government and changes in international and domestic political and economic conditions. From 1995 to July 20, 2005, the conversion of the Renminbi into foreign currencies was based on fixed rates set by the PBOC. However, effective from July 21, 2005, the PRC government decided to permit the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On November 30, 2015, the Executive Board of the International Monetary Fund completed a regular five-year review of the basket of currencies that make up the Special Drawing Right and determined that, effective from October 1, 2016, the Renminbi will be included in the Special Drawing Right basket as a fifth currency along with the U.S. dollar, the Euro, the Japanese yen and the British pound. It is difficult to predict how market forces and the PRC government's policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

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

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. We cannot assure you that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our services.

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

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. We cannot assure you that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

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

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

However, many of these laws and regulations are relatively new. Thus, there may be uncertainties involved in their implementation and interpretation. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. Consequently, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

Most of our Directors and executive officers reside within China, and most of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors 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-Chinese courts. The PRC 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 (《最高人民法院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.

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

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

Although we conduct a large portion of our business operations in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE SPIN-OFF AND [REDACTED]

There has been no prior market for our H Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there was no public market for our H Shares. There can be no assurance that an active trading market for our H Shares will develop or be sustained after completion of the **[REDACTED]**. The indicative **[REDACTED]** range and the **[REDACTED]** will be determined by negotiations between us, the **[REDACTED]**, and the **[REDACTED]** (on behalf of the **[REDACTED]**), and they may differ significantly from the market price of our H Shares following the **[REDACTED]**.

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

- variations in our financial condition and/or results of operations;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;
- loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our H Shares; and
- general economic and other factors.

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

The **[REDACTED]** of our H Shares is expected to be determined on the **[REDACTED]**. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four Business Days after the **[REDACTED]**. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H 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] will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The **[REDACTED]** substantially exceeds the per Share value of our **[REDACTED]** after subtracting our total liabilities, and therefore **[REDACTED]** will experience immediate dilution when they purchase our H Shares in the **[REDACTED]**. If we were to distribute our **[REDACTED]** to our Shareholders immediately following the **[REDACTED]**, **[REDACTED]** would receive less than the amount they paid for their Shares.

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

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

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our H Shares held by the controlling shareholders are currently subject to certain lock-up undertakings. See "**[REDACTED]**." However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our H Shares.

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

Any declaration of dividends will be proposed by our Board, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial performance, profitability, business development, prospects, capital requirements, economic outlook and other factors which our Board may determine are important. See "Financial Information — Dividend Policy." We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our controlling shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED].

Prior to and immediately following the completion of the **[REDACTED]**, our Controlling Shareholders will have, and will continue to have, substantial influence over their interests in the issued share capital of our Company. See "Relationship with Controlling Shareholders." The interests of our controlling shareholders may differ from the interests of our other Shareholders. Our controlling shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our controlling shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Our management has significant discretion as to how to use the [REDACTED] received by us from the [REDACTED], and you may not necessarily agree on how we use them.

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

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

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

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

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

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

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