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Application Proof of

Cubic City Service Apartment Group Holdings Limited

魔方生活服務集團有限公司

(the “**Company**”)

(Incorporated in the Cayman Islands with limited liability)

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魔方生活服务集团

Cubic City Service Apartment Group Holdings Limited 魔方生活服务集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] (comprising [REDACTED] New [REDACTED] and [REDACTED], and subject to the [REDACTED])

Number of Hong Kong [REDACTED] : [REDACTED] (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] (comprising [REDACTED] [REDACTED] and [REDACTED], and subject to [REDACTED] and the [REDACTED])

Maximum [REDACTED] : [REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars, subject to refund)

Nominal value : US\$0.000001 per Share

[REDACTED]

Joint Sponsors

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any [REDACTED]. Some of the particular risks of [REDACTED] in the [REDACTED] are set out in “Risk Factors”. You should read the entire document carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

As one of the leading and fast-growing rental apartment services platforms which pioneered the centralized rental apartment model in China, we provide conveniently located rental apartments at affordable prices in centrally managed buildings with modern facilities. Our offerings address the evolving demands of a wide array of urban residents. As of December 31, 2022, we have built an inclusive resident community nationwide with 76,245 apartments in operation across 388 locations in 25 cities. We operate our apartment operation business in the centralized rental apartment market, which is part of the institutionalized rental apartment market. According to Frost & Sullivan, the penetration rate of institutionalized rental apartment was only 8.2% in China in 2022 with its market size reaching RMB139.4 billion. In 2022, the size of the centralized rental apartment market in China reached RMB51.1 billion. According to Frost & Sullivan, we ranked first among independent centralized rental apartment operators, in terms of the number of apartments in operation as of December 31, 2022.

We operate rental apartments under two models: (i) the leased-and-operated model, under which we enter into en bloc leases or leases for part of buildings, and manage and operate such leased properties, and (ii) the manachised and third-party managed model, under which we manage and operate franchised apartments either under our own brands or under the brands of the relevant entrusting parties. Under both the leased-and-operated model and the manachised and third-party managed model, we do not own any of the apartment properties where our rental apartments are located. Our ability to manage apartment communities under different models enables us to satisfy various demands of residents, landlords, franchisees and entrusting parties, empowers us to adjust our expansion strategies in different tier cities and strengthens our overall business resilience.

Our brand underlies our historical success and future growth. We launched our flagship brands: (i) Mofang Apartment (魔方公寓) targeting white-collar workers pursuing quality rental life, in 2009, and (ii) Unit 9 Apartment (9號樓公寓), providing dormitory living solutions to blue-collar workers, in 2016, each of which became the most recognized brand in their respective submarkets, according to Frost & Sullivan. Our multi-brand strategy formally launched in 2016 has effectively boosted our development in the centralized rental apartment industry in China by diversifying our product lines to compete for customers with diverging demands and preferences for rental solutions.

SUMMARY

During the Track Record Period, we realized rapid growth while maintaining healthy financial performance. Our revenue increased by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. The growth of our revenue in 2021 was mainly from acquisitions, and to a lesser extent, from organic growth. This growth in revenue was also facilitated by our fast recovery from the negative impact from the COVID-19 pandemic on our operations. Correspondingly, while we recorded a net loss of RMB230.3 million in 2020, we achieved a net profit of RMB301.9 million in 2021. In 2022, faced with renewed pressure imposed by the COVID-19 pandemic and the responsive measures introduced by public authorities in China, our financial performance managed to show a measurable level of resilience with our revenue amounting to RMB1,714.1 million in 2022, which represents an increase of 16.5% from that in 2021.

We expect our fast growth to also benefit from our industry’s strong potential. China’s rental apartment industry has grown significantly to RMB1.7 trillion by the end of 2022 and is expected to further expand to RMB2.6 trillion by the end of 2027, representing a CAGR of 8.7%, according to Frost & Sullivan. The centralized rental apartment market in China is expected to grow even faster, from RMB51.1 billion in 2022 to RMB136.6 billion in 2027, achieving a CAGR of 21.7%, according to Frost & Sullivan.

OUR APARTMENT NETWORK

We started the centralized rental apartment business in Nanjing in 2009. Since then, leveraging years of experience and know-how accrued in rental apartment management and operation, we expanded into other cities across China, including Shanghai and Guangzhou in 2013, Beijing and Shenzhen in 2014, and Hangzhou in 2016. As of December 31, 2022, we had 76,245 apartments in operation across 388 locations in 25 cities.

The following table sets forth a breakdown of the total number of apartments under our operation by business model and city tier as of the dates indicated:

	As of December 31,								
	2020			2021			2022		
	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total
Leased-and-operated apartments	21,610	10,271	31,881	38,579	11,495	50,074	39,048	11,785	50,833
Manachised and third-party managed apartments	2,717	4,432	7,149	10,500	15,313	25,813	10,739	14,673	25,412
Total	24,327	14,703	39,030	49,079	26,808	75,887	49,787	26,458	76,245

SUMMARY

Notes:

- (1) Tier 1 cities include Beijing, Shanghai, Guangzhou and Shenzhen.
- (2) Other cities include Nanjing, Chengdu, Hangzhou, Wuhan, Xi'an, Zhengzhou, Changsha, Dongguan, Tianjin, Xiamen, Suzhou, Qingdao, Wuxi, Kunshan, Hefei, Nantong, Ningbo, Foshan, Nanchang, Wenzhou, Quanzhou, Huizhou, Zhenjiang and Quzhou. Based on the presence of our apartment operation business, the scope of other cities may vary from time to time.

As of December 31, 2021, the total number of apartments under our operation reached 75,887, representing a significant increase of 94.4% as compared to the number of apartments as of December 31, 2020. Specifically, the total number of our leased-and-operated apartments increased by 57.1% from 31,881 as of December 31, 2020 to 50,074 as of December 31, 2021, which was primarily driven by the facts that (i) we implemented our strategy to further expand our apartment network through organic growth and (ii) we, as a leading consolidator, implemented several strategic acquisitions during the year to strengthen our leading position in the centralized rental apartment market. The total number of our manachised and third-party managed apartments increased by 261.1% from 7,149 as of December 31, 2020 to 25,813 as of December 31, 2021. This is primarily because we were engaged in January 2021 pursuant to a cooperative agreement to operate approximately 20,000 apartments through the manachised and third-party managed model, which was the largest-scale cooperative agreement within the rental apartment industry at the time according to Frost & Sullivan. The total number of apartments under our operation increased slightly from 75,887 as of December 31, 2021 to 76,245 as of December 31, 2022, primarily because our expansion plan was disrupted by the recurrent COVID-19 outbreaks in major Chinese cities in 2022.

OUR BUSINESS MODELS

Our apartments are primarily operated under two models: the leased-and-operated model and the manachised and third-party managed model.

Leased-and-Operated Model

Under the leased-and-operated model, we enter into en bloc leases or leases for part of buildings with property owners or sublessors of the target apartment properties. We usually enter into long-term leases for such apartment properties with an initial lease term generally ranging from 10 to 15 years.

After renovating and furnishing the leased properties following consistent standards, we provide such rental apartments to residents together with our quality services. The residents typically enter into a lease of one year with us, which is renewable by mutual agreement, and pay rents either on a quarterly basis or a monthly basis. We manage and operate these apartments and bear the accompanying expenses. We are responsible for recruiting, training and supervising the managers and other staff of each apartment community, paying for leases of the apartment communities and costs associated with renovation and furniture, and purchasing all supplies and other required equipment.

SUMMARY

Average Rental Rate and Occupancy Rate

The following table sets forth average monthly rental rate per apartment by apartment types and city tiers, average monthly rental rate per square meter by apartment types and city tiers, average occupancy rate by apartment types and city tiers, and average occupancy rate by brands of our apartments operated under the leased-and-operated model for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Average monthly rental rate per apartment (RMB) by apartment types⁽¹⁾			
White-collar apartments	2,964	3,025	2,922
Blue-collar dormitories	3,425	3,629	3,710
	3,086	3,164	3,137
Average monthly rental rate per apartment (RMB) by city tiers⁽²⁾			
Tier 1 cities	3,446	3,389	3,386
Other cities	2,328	2,468	2,290
	3,086	3,164	3,137
Average monthly rental rate per square meter (RMB) by apartment types⁽³⁾			
White-collar apartments	75.2	88.1	84.0
Blue-collar dormitories	71.2	89.4	93.1
	74.0	88.4	86.7
Average monthly rental rate per square meter (RMB) by city tiers⁽⁴⁾			
Tier 1 cities	80.1	95.3	94.4
Other cities	59.8	67.7	61.5
	74.0	88.4	86.7

SUMMARY

	For the Year Ended December 31,		
	2020	2021	2022
Average occupancy rate by apartment types⁽⁵⁾			
White-collar apartments	83.6%	87.0%	85.1%
Blue-collar dormitories	72.1%	85.0%	84.4%
	80.2%	86.5%	84.9%
Average occupancy rate by city tiers⁽⁶⁾			
Tier 1 cities	80.2%	87.2%	84.4%
Other cities	80.2%	84.6%	86.7%
Total	80.2%	86.5%	84.9%
Average occupancy rate by brands⁽⁷⁾			
Mofang Apartment	85.6%	88.9%	85.6%
MORE Apartment	70.6%	81.4%	79.2%
WE Apartment	76.7%	89.0%	85.7%
Unit 9 Apartment	73.3%	86.4%	87.2%
Hui House	86.3%	92.0%	89.8%
Chummy Space	—	—	76.2%

Notes:

- (1) Average monthly rental rate for a given year equals the total rental income (excl. VAT) in a given year divided by the aggregate number of apartments that have been successfully rented out in the same year.
- (2) Average monthly rental rate per apartment in a tier of cities for a given year equals the total rental income (excl. VAT) in a given year generated from the tier of cities divided by the aggregate number of apartments that have been successfully rented out in the same year in the tier of cities.
- (3) Average monthly rental rate per square meter of a certain type of apartments for a given year equals the total rental income (excl. VAT) generated from such type of apartments in a given year divided by the gross floor area of rental apartments of such type that have been successfully rented out in the same year.
- (4) Average monthly rental rate per square meter for a tier of cities in a given year equals the total rental income (excl. VAT) generated from such tier of cities in a given year divided by the gross floor area of rental apartments in such tier of cities that have been successfully rented out in the same year.
- (5) Average occupancy rate of each year equals the combined number of apartments that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental on each calendar day over the same year.
- (6) Average occupancy rate for a tier of cities in a given year equals the combined number of apartments in a tier of cities that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental in such tier of cities on each calendar day over the same year.
- (7) Average occupancy rate for each brand in a given year equals the combined number of apartments under a certain brand that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental under such brand on each calendar day over the same year.

SUMMARY

Our Group’s contribution margin, which is defined as the difference between average monthly rental rate per apartment and average monthly rental cost per apartment divided by average monthly rental rate per apartment, reached 40.6% in 2020, 43.1% in 2021 and 43.0% in 2022. According to Frost & Sullivan, the industry-wide contribution margin of the centralized rental apartment market was typically between 30.0% and 45.0% in 2022.

Other Key Operating Metrics

Leveraging our rich experience acquired from our continued operations in China’s centralized rental apartment market, we have expanded our apartment operation business under the leased-and-operated model in target markets in China over the years. The following table sets forth the number of residents, number of landlords, average lease period with residents, renewal rate of residents, average renovation cost per apartment, and average operating cost per apartment in relation to our business under the leased-and-operated model as of the dates or for the years indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Number of residents	45,614	63,746	60,073
Number of landlords	184	269	267
Average lease period with residents (month) ⁽¹⁾	10.5	11.1	11.7
Renewal rate of residents ⁽²⁾	45.0%	41.4%	45.7%
Average renovation cost per apartment (RMB) ⁽³⁾	48,457	46,024	44,001
Average operating cost per apartment (RMB) ⁽⁴⁾	383	322	307

Notes:

- (1) Average lease period with residents in a given year equals the sum of the weighted average lease term of each apartment that has been rented out during the given year divided by the number of rental apartments that have been successfully rented out during such year.
- (2) Renewal rate of residents in a given year equals the number of apartments for which the rental contracts are renewed in the given year divided by the number of apartments for which the rental contracts expire (excluding the number of apartments for which the rental contracts are terminated because of contractual breaches) during the year. Sometimes we enter into new rental contracts with existing residents for new apartments. These rental contracts are not included in our calculation of renewal rate of residents.
- (3) Average renovation cost per apartment in a given year equals the total initial renovation costs paid by our Company in the given year divided by the total number of apartments launched in the year. In 2021, we launched an apartment community for which we were entrusted by the lessor to conduct renovation and decoration. While the renovation cost was ultimately borne by the lessor, we counted such apartment community in when we calculated our average renovation cost per apartment in 2021 because we believe such renovation project, like other renovation projects, also reflects our general ability in benefiting from economies of scale and achieving cost efficiency.
- (4) Average operating cost per apartment in a given year equals the total operating costs in the given year divided by the total number of apartments available for rent during the year.

SUMMARY

For more information and analysis about the key operating metrics of our apartment operation business under the leased-and-operated model, please refer to “Business – Our Business Models – Leased-and-Operated Model”.

For the leased-and-operated model, our revenue comprised (i) rents paid by residents and (ii) apartment management service fees for ancillary services that we provided to residents during their stay. During the Track Record Period, we generated revenue of RMB912.7 million, RMB1,389.5 million and RMB1,626.0 million from the leased-and-operated model for the years ended December 31, 2020, 2021 and 2022, respectively, which accounted for 96.2%, 94.5% and 94.9% of our total revenue over the same period and represented a CAGR of 33.5%.

Manachised and Third-party Managed Model

Under the manachised and third-party managed model, we enter into manachise agreements with franchisees and management agreements with entrusting parties. The operating models under the manachise agreements and the management agreements are generally identical except that the manachise agreements authorize franchisees to use our brand and logo. Pursuant to our standard manachise agreements or management agreements, the franchisees or the entrusting parties own or lease relevant apartment communities and typically bear the costs of developing and operating the apartments, including expenses related to construction and renovation, and regular maintenance and repair costs. We typically provide operation and management services without bearing any loss incurred or sharing any profit realized by our franchisees or entrusting parties.

For the manachised and third-party managed model, our revenue was generated primarily from (i) the initial one-off fees that we collected from franchisees and entrusting parties and (ii) ongoing royalties based on a percentage of gross revenues of manachised and third-party managed apartments. During the Track Record Period, we generated revenue of RMB18.7 million, RMB37.8 million and RMB41.6 million from the manachised and third-party managed model for the years ended December 31, 2020, 2021 and 2022, respectively, which accounted for 2.0%, 2.6% and 2.4% of our total revenue generated over the same period and represented a CAGR of 49.3%.

The following table sets forth a breakdown of our revenue by business model, both in absolute amounts and as percentages of our total revenue for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Leased-and-operated model	912,655	96.2%	1,389,455	94.5%	1,625,997	94.9%
Manachised and third-party managed model	18,681	2.0%	37,849	2.6%	41,630	2.4%
Others	17,652	1.8%	43,786	2.9%	46,512	2.7%
Total	948,988	100.0%	1,471,090	100.0%	1,714,139	100.0%

SUMMARY

OUR APARTMENTS

We provide both white-collar apartments and blue-collar dormitories, which are meant to satisfy the diverse rental demands of different urban residents.

Our white-collar apartments are primarily operated and managed under our flagship brand, *Mofang Apartment*. Our Mofang Apartment provides one-bedroom apartments and two-bedroom apartments, which are generally offered at a price range of RMB3,000 to RMB6,000 per month in Beijing and Shanghai, or RMB2,000 to RMB4,000 per month in other cities. Mofang Apartment has been our flagship brand since the inception of our business, which provides fully furnished apartments that we believe strike an ideal balance among cost, comfort and convenience.

Each Mofang Apartment generally ranges from 25 to 45 square meters in terms of size, with en-suite kitchen and bathroom. We also operate white-collar apartments under other brands that complement Mofang Apartment, primarily including:

- MORE Apartment (魔爾公寓): upscale one-bedroom apartments that target white-collar customers who have more disposable income.
- WE Apartment (V客青年公寓): budget one-bedroom apartments that cater to fresh graduates who are often budget-sensitive.

Our blue-collar dormitories are dormitory-type apartments targeting blue-collar workers and are operated mainly under the *Unit 9 Apartment* brand. We opened the first Unit 9 Apartment in 2016. Unit 9 Apartment provides well-renovated and fully-furnished dormitory-style apartments with multiple beds per room. Each Unit 9 apartment typically has two to eight beds per room, and is generally offered at a price of between RMB500 to RMB1,000 per bed per month. In addition, we operate other blue-collar dormitory brands to complement our brand portfolio, primarily including:

- Chummy Space (築夢居): dormitory-type apartments situated in smaller buildings, targeting primarily small and medium-sized enterprises that demand accommodation solutions for their employees.
- Hui House (輝展閣): dormitory-type apartments that are strategically located in close proximity to the established industrial parks in Beijing and Suzhou.

SUMMARY

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- Largest and fast-growing independent centralized rental apartment services platform in China
- Leading consolidator with proven post-acquisition integration capabilities
- Brand of choice for residents, corporate customers and industry participants
- Superior living experiences driven by standardized and innovative product and service offerings
- Market leading operational efficiency powered by advanced technology capability
- Experienced management team supported by a well-trained workforce

OUR STRATEGIES

We endeavor to achieve sustainable growth in our business and create long-term value for our shareholders by implementing the following strategies:

- Expand geographical coverage and deepen penetration in core cities
- Develop the franchised and third-party managed model
- Increase brand awareness and strengthen brand portfolio
- Continue product innovation and enrich value-added service offerings
- Improve technology infrastructure and enhance digitalization level

COMPETITIVE LANDSCAPE

China’s rental apartment market consists of (i) non-institutionalized rental apartments that are mostly provided by individual landlords, and (ii) institutionalized rental apartments that are typically provided by specialized rental apartment operating companies. The institutionalized rental apartment market comprises dispersed rental apartments and centralized rental apartments, which primarily differ in the operating model and the sources of properties. We operate in the centralized rental apartment market.

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According to Frost & Sullivan, in terms of the number of apartments in operation, we ranked as the third largest centralized rental apartment operator in China with 76,245 apartments in operation as of December 31, 2022. Moreover, according to Frost & Sullivan, we were the largest independent operator of centralized rental apartments in China in 2022 in terms of the number of apartments in operation and we were the fastest-growing platform among the top five centralized rental apartment services platforms in China from 2020 to 2022.

China’s centralized rental apartment market is highly fragmented and competitive with the top five players in aggregate accounting for 15.0% of the total market in terms of the number of apartments in operation, according to Frost & Sullivan. We face competition from different sources for each of our three primary activities, including sourcing apartment properties, securing franchise agreements and management agreements, and leasing apartments to residents.

Please refer to “Industry Overview – Competitive Landscape of China’s Centralized Rental Apartment Market” and “Business – Competition” in this document for more details.

CUSTOMERS AND SUPPLIERS

Our customers are primarily comprised of (i) individual residents who rent our apartments, (ii) corporate customers who rent our apartments for their employees, (iii) franchisees and entrusting parties who authorize us to operate and manage their apartment communities, and (iv) commercial tenants who lease spaces located in our apartment communities to conduct their own commercial activities. Our suppliers primarily include (i) landlords, (ii) service providers of apartment renovation, maintenance, repair, cleaning and Internet services, and (iii) suppliers of furniture, electronic appliances, construction materials and other items that are used or installed in our apartments.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in our [REDACTED]. Some of the major risks we face include the following:

- Our business is susceptible to China’s macro-economic conditions, particularly the dynamics of the rental apartment market in China.
- Our historical growth and financial condition may not be indicative of our future performance and if we fail to effectively manage our growth, our business, financial condition and results of operations could be materially and adversely affected.
- We face intense competition in the rental apartment market. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected.

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- We may not be able to successfully compete for the manachise or management agreements for our manachised or third-party managed projects and, as a result, we may not be able to expand as we planned.
- Our cost structure under the leased-and-operated model could materially and adversely affect our operating and financial performance as a significant portion of our costs and expenses may remain at the same level or increase even if our revenues decline.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountants’ Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes, as well as the information set forth in the section headed “Financial Information.” Our consolidated financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenue for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,					
	2020		2021		2022	
		%		%		%
	(RMB'000, except percentages)					
Revenue	948,988	100.0	1,471,090	100.0	1,714,139	100.0
Cost of services provided and products sold	(162,593)	(17.1)	(203,760)	(13.9)	(243,818)	(14.2)
Other income and gains ⁽¹⁾	48,013	5.1	92,518	6.3	73,231	4.3
Changes in fair value of investment properties, net ⁽²⁾	(496,734)	(52.3)	(241,420)	(16.4)	(776,647)	(45.3)
Changes in fair value of financial assets and liabilities at fair value through profit or loss (“FVTPL”) ⁽³⁾	38,070	4.0	29,544	2.0	19,859	1.2
Administrative expenses	(175,195)	(18.5)	(211,718)	(14.4)	(271,105)	(15.8)
Finance costs ⁽⁴⁾	(423,103)	(44.6)	(501,296)	(34.1)	(635,835)	(37.1)

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	For the Year Ended December 31,					
	2020		2021		2022	
	%		%		%	
	(RMB'000, except percentages)					
(Loss)/Profit before tax	(262,553)	(27.7)	396,517	27.0	(253,610)	(14.8)
Income tax credit/(expense)	32,276	3.4	(94,580)	(6.4)	7,003	0.4
(Loss)/Profit for the year	<u>(230,277)</u>	<u>(24.3)</u>	<u>301,937</u>	<u>20.5</u>	<u>(246,607)</u>	<u>(14.4)</u>
Attributable to:						
Owners of the Company	(228,686)	(24.1)	289,396	19.7	(203,974)	(11.9)
Non-controlling interests	<u>(1,591)</u>	<u>(0.2)</u>	<u>12,541</u>	<u>0.8</u>	<u>(42,633)</u>	<u>(2.5)</u>
	<u>(230,277)</u>	<u>(24.3)</u>	<u>301,937</u>	<u>20.5</u>	<u>(246,607)</u>	<u>(14.4)</u>

Notes:

- (1) Other income and gains primarily consist of (i) other interest income, representing the interest earned on the loans that we made, (ii) compensation income, representing the amount that we received from commercial disputes, (iii) finance lease interest income, representing interest earned on finance lease receivables, (iv) government grants, primarily representing subsidies received from local government authorities, (v) bank interest income, (vi) gains on bargain purchase, representing the gains related to our acquisition of Shanghai Jinghong, (vii) gain on disposal of right-of-use assets, which was related to the office of Vlinker Project Companies that we leased out, and (viii) miscellaneous.
- (2) Investment properties represent the apartment communities that we leased and held as the right-of-use assets, and managed under the leased-and-operated model to earn rental income. The fair value model is applied to all investment properties. We recognize changes in fair value of investment properties in profit or loss.
- (3) Financial assets and liabilities at FVTPL mainly comprise (i) unlisted equity investments, (ii) debt instruments and (iii) wealth management products. We recognize changes in fair value of financial assets and liabilities at FVTPL in profit or loss.
- (4) Our finance costs consist of (i) interest on borrowings, other payables and long-term payables, and (ii) interest on lease liabilities. Our interest on borrowings, other payables and long-term payables was RMB120.1 million, RMB124.9 million and RMB195.4 million in 2020, 2021 and 2022, respectively. Under IFRS16, we are required to recognize interest on lease liabilities and record it in the statement of profit or loss as a finance cost.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of certain items. We believe that such measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has

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limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. We define EBITDA (non-IFRS measure) as profit/(loss) before tax adjusted for depreciation and amortization expenses, finance costs and interest income. In 2020, 2021 and 2022, our EBITDA (non-IFRS measure) was RMB148.3 million, RMB884.5 million and RMB375.0 million, respectively. For the reconciliation of the most directly comparable financial measure calculated and presented under IFRS, which is profit/(loss) before tax, to our EBITDA (non-IFRS measure), please refer to “Financial Information – Non-IFRS Measure” in this document.

In addition to EBITDA as a non-IFRS measure, we believe that changes in fair value of investment properties, foreign exchange differences and rental costs based on lease agreements have a significant impact on our financial performance. Therefore, we take into account these items when we assess our overall financial performance. In 2020, 2021 and 2022, we recorded changes in fair value of investment properties of RMB496.7 million, RMB241.4 million, and RMB776.6 million as losses, respectively. In 2020, 2021 and 2022, we recorded foreign exchange losses of RMB3.2 million, RMB0.4 million and RMB49.2 million, respectively. In the same periods, our rental costs based on lease agreements amounted to RMB622.8 million, RMB841.1 million and RMB1,017.9 million, respectively. In addition, our equity-settled share option expenses amounted to RMB14.9 million, RMB16.3 million and RMB66.3 million in 2020, 2021 and 2022, respectively. In 2021 and 2022, our [REDACTED] were [REDACTED] and [REDACTED], respectively.

Our revenue increased by 55.0% from RMB949.0 million for the year ended December 31, 2020 to RMB1,471.1 million for the year ended December 31, 2021. The growth of our revenue in 2021 was mainly from acquisitions, and to a lesser extent, from organic growth. This growth in revenue was also facilitated by our fast recovery from the COVID-19 pandemic’s negative impact on our operations. Our revenue increased by 16.5% from RMB1,471.1 million for the year ended December 31, 2021 to RMB1,714.1 million for the year ended December 31, 2022, which was primarily contributed by newly launched apartment communities integrated through strategic acquisitions in the fourth quarter of 2021.

In 2020, the COVID-19 pandemic broke out in China, which caused disruptions to our business operations. Therefore, while our apartment network expanded in 2020, our revenue growth did not meet our anticipated level and we recorded a revenue of RMB949.0 million in such year. Meanwhile, we recorded a net fair value loss of investment properties of RMB496.7 million in 2020, primarily because the increase of prevailing market rental rate, a key input to value our investment properties, was dampened by the COVID-19 outbreak. As a result, we recorded a net loss of RMB230.3 million in 2020. In 2021, as the COVID-19 pandemic was largely under control in China, we recorded a net profit of RMB301.9 million. That was mainly because our revenue in 2021 reached RMB1,471.1 million, which was in turn mainly from acquisitions, and to a lesser extent, from organic growth. Moreover, we recorded a net loss of RMB246.6 million in 2022, primarily due to the negative impact of the recurring outbreaks of COVID-19 in major Chinese cities, particularly Shanghai, where we had 30,053 apartments in operation as of December 31, 2022.

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Summary of Consolidated Statements of Financial Position

The following table sets forth certain selected line items from our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Total non-current assets	8,189,726	12,865,916	13,387,642
Total current assets	830,857	1,180,061	631,320
Total current liabilities	2,205,276	2,717,929	3,054,937
Net current liabilities	(1,374,419)	(1,537,868)	(2,423,617)
Total non-current liabilities	4,954,556	8,736,760	8,896,740
Net assets	1,860,751	2,591,288	2,067,285
Non-controlling interests	34,789	147,055	105,500

Please refer to “Financial Information – Summary of Consolidated Statements of Financial Position” in this document for more details.

Our investment properties increased by 71.1% from RMB6,800.8 million as of December 31, 2020 to RMB11,636.6 million as of December 31, 2021, which was primarily due to the increase in the number of apartment communities under the leased-and-operated model through both strategic acquisitions and organic growth. Our investment properties increased by 3.7% from RMB11,636.6 million as of December 31, 2021 to RMB12,071.3 million as of December 31, 2022, primarily driven by the increased number of apartments in operation under the leased-and-operated model.

Our net assets increased from RMB1,860.8 million as of December 31, 2020 to RMB2,591.3 million as of December 31, 2021, reflecting an increase in equity in 2021, which in turn was primarily attributable to our profit for the year ended December 31, 2021 of RMB301.9 million and our issuance of preferred shares for a total consideration of RMB258.4 million. Our net assets decreased to RMB2,067.3 million as of December 31, 2022, reflecting a decrease in equity in 2022, which in turn was primarily attributable to our loss for the year ended December 31, 2022 of RMB246.6 million and repurchase of preferred shares at a cost of RMB200.2 million.

In connection with the adoption of IFRS 16, we recognized lease liabilities for future fixed lease payments in current liabilities and non-current liabilities. Meanwhile, we recognized investment properties representing leasehold interests to earn rental income (within one year and beyond) entirely in non-current assets. As such, IFRS 16 resulted in us having less current assets and more current liabilities, which represents a de facto mismatch between current liabilities and current assets throughout the Track Record Period. In addition, we incurred a significant amount of interest-bearing bank borrowings and other borrowings during the Track Record Period primarily for apartment network expansion, including strategic

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acquisitions and apartment renovation, and for daily operating activities. Such a mismatch caused by the adoption of IFRS 16, together with our borrowings, payables and accruals, led to our net current liabilities position. We believe that we are able to improve our net current liabilities position and that our working capital sufficiency is assured. For details, please refer to “Financial Information – Working Capital Sufficiency Statement – Working Capital Sufficiency” in this document.

Our net current liabilities increased over the Track Record Period, the details of which are set forth below:

- Our net current liabilities increased by 11.9% from RMB1,374.4 million as of December 31, 2020 to RMB1,537.9 million as of December 31, 2021, mainly due to (i) the increase in other payables and accruals along with the expansion of our apartment operation business in China, and (ii) the growth in the current portion of lease liabilities as we further scaled up our apartment operation business under the leased-and-operated model.
- Our net current liabilities increased by 57.6% from RMB1,537.9 million as of December 31, 2021 to RMB2,423.6 million as of December 31, 2022, which was caused by a combination of the decrease in our total current assets and the increase in our total current liabilities, among which:
 - (i) Our total current assets decreased by 46.5% from RMB1,180.1 million as of December 31, 2021 to RMB631.3 million as of December 31, 2022, primarily because (a) our loan receivables from shareholders decreased from RMB206.4 million as of December 31, 2021 to nil as of December 31, 2022 as the FortuNews Loans and the KWJ Loan had been settled by virtue of the FortuNews Holdings Share Surrender and the KWJ Investment Unwinding, respectively, the impact of which was one-off and non-recurring for our Group; and (b) our cash and bank balances decreased by 39.3% from RMB682.5 million as of December 31, 2021 to RMB414.0 million as of December 31, 2022, primarily due to our payment of considerations in 2022 for our strategic acquisitions conducted in 2021 and additions to investment properties.
 - (ii) Our total current liabilities increased by 12.4% from RMB2,717.9 million as of December 31, 2021 to RMB3,054.9 million as of December 31, 2022, primarily because (a) our current portion of interest-bearing bank and other borrowings increased by 21.9% from RMB1,091.1 million as of December 31, 2021 to RMB1,330.2 million as of December 31, 2022 as a larger amount of bank and other borrowings fell due within one year from the relevant date; and (b) our current portion of lease liabilities increased by 21.8% from RMB717.8 million as of December 31, 2021 to RMB874.6 million as of December 31, 2022 since we leased more apartment properties to expand our business operations in China, including apartment properties that we already leased as of December 31, 2022 but were not launched as of the same date.

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Summary of Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the years indicated.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB'000)		
Net cash generated from operating activities	658,543	1,047,513	1,187,309
Net cash used in investing activities	(275,043)	(776,934)	(214,409)
Net cash (used in)/generated from financing activities	(269,899)	69,953	(1,276,665)
Net (decrease)/increase in cash and cash equivalents	113,601	340,531	(303,765)
Cash and cash equivalents at beginning of year	214,870	317,914	656,296
Cash and cash equivalents at end of the year	317,914	656,296	345,575

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the [REDACTED] received from the [REDACTED]. We currently do not have any other plans for material additional external financing.

The following table sets forth the major financial statement line items in relation to our leases for the years or as of the dates indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
	(RMB'000)		
Items of consolidated statements of profit or loss:			
Finance costs ⁽¹⁾	(423,103)	(501,296)	(635,835)
Changes in fair value of investment properties, net ⁽²⁾	(496,734)	(241,420)	(776,647)
Items of consolidated statements of financial position:			
Investment properties ⁽³⁾	6,800,843	11,636,599	12,071,287
Right-of-use assets ⁽⁴⁾	26,812	34,958	15,825
Finance lease receivables ⁽⁵⁾	153,368	245,221	266,574
Lease liabilities ⁽⁶⁾	4,923,097	7,603,204	8,010,866

SUMMARY

Notes:

- (1) Our finance costs consist of (i) interest on borrowings, other payables, and long-term payables, and (ii) interest on lease liabilities. Lease liabilities generally represent the present value of our payment obligations under the relevant lease to be made over the lease term. Under IFRS 16, we are required to recognize interest on lease liabilities and record it as a finance cost in the statement of profit or loss.
- (2) The composition of changes in fair value of investment properties mainly includes fair value gain from newly opened apartment communities during the year, fair value loss from existing leased apartment communities, and COVID-19 related rent concessions from lessors.
- (3) Our investment properties are held as right-of-use assets. They represent the market value of the leases for the apartment communities that we leased and managed under the leased-and-operated model to earn rental income.
- (4) Our right-of-use assets represent the buildings rented by us for office purposes.
- (5) Finance lease receivables represent lease receivables from commercial tenants for part of leased properties where we transfer substantially all the risks and rewards incidental to ownership of the leased properties. Finance lease receivables are not related to the value of investment properties since the latter is associated with our operating leases.
- (6) Our lease liabilities represent the present value of the lease payments that we are contractually obligated to make over the remaining lease term.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Gross profit margin ⁽¹⁾	82.9%	86.1%	85.8%
Net gearing ratio ⁽²⁾	11.7%	11.2%	14.3%

Notes:

- (1) Gross profit margin equals gross profit divided by the revenue during the year.
- (2) Net gearing ratio equals net debt divided by total assets. Net debt represents interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash.

ACQUISITION OF THE VLINKER PROJECTS

We owned 31.126% of Vlinker Creator Space Operations Management Co., Ltd. (“**Vlinker Creator Space Operations**”) as of December 31, 2020. In January 2021, we disposed of our entire shareholding in Vlinker Creator Space Operations. Simultaneously, we acquired 100% of the equity interests in 21 project companies (each, a “**Vlinker Project Company**”, collectively, “**Vlinker Project Companies**”) that were wholly-owned by Vlinker Creator Space Operations through business combinations (the “**Vlinker Equity Acquisitions**”) and one project in the prime location of Lujiazui, Shanghai through an asset acquisition. For more information, see “History and Corporate Structure – Acquisitions, Disposals and Mergers – Acquisition of the Vlinker Projects.”

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RELATIONSHIP WITH WARBURG PINCUS

Immediately upon completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), Warburg Pincus will directly or indirectly be interested in approximately [REDACTED] of the total number of issued Shares through Peridot Gem Investment, Mordenite Gem and Peridot Gem Group. Each of Peridot Gem Investment, Mordenite Gem and Peridot Gem Group will be interested in [REDACTED], [REDACTED] and [REDACTED] of the total number of issued Shares, respectively.

Founded in 1966, Warburg Pincus is a leading global growth investor with more than US\$85 billion in assets under management as of December 31, 2022. Warburg Pincus is also one of the largest private equity firms in China and Southeast Asia with developed domain expertise in the consumer, financial services, healthcare, industrial technology, real estate and technology sectors. For more information on Warburg Pincus and its shareholding in our Company, please see the sections headed “History and Corporate Structure” and “Substantial Shareholders”.

OUR ESTABLISHMENT AND PRE-[REDACTED] INVESTMENTS

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 15, 2012. Following our Company’s incorporation, we received multiple rounds of Pre-[REDACTED] Investments. Our principal Pre-[REDACTED] Investors include Warburg Pincus (investing through Peridot Gem Investment, Mordenite Gem and Peridot Gem Group), CDPQ (Asia), HangFang Investment, DT MF Investment, Ocean Link (through FortuNews Holdings) and Ms. LIU Jia (through KWJ Investment). For more information, see “History and Corporate Structure – Pre-[REDACTED] Investments”.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued pursuant to the [REDACTED] (including any additional Shares which may be issued pursuant to the exercise of the [REDACTED] and Shares to be issued pursuant to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan) pursuant to the [REDACTED]/revenue/cashflow test under Rule 8.05(2) of the Listing Rules. [REDACTED] in the Shares [REDACTED] are expected to commence on [REDACTED].

No part of the Company’s share or loan capital is [REDACTED] on or [REDACTED] in on any other stock exchange and no such [REDACTED] or permission to [REDACTED] is being or proposed to be sought in the near future.

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WAIVERS IN RESPECT OF THE PROPERTY VALUATION REQUIREMENTS

We operate a rental apartment business under the leased-and-operated model and manachised and third-party managed model, and do not have any self-owned properties. Under the accounting standard IFRS 16 (Leases), the operating leases with respect to the leased properties of the Company are recognized as right-of-use assets on its balance sheet.

Pursuant to Rules 5.01(2) and 5.01A of the Listing Rules, section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the “CWUMPO”) and section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32 sub. Leg. L) (collectively, the “**Property Valuation Requirements**”), we would be required to include a property valuation report covering 148 leased properties in this document. We have applied for, and the Stock Exchange and the SFC [have granted], (a) a waiver from strict compliance with Rule 5.01A of the Listing Rules; and (b) an exemption from strict compliance with section 342(1)(b) of and paragraph 34 of the Third Schedule to the CWUMPO, on the basis that (1) no commercial value is attributed to the relevant leased properties and such information is not meaningful to potential [REDACTED] for them to make informed [REDACTED] decisions; and (2) alternative meaningful information will be included in the document.

As a condition precedent to this waiver and exemption, we have included a property valuation report on the top 30 leased properties of the Group in terms of carrying amount as of December 31, 2022, together with information on the other ROU Assets of the Company, in this document. For more information, see “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Property Valuation”, “Business – Properties” and “Appendix IV – Property Valuation Report”.

WORKING CAPITAL MANAGEMENT

With a view of establishing a systematic regime for the management of our working capital, we have introduced a broad scope of policies and procedures, covering almost all the major aspects of our commercial activities. These policies and procedures include, among others, the Guidance and Fundamental Principles for Capital Management (魔方生活服務集團資金管理指導及基本原則), the Development Process and Investment Criteria for New Strategic Acquisitions (收併購新項目開發流程及投資標準), and the Development Process and Investment Criteria for New Leased-and-Operated Projects (直營新項目開發流程及投資標準). By strictly implementing these established policies and controls throughout the decision-making process and daily operations of our Group, we believe we are able to manage our working capital in a manner that effectively supports our overall business plan.

We attach great importance to the management of our liquidity and the preparation of capital plans. To this end, we prepare capital plans to provide guidance for the distribution and utilization of working capital within our Group in a given period. Our capital plans are amenable to changing circumstances and our evolving business needs, but any amendment

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thereof can only be made in accordance with a set of pre-established procedures. In addition, the staff at our capital center are required to prepare capital reports on a monthly basis, covering metrics such as the income and expenses at our apartment communities, bank loans and renovation costs. By reviewing and analyzing the capital reports regularly, our senior management maintains a good understanding of the status of our liquidity and working capital. With such timely knowledge at hand, our management can better make advance planning for potential capital expenditures, take pre-emptive actions to address latent liquidity risks and arrange for the expansion of our business in an orderly and practical fashion. The major aspects of our Group’s working capital management policies and strategies are set forth below:

- *Rental cost management.* Given that rental costs constitute a significant part of our costs under the leased-and-operated model, we closely monitor the management and control of our rental costs. We distance ourselves from disorderly competition for property sources and reject rental costs that unreasonably exceed prevailing market levels. In addition, we pay a deposit to our landlords in an amount that equals the rent of one month to three months instead of an excessively high amount.
- *Renovation cost management.* Since renovation costs also feature as a prominent part of the upfront costs related to our leased-and-operated apartment communities, we have introduced policies and procedures to achieve cost efficiency in the renovation process. We maintain a pre-approved list of contractors and suppliers, which are subject to our annual review based on their performance during the year.
- *Cost management for strategic acquisitions.* Acknowledging that strategic acquisitions usually require substantial capital investment, we have established policies and procedures to conduct such acquisitions in a cost-efficient manner. Before entering into any acquisition agreements, we typically conduct comprehensive due diligence on target companies or projects and undergo rigorous internal procedures to help ensure a justified risk return profile. In addition, we typically pay the consideration by installments rather than on a lump-sum basis.
- *Rental income management.* To continually improve our rental income as we expand our business operations in China, we have established policies and controls to guide our daily operations. We have been adhering to a market-driven strategy for pricing our apartment offerings. The Geographic Information System (GIS) allows us to efficiently set the price for our apartments, which helps ensure that we can continuously generate sustainable rental income and ultimately profit from our apartment operation business.
- *Management of financing activities.* As we need external funding from banks and other sources to support our orderly expansion nationwide, we have established stringent policies and procedures to guide our financing activities. Such policies and procedures aim to ensure that our financing activities can serve the best interest of our business expansion.

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- *Prudent expansion.* Over the years, we have developed a data-driven investment projection model, which provides guidance for our expansion under the leased-and-operated model and helps us avoid over-expansion in a city or across the country. Before being submitted to our investment committee for approval, a proposed leased-and-operated project would be appraised with the help of our investment projection model. Meanwhile, based on the experience from previous investments and the observation of the changing macro-environment, we will also (i) regularly review the projection model and refine the relevant standards and (ii) elevate investment requirements during special periods to strengthen risk control. We also regularly review our liquidity position and adjust our expansion strategy according to our cash flow forecasts.

For more details about our policies, procedures and strategies over working capital management, see “Business – Working Capital Management” in this document.

DIVIDEND POLICY

No dividends had been paid or declared by our Company during the Track Record Period. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder’s meeting. Under the Companies Act, the distribution of shareholder dividends takes the form of distribution of surplus. A distribution of surplus may be made up to the amount calculated in accordance with the formula set forth in the Companies Act. Under the Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to the Shareholders out of either our profits or our share premium account, provided this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. However, no dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity’s registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations and the Articles of Association, our PRC entities shall not declare or pay dividend until their accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations. Our accumulated losses position as of January 1, 2020 was mainly due to the fact that economies of scale were not effectively achieved as our business scale was rather limited.

SUMMARY

[REDACTED]

This document is published in connection with the [REDACTED] as part of the [REDACTED]. The [REDACTED] comprises of:

- (a) the [REDACTED] of initially [REDACTED] (subject to [REDACTED] and adjustment) in Hong Kong as described below in “– The [REDACTED]”; and
- (b) the [REDACTED] of initially [REDACTED] (comprising [REDACTED] and [REDACTED], subject to [REDACTED], adjustment and the [REDACTED]) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

[REDACTED] may [REDACTED] under the [REDACTED] or [REDACTED] or indicate an interest in [REDACTED] under the [REDACTED], but may not do both.

The [REDACTED] will represent approximately [REDACTED] of the total Shares in issue immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised. If the [REDACTED] is exercised in full, the [REDACTED] will represent approximately [REDACTED] of the total Shares in issue on an enlarged basis.

[REDACTED]

Our [REDACTED] in connection with the [REDACTED] are estimated to be approximately [REDACTED] or [REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised). The percentage of [REDACTED] out of [REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised) is expected to be approximately [REDACTED]. Our [REDACTED] consist of (i) [REDACTED], (ii) fees and expenses of legal advisors and accountants of [REDACTED], and (iii) other fees and expenses of [REDACTED]. All the [REDACTED] were or will be borne by our Company and no amount of [REDACTED] was or will be borne by the [REDACTED].

During the Track Record Period, we incurred [REDACTED] of [REDACTED], of which [REDACTED] was charged to our consolidated statements of profit or loss, while the remaining amount of [REDACTED] was included in prepayments and will be subsequently charged to equity upon completion of the [REDACTED]. We expect to incur additional [REDACTED] of approximately [REDACTED] after the Track Record Period, of which approximately [REDACTED] will be charged to the consolidated statements of profit or loss and approximately [REDACTED] is expected to be recognized as a deduction in equity directly upon the completion of the [REDACTED].

SUMMARY

[REDACTED]

All statistics in the following table are based on the assumption that the [REDACTED] has been completed and [REDACTED] are issued pursuant to the [REDACTED].

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	Based on an [REDACTED] of [REDACTED] per [REDACTED]
[REDACTED] of our Shares ⁽¹⁾	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible asset per Share ⁽²⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] expected to be in issue, based on the high-end and the low-end of the [REDACTED] range, immediately upon completion of the [REDACTED], further information of which is set out in the section headed “History and Corporate Structure – Capitalization” in this document. For these purposes it is assumed that the [REDACTED] is [REDACTED].
- (2) The unaudited [REDACTED] adjusted consolidated net tangible asset per Share upon the completion of the [REDACTED] is calculated after making the adjustments referred to in “Appendix II – Unaudited [REDACTED] Financial Information” in this Document.

[REDACTED]

We estimate that the [REDACTED] to the [REDACTED] from the sale of the [REDACTED] pursuant to the [REDACTED], assuming that the [REDACTED] is not exercised, will be approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range). We will not receive [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED], whether or not the [REDACTED] is exercised.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in relation to the [REDACTED], assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED], and that the [REDACTED] is not exercised.

We intend to use the [REDACTED] we will receive from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

SUMMARY

- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for business expansion and strategic acquisitions, with a view to increasing our market share and solidifying our leading position in China’s centralized rental apartment industry.
- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for our technology infrastructure upgrade and our apartment product innovation.
- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for our continual selling and marketing efforts to further promote our brand awareness and deepen our penetration rate in core cities in which we operate.
- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for working capital and general corporate purpose.

Please refer to “Future Plans and [REDACTED]” in this document for more details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Update of Certain Operating Metrics

As of December 31, 2022, there were certain apartment properties for which we had entered into leases but the corresponding apartment communities had not been launched as of the same date. Therefore, the number of apartments to be offered in these apartment properties was not included in the number of our apartments in operation as of December 31, 2022. Such apartment communities primarily include MORE Apartment (Beijing World Trade Branch) (魔爾公寓北京國貿店), Mofang Apartment (Wenzhou Binhai Branch) (魔方公寓溫州濱海店), Mofang Apartment (Shanghai Shiquan Road Branch) (魔方公寓上海石泉路店), Mofang Apartment (Beijing Changping Shahe Subway Station Branch) (魔方公寓北京昌平沙河地鐵站店) and Mofang Apartment (Shanghai Wusong Road Branch) (魔方公寓上海吳淞路店), corresponding to a total number of 3,075 rental apartments. While MORE Apartment (Beijing World Trade Branch) (魔爾公寓北京國貿店) and Mofang Apartment (Wenzhou Binhai Branch) (魔方公寓溫州濱海店) had already been launched as of the Latest Practicable Date, the other three apartment communities are expected to be launched later this year according to our business plan. Meanwhile, as of the Latest Practicable Date, the number of residents living in our apartment communities under the leased-and-operated model increased to 62,481 as of the Latest Practicable Date from 60,073 as of December 31, 2022, largely because of our recovery from the negative impact of COVID-19 and the end of the Chinese New Year holiday.

SUMMARY

Impact of COVID-19 on Our Operations

In 2020, the countrywide fight against the spread of the coronavirus caused disruptions to our business operations. The overall occupancy rate of our mature apartment communities under the leased-and-operated model slightly decreased from 89.1% in 2019 to 84.6% in 2020. Our newly-opened apartment communities were hit harder by the outbreak of COVID-19, as the ramp-up period for these communities to reach our target level of occupancy rate was prolonged to an average of 8.9 months.

In 2021, we recovered rapidly from the sluggishness caused by the pandemic. The average monthly rental rate of our mature apartments under the leased-and-operated model increased by 4.7% from RMB3,127 in 2020 to RMB3,274 in 2021 and the average occupancy rate of these apartments increased from 84.6% in 2020 to 88.5% in 2021. During the year, the number of our apartments in operation increased from 39,030 as of December 31, 2020 to 75,887 as of December 31, 2021. Our financial performance also achieved a vigorous rebound with our revenue increasing by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. Compared with the net loss of RMB230.3 million in 2020, we achieved a net profit of RMB301.9 million in 2021.

During the spring of 2022, Shanghai was hit by a new wave of COVID-19 infections, which resulted in citywide lockdown measures. The neighboring provinces and some other cities, such as Beijing, were almost simultaneously faced with renewed pressure from COVID-19. As of December 31, 2022, we had 28 apartment communities in Beijing and 141 apartment communities in Shanghai, corresponding to 5,672 and 30,053 rental apartments, respectively. The occupancy rate of our apartment communities in Shanghai in the second quarter of 2022 was 2.2% lower than that in the first quarter of 2022. Our pre-determined plan to continue expanding our apartment network was also negatively affected by the pandemic, as openings of new apartment communities and strategic acquisitions were delayed. However, upon the gradual removal of the lockdown measures in Shanghai, those affected apartment communities recovered from the adverse impact rather soon with the occupancy rate of our mature apartments under the leased-and-operated model in Shanghai increasing rapidly from 80.1% as of May 31, 2022 to 91.6% as of June 30, 2022 as the lockdown measures had been largely removed since June 1, 2022. Subsequent to the lockdown measures being lifted and along with the gradual recovery of the city from the pandemic, we had picked up the pace of our expansion plan in Shanghai. In the second quarter of 2022, as for our expansion plan in Shanghai, the average monthly number of rental apartments submitted to our preliminary review meeting and ultimate review meeting for discussions over their launch was 392 and 218, respectively. With the local society gradually recovering from the COVID-19 pandemic, such numbers increased to 1,255 and 632, respectively, in the third quarter of 2022.

In December 2022 and January 2023, when a new wave of COVID-19 infections swept across many regions in China, our business operations around the country faced challenges. In light of the changed circumstances in pandemic control and the early arrival of the Chinese New Year in 2023, our certain operating metrics demonstrated a decline in this period of time. For example, the occupancy rate of our leased-and-operated apartments decreased by

SUMMARY

approximately 2.2% in December 2022 and approximately 6.6% in January 2023. The renewal rate of residents also decreased by approximately 5.0% in December 2022 and approximately 9.2% in January 2023. Nevertheless, with the negative impact of COVID-19 gradually fading away and the end of the Chinese New Year holiday, the occupancy rate of our leased-and-operated apartments increased by approximately 3.2% in February 2023 and approximately 3.0% in March 2023. Meanwhile, the renewal rate of residents also strongly increased by approximately 11.5% in February 2023. Overall, the recurring COVID-19 outbreaks in major Chinese cities in 2022 had caused significant disruptions to our apartment operation business in China, leading to a decline in our operating and financial performance. In 2022, driven by the concern for the safety and well-being of our residents and staff, our expenses related to pandemic prevention and control, primarily including necessary supplies, extra security and cleaning cost, and allowance to employees and volunteers, reached RMB11.3 million. For the year ended December 31, 2022, we recorded a net loss of RMB246.6 million.

No Material Adverse Change

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this document, there had been no material adverse change in our financial, operational or trading position or prospects since December 31, 2022 and up to the Latest Practicable Date.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.

“2017 Pre-[REDACTED] Share Option Plan”	the 2017 pre-[REDACTED] share option plan adopted by our Company, which was amended, restated and ratified by the Board of Directors on April 30, 2022, the principal terms of which are set out in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans – 1. 2017 Pre-[REDACTED] ESOP Plan” to this document
“2020 Pre-[REDACTED] Share Option Plan”	the 2020 pre-[REDACTED] share option plan (together with the relevant share option rules), adopted by our Company, which was amended and restated by the Board of Directors on April 30, 2022, July 18, 2022 and April 13, 2023, the principal terms of which are set out in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans – 2. 2020 Pre-[REDACTED] ESOP Plan” to this document
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the eleventh amended and restated articles of association of our Company, conditionally adopted on [Date], 2023 and which will become effective from the [REDACTED], and as amended from time to time, a summary of which is set out in Appendix IV to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“AVIC Industry Finance”	AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司), a company listed on the Shanghai Stock Exchange (SSE stock code: 600705) primarily engaged in the operation of financial business and financial industrial equity investment business based in China and one of our substantial shareholders
“Board” or “Board of Directors”	the board of Directors of our Company

DEFINITIONS

“Business Day” or “business day” any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

“BVI” the British Virgin Islands

“CAC” the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)

[REDACTED]

“CBIRC” China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)

[REDACTED]

“CDPQ” Caisse de dépôt et placement du Québec, a legal person created by a special act of the Legislature of the Province of Quebec and manages the funds of its depositors, primarily comprising public and para-public pension and insurance plans from the province of Quebec, Canada, an institutional fund manager and one of our indirect substantial shareholders

DEFINITIONS

“CDPQ (Asia)”	CDPQ Private Equity Asia Pte. Ltd., a private limited company incorporated in the Republic of Singapore on August 4, 2016, an investment vehicle ultimately controlled by CDPQ and one of our substantial shareholders
“Circular 13”	the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which became effective on June 1, 2015
“Circular 37”	the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which came into effect on July 4, 2014
“City Mofang”	City Mofang (Beijing) Apartment Management Co., Ltd. (城市魔方(北京)公寓管理有限公司), a company established in the PRC with limited liability on August 14, 2014 and an indirect wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, “the Company”, “we” or “us”	Cubic City Service Apartment Group Holdings Limited 魔方生活服務集團有限公司 (formerly known as Cubic City (China) Service Apartment Group Holdings Limited), an exempted company incorporated in the Cayman Islands with limited liability on May 15, 2012, and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on March 25, 2022
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Cubic City International”	Cubic City Service Apartment International Holdings Co., Ltd. (formerly known as Cubic City (China) Service Apartment International Holdings Co., Ltd.), a company incorporated in the BVI with limited liability on May 17, 2012 and a wholly-owned subsidiary of our Company
“Cubic City Investment”	Cubic City (China) Investment Co., Ltd. (魔方(中國)投資有限公司) (formerly known as Mofang (Nanjing) Apartment Management Co., Ltd. (魔方(南京)公寓管理有限公司) and Mofang (China) Apartment Management Co., Ltd. (魔方(中國)公寓管理有限公司)), a company established in the PRC with limited liability on June 21, 2012 and an indirect wholly-owned subsidiary of our Company
“Director(s)”	the director(s) of our Company
“DT Capital”	DT Capital China Growth Fund, L.P., a private equity fund founded on December 14, 2007 in the Cayman Islands and an indirect holder of Shares in our Company through DT MF Investment, focused on investing in companies in high-growth and innovative industries and sectors in China

DEFINITIONS

“DT MF Investment”	DT MF Investment Limited, a company incorporated in the BVI with limited liability on April 11, 2012, an investment vehicle directly wholly owned by DT Capital and one of the Shareholders of our Company
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Exercised Pre-[REDACTED] Options”	38,786,487 options granted to certain of our Directors, members of senior management and key employees pursuant to the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan, all of which had been exercised as of the Latest Practicable Date. Pursuant to such exercise, 38,786,487 Shares will be issued to the Trust Holdco on the [REDACTED]
“Extreme Condition(s)”	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
“FortuNews Holdings”	FortuNews Holdings Ltd., a company incorporated in the BVI on March 13, 2012 with limited liability and one of the Shareholders of our Company, which is wholly-owned by Ocean MF Company Limited. Ocean MF Company Limited is controlled by Ocean Link (鷗翎投資)
“Founder(s)”	either collectively or individually, Mr. GE Lan (葛嵐), Mr. LU Xin (陸欣), Ms. XU Haiyan (徐海燕), Mr. XU Jia (徐嘉), Ms. ZHANG Hongman (張紅漫), Mr. YIN Xiaowei (印小偉), Ms. BAI Lingling (白玲玲) and Ms. YING Yingjun (應英君)
“Frost & Sullivan”	Frost & Sullivan Limited, our industry consultant and an Independent Third Party

DEFINITIONS

“Frost & Sullivan Report” an industry report commissioned by us for a fee of US\$141,000, issued by Frost & Sullivan, a private independent research firm, containing an analysis of the rental apartment industry in China, and other relevant economic data, as referred in the section headed “Industry Overview” in this document

[REDACTED]

“Group”, “our Group”,
“we” or “us” our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)

“Guangzhou Wowqu” Guangzhou Wowqu Apartment Management Co., Ltd. (廣州窩趣公寓管理有限公司), a company established in the PRC with limited liability on March 23, 2010 and indirectly held as to 25.53% by our Company. The remaining shareholding is held as to 21.67% by Wanan Meibushengshou Commercial Service Center (Limited Partnership) (萬安美不勝收商務服務中心(有限合夥)) (“**Wanan Meibushengshou**”), 17.76% by Botao Hotel Management (Shenzhen) Co., Ltd. (鉅濤酒店管理(深圳)有限公司) (“**Botao Management**”), 15.01% by Beijing Yunqi Internet Investment Co., Ltd. (北京雲企互聯投資有限公司) (“**Beijing Yunqi**”), 10.41% by Mr. HE Weiquan (何偉權), 4.86% by Guangzhou Meibushengshou Commercial Service Co., Ltd. (廣州美不勝收商務服務有限公司) (“**Guangzhou Meibushengshou**”) and 4.76% by LB Promising Service Industry Fund (“**LB Fund**”). Each of Wanan Meibushengshou, Botao Management, Beijing Yunqi, Mr. HE Weiquan, Guangzhou Meibushengshou and LB fund is an Independent Third Party

“HangFang Investment” HangFang Investment Limited, a company incorporated in the BVI on January 18, 2016 with limited liability, an investment vehicle and indirect subsidiary of AVIC Industry Finance, a substantial shareholder of our Company as of the Latest Practicable Date

DEFINITIONS

“HK\$”, “HKD” or “Hong Kong Dollars” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Takeovers Code” or “Takeovers Code” the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

“IFRS” International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

“Independent Third Party(ies)” an entity or person which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules

[REDACTED]

“Joint Sponsors” Morgan Stanley Asia Limited and CCB International Capital Limited

“KWJ Investment” KWJ Investment Management Limited, a company incorporated in the BVI on April 26, 2016 with limited liability and wholly owned by Ms. LIU Jia, our executive Director and chief executive officer

“Latest Practicable Date” April 18, 2023, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from, exclusive of and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on [Date], 2023 with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in Appendix IV to this document
“Mofang Guangzhou”	Mofang (Guangzhou) Apartment Management Co., Ltd. (魔方(廣州)公寓管理有限公司), a company established in the PRC with limited liability on April 2, 2014 and an indirect wholly-owned subsidiary of our Company
“Mofang Hotel Management”	Shanghai Mofang Hotel Management Co., Ltd. (上海魔方酒店管理有限公司), a company established in the PRC with limited liability on July 8, 2016 and an indirect wholly-owned subsidiary of our Company
“Mofang Nanjing”	Mofang (Nanjing) Enterprise Management Consulting Co., Ltd. (魔方(南京)企業管理諮詢有限公司), a company established in the PRC with limited liability on December 16, 2015 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Mofang Service”	Mofang Service Group Limited (魔樣生活集團有限公司) (formerly known as MoFang (China) Service Group Limited (魔方(中國)生活服務集團有限公司) and Cubic City (China) Service Apartment Group Limited (魔方(中國)連鎖服務式公寓集團有限公司)), a company incorporated in Hong Kong with limited liability on May 30, 2012 and an indirect wholly-owned subsidiary of our Company
“Mofang Shanghai”	Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司), a company established in the PRC with limited liability on August 23, 2013 and an indirect wholly-owned subsidiary of our Company
“Mofang Shenzhen”	Mofang (Shenzhen) Apartment Management Co., Ltd. (魔方(深圳)公寓管理有限公司), a company established in the PRC with limited liability on September 6, 2016 and an indirect wholly-owned subsidiary of our Company
“Mofang Yiju”	Mofang Yiju (Hangzhou) Enterprise Management Co., Ltd. (魔方億居(杭州)企業管理有限公司), a company established in the PRC with limited liability on August 16, 2016 and an indirect wholly-owned subsidiary of our Company
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOPS”	Ministry of Public Security of the PRC (中華人民共和國公安部)
“Mordenite Gem”	Mordenite Gem Investments Ltd, an exempted company incorporated in the Cayman Islands with limited liability on July 15, 2020 and an affiliate of Warburg Pincus LLC
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
	[REDACTED]
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

“Ocean Link”	Ocean Imagination L.P., an exempted limited partnership formed and registered under the laws of the Cayman Islands whose general partner is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. ZHENG Nanyan (鄭南雁), our chairman and non-executive Director
“ODI Rules”	the Administrative Measures for Overseas Investment by Enterprise (企業境外投資管理辦法) and other relevant rules

[REDACTED]

“Ordinary Share(s)”	the ordinary shares with a par value of US\$0.000001 per share in the authorized share capital of our Company

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“Peridot Gem Group”	Peridot Gem Group Ltd, an exempted company incorporated in the Cayman Islands with limited liability on May 26, 2021 and an affiliate of Warburg Pincus LLC
“Peridot Gem Investment”	Peridot Gem Investment Holdings Limited, a business company with limited liability incorporated in the BVI on November 6, 2012 and an affiliate of Warburg Pincus LLC
“PRC Legal Advisors”	JunHe LLP, our legal advisors as to PRC laws
“Preferred Share(s)”	collectively, the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Series E Preferred Shares, details of which are set out in the section headed “History and Corporate Structure” in this document
“Pre-[REDACTED] Investment(s)”	the pre-[REDACTED] investments in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set out in the section headed “History and Corporate Structure” in this document
“Pre-[REDACTED] Investor(s)”	the investors in our Company prior to the [REDACTED] as described in the section headed “History and Corporate Structure”

[REDACTED]

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局)
[REDACTED]	
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
[REDACTED]	
“Series A Preferred Share(s)”	the series A preferred shares with a par value of US\$0.000001 per share in the authorized share capital of our Company
“Series B Preferred Share(s)”	the series B preferred shares with a par value of US\$0.000001 per share in the authorized share capital of our Company
“Series C Preferred Share(s)”	the series C preferred shares with a par value of US\$0.000001 per share in the authorized share capital of our Company
“Series D Preferred Share(s)”	the series D preferred shares with a par value of US\$0.000001 per share in the authorized share capital of our Company

DEFINITIONS

“Series E Preferred Share(s)”	the series E preferred shares with a par value of US\$0.000001 per share in the authorized share capital of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Hanmo”	Shanghai Hanmo Enterprise Management Co., Ltd. (上海瀚墨企業管理有限公司), a company established in the PRC with limited liability on October 8, 2014 which is indirectly held as to 59.94% by our Company, 33.58% by Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (an Independent Third Party) and 6.49% by Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤達投資中心(有限合夥)) (an Independent Third Party) as of the Latest Practicable Date. Upon completion of the Shanghai Hanmo Share Swap, Shanghai Hanmo will become an indirect wholly-owned subsidiary of our Company
“Shanghai Hanmo Share Swap”	the share swap of the Company as described in the section headed “History and Corporate Structure – Our Establishment, Major Shareholding Changes and Development of Our Group – 16. The Shanghai Hanmo Share Swap”
“Shanghai Haoji”	Shanghai Haoji Apartment Management Co., Ltd. (上海灝吉公寓管理有限公司), a company established in the PRC with limited liability on September 10, 2020 and an indirect wholly-owned subsidiary of our Company
“Shanghai Jinghong”	Shanghai Jinghong Yuanyu Apartment Management Co., Ltd. (上海景閎遠寓公寓管理有限公司), a company established in the PRC with limited liability on May 13, 2019 and an indirect wholly-owned subsidiary of our Company
“Shanghai Kaidun”	Shanghai Kaidun Hotel Management Co., Ltd. (上海凱頓酒店管理有限公司), a company established in the PRC with limited liability on June 2, 2005 which is indirectly held as to 51.16% by our Company and 48.84% by Ms. DI Yuan (邸元), an Independent Third Party

DEFINITIONS

“Shanghai Yanpeng”	Yanpeng (Shanghai) Equity Investment Fund Management Partnership (Limited Partnership) (燕鵬(上海)股權投資基金管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 3, 2018 whose general partner is Shanghai Yanlin Enterprise Management Co., Ltd. (上海燕鄰企業管理有限公司), and whose limited partnership interest is held as to 44.55% by Ningbo Jiangbei Yanniao Industrial Investment Partnership (Limited Partnership) (寧波江北燕鳥實業投資合夥企業(有限合夥)), and 54.45% by Cubic City Investment
“Shanghai Yimofang”	Shanghai Yimofang Hotel Management Company Limited (上海誼魔方公寓管理有限公司), a company established in the PRC with limited liability on August 11, 2020 which is held as to 50% by Mofang Shanghai and 50% by Shanghai Huayi Group Asset Management Company Limited (上海華誼集團資產管理有限公司), an Independent Third Party
“Shanghai Yinchen”	Shanghai Yinchen Industrial Company Limited (上海胤臣實業有限公司), a company established in the PRC with limited liability on December 8, 2010 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	shares in the share capital of our Company, with a nominal value of US\$0.000001 each and includes the Ordinary Shares and the Preferred Shares
“Share Conversion”	subject to the [REDACTED] becoming unconditional, the conversion of all the authorized and issued Preferred Shares into Ordinary Shares
“Shareholder(s)”	holders of our Shares
“Share Option Disclosure Requirements”	the requirements set out under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance

DEFINITIONS

“Share Redesignation” subject to the [REDACTED] becoming unconditional, the reclassification and redesignation of all the authorized issued and unissued Preferred Shares as Ordinary Shares

[REDACTED]

“State Council” the State Council of the PRC (中華人民共和國國務院)

“Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited

“subsidiary(ies)” has the meaning ascribed thereto under the Listing Rules, unless the context requires otherwise

“substantial shareholder(s)” has the meaning ascribed thereto under the Listing Rules

“Track Record Period” the period comprising the three financial years ended December 31, 2020, 2021 and 2022

“Trust Holdco” Swimming Vulpes Limited, a company incorporated in the BVI on June 22, 2022, which is wholly-owned by a trust specifically set up for the purpose of administering the options that have been exercised prior to the [REDACTED] under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan

[REDACTED]

“United States” or “U.S.” the United States of America, its territories and possessions and all areas subject to its jurisdiction

DEFINITIONS

“US\$”, “USD” or “U.S. Dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“Vlinker Creator Space Operations”	Vlinker Creator Space Operations Management Co., Ltd. (微領地創客空間運營管理集團股份有限公司), a company established in the PRC on September 1, 2011 with limited liability which is held as to 99.95% by Shanghai Hesheng Tiancheng Investment Company Limited (上海和盛天成投資有限公司) (“ Shanghai Hesheng Tiancheng ”) and 0.05% by Shanghai Public Housing Assets Management (Group) Co., Ltd. (上海市公房資產經營(集團)有限公司) (“ Shanghai Public Housing ”). Each of Shanghai Hesheng Tiancheng and Shanghai Public Housing is an Independent Third Party
“Vlinker Project Companies”	the 21 project companies acquired by the Group by virtue of business combination as described under “History and Corporate Structure – Acquisitions, Disposals and Mergers – Acquisition of the Vlinker Projects”
“Warburg Pincus”	Warburg Pincus LLC and its affiliates
“Weike”	Shenzhen Weike Apartment Investment Management Co., Ltd. (深圳微客公寓投資管理有限公司), a company established in the PRC with limited liability on October 20, 2015 which is indirectly held as to 80% by our Company and 20% by Shenzhen Future City Asset Management Co., Ltd. (深圳市未來城資產管理有限公司), an Independent Third Party

[REDACTED]

DEFINITIONS

“Shanghai Yanlu”

Yanlu (Shanghai) Equity Investment Fund Management Partnership (Limited Partnership) (燕鷺(上海)股權投資基金管理合夥企業(有限合夥)), a limited partnership established in the PRC on October 25, 2018 whose general partner is Shanghai Yanpeng, and whose limited partnership interest is held as to 71.9577% by Cubic City Investment, 10.4056% by Kailong Private Fund Management (Shanghai) Co., Ltd. (凱龍私募基金管理(上海)有限公司), 7.0547% by Shenyin Wanguo Innovative Securities Investment Management Co., Ltd. (申銀萬國創新證券投資有限公司), 7.0547% by Shanghai Yanpeng, and 3.5273% by Hangzhou Huidi Commerce Co., Ltd. (杭州惠迪貿易有限公司)

%

per cent

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

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this document is provided for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

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

“apartment chain” or “chain apartments”	a set of centralized rental apartments that are located in more than one city and managed by a single operator
“apartment community”	the whole of, or a portion of, a building structure in which the rental apartments under our management and operation are located, which constitutes a common residential community for our residents and a main site for our apartment operation business
“apartment properties”	the leased properties on which our leased-and-operated apartments are situated
“breakeven period”	with respect to our newly launched apartment communities during the Track Record Period, the first month for the store level operating profit of an apartment community to become positive
“Business Intelligence System”	a digital system which comprises various self-developed tools and able to generate 173 types of reports covering financial reporting, operations, sales and marketing, revenue management and IT
“centralized rental apartments”	apartments that are located in centrally managed buildings or part thereof where apartment operators carry out standard renovations, equip apartments with standardized services and conduct unified management for residents
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“en bloc lease”	lease of apartments in a lump from the landlord
“entrusting parties”	parties that entrust all aspects of the operation and management of the apartments under their own brand to us pursuant to respective management agreements

GLOSSARY OF TECHNICAL TERMS

“franchisees”	parties that engage us to operate and manage their apartments under our brand names pursuant to the respective manachise agreements
“GIS”	Geographic Information System, our self-developed dynamic pricing and site simulation program, which takes into account various data points, including occupancy rate, lease term and target customers’ preference
“institutionalized rental apartments”	apartments that are typically provided by specialized rental apartment operating companies, which are characterized by professional management and standardized maintenance and rental process
“manachise agreements”	agreements we enter into with the franchisees pursuant to which we franchise and manage the apartments of such franchisees
“management agreements”	agreements we enter into with entrusting parties pursuant to which such parties entrust all the aspects of operation and management of the apartments under their own brand to us
“management expense ratio”	a ratio that is defined as management expenses divided by the revenue generated during the year. Management expenses equal administrative expenses minus share-based compensation expenses and [REDACTED].
“OMS”	Operation Management System, an integrated enterprise resources planning and management system, which comprises a number of individual programs covering each major step of our business operations
“payback period”	with respect to our leased-and-operated apartment communities (excluding those consolidated through strategic acquisitions) in operation as of December 31, 2022, the number of years it takes for the cumulative store level operating profit to cover the costs to launch an apartment community
“penetration rate”	the gross rental income of a certain type of rental apartments in operation as a percentage of the total gross rental income of all the apartments in operation in a certain market

GLOSSARY OF TECHNICAL TERMS

“rental apartment”	a self-contained housing unit with limited space that occupies part of a multi-story building complex that has multiple residents living in such building complex
“Tier 1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen according to National Bureau of Statistics of the PRC
“Tier 2 cities”	31 major cities according to the National Bureau of Statistics of the PRC, namely Tianjin, Shijiazhuang, Taiyuan, Hohhot, Shenyang, Dalian, Changchun, Harbin, Nanjing, Hangzhou, Ningbo, Hefei, Fuzhou, Xiamen, Nanchang, Jinan, Qingdao, Zhengzhou, Wuhan, Changsha, Nanning, Haikou, Chongqing, Chengdu, Guiyang, Kunming, Xi’an, Lanzhou, Xining, Yinchuan and Urumqi

FORWARD-LOOKING STATEMENTS

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

The risks and uncertainties facing us that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects, including our development plans for our existing product and service offerings;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business and operating strategies and our ability to successfully implement such strategies;
- changes in the general economic, political and business conditions in China;
- impact of geopolitical tensions and disruptions to the global economy caused by COVID-19;
- impact of instability in the global financial markets and the occurrence of economic crisis;
- our ability to meet the diverse needs of our customers with ongoing innovation and new service offerings;
- our ability to maintain and improve operating efficiency and customer experience of online management;
- our ability to leverage technology and data to improve our services;
- our ability to adequately train and manage our employees;

FORWARD-LOOKING STATEMENTS

- our ability to foster a warm, inclusive and vibrant apartment community to which residents feel attached;
- our ability to effectively ensure the quality of services provided by our third-party service providers;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties identified under the section headed “Risk Factors” of this document.

Any forward-looking statement speaks only as of the date on which such statement is made. Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

RISK FACTORS

You should carefully consider all of the information set out in this document before making an [REDACTED] in the [REDACTED], including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market [REDACTED] of the [REDACTED] could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED].

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is susceptible to China’s macro-economic conditions, particularly the dynamics of the rental apartment market in China.

We provide rental apartment products and services in China. Accordingly, our business depends substantially on the general conditions of China’s rental apartment industry. The demand for rental apartments in China has grown steadily in recent years, but such growth is subject to economic, social, political and other factors playing out in the country. For example, the employment rate in major Chinese cities where we have a strong presence, such as Beijing and Shanghai, would significantly impact the demand for rental apartment services as a depressed job market indicates that fewer white-collar and blue-collar workers would have the need to settle down in these cities compared with the opposite situation. The Chinese economy has shown slower growth since 2012 compared to the previous decade and this trend is likely to continue in the face of macroeconomic conditions. If the downward pressure facing the Chinese economy is not eased, we cannot guarantee that our business will grow as anticipated.

We target young people, including college graduates, entry-level white-collar and blue-collar workers in cities with strong economic growth, net inflow of people, ambitious urban development plans and favorable policies supporting the development of the rental apartment market. As of December 31, 2022, we had 76,245 rental apartments in operation across China, approximately 46.9% of which were located in Beijing and Shanghai. Any severe or prolonged slowdown in China’s economy, and slowdown or discontinuation of urbanization in our target markets may materially and adversely affect our business, financial condition and results of operations. Our occupancy levels and rental rates mainly depend on the demand from our target customers in target markets.

We have benefited in recent periods from the growth of the economy, rapid urbanization and geographic concentration affecting the rental apartment market, including, in particular:

- high residential housing prices and stringent home-purchase requirements in Tier 1 cities, especially Beijing and Shanghai, that have made home purchase more difficult for at least some of our target customers;

RISK FACTORS

- favorable rental-related policies and other government support for increased rental options;
- increased number of “non-resident” population in Tier 1 cities, especially Beijing and Shanghai;
- favorable interest rates for financing and a rather strong and healthy credit market; and
- mismatch of supply and demand in China’s rental apartment market.

We cannot guarantee that these favorable trends in the rental apartment market will continue indefinitely. Stagnating economic development, lower housing prices or unfavorable policies for the rental apartment market in the Chinese cities where we conduct our business, especially Beijing and Shanghai, may adversely affect the rental apartment market. A softening of the rental apartment market in our target areas would materially and adversely affect our business, financial condition and results of operations.

Our historical growth and financial condition may not be indicative of our future performance and if we fail to effectively manage our growth, our business, financial condition and results of operations could be materially and adversely affected.

We have experienced rapid growth since our inception. In 2020, while COVID-19 posed headwinds for the rental apartment industry, we posted rather strong results in 2020 and closed the year with total revenue of RMB949.0 million. Our total revenue increased by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. In addition, our revenue increased from RMB1,471.1 million in 2021 to RMB1,714.1 million in 2022, representing an increase of 16.5%. The number of our apartments in operation increased from 39,030 as of December 31, 2020 to 76,245 as of December 31, 2022, representing a CAGR of 39.8%. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our growth rates may slow down due to a number of reasons, including but not limited to, decreasing disposable income, increasing competition, declining growth of China’s centralized rental apartment market, the emergence of alternative business models, unfavorable changes in rules, regulations, government policies or general economic conditions. It is difficult to evaluate our prospects, as we may not have sufficient experience in addressing the risks to which companies operating in rapidly evolving markets may be exposed. If our growth rate declines, [REDACTED] perceptions of our business and prospects may be materially and adversely affected and the market [REDACTED] of our Shares could decline.

RISK FACTORS

We face intense competition in the rental apartment market. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected.

China’s rental apartment market is highly competitive. With the ongoing consolidation of market share by current participants, we expect competition to persist and intensify in the future, which could threaten our ability to increase sales and maintain our profitability. Our competitors primarily include centralized rental apartment operators, dispersed rental apartment operators and non-institutionalized rental apartment owners, most of which lease their own apartments directly to individual residents. In addition, in response to increased cooling measures on housing sales in general, real estate developers may also branch into the standardized rental market. We believe the principal competitive factors in this industry include:

- ability to source suitable and sufficient apartments across multiple regions with favorable terms including contract length, rental-free period and lease-in costs;
- ability to use big data analytics to establish competitive lease terms with both landlords and customers;
- ability to establish a sustainable unit economic model;
- ability to renovate and operate rental apartments in an efficient and cost-effective manner;
- ability to achieve a high level of standardization and manage a complex supply network;
- ability to maintain financial flexibility;
- geographic coverage and customer reach;
- ability to set up IT and internet infrastructure; and
- brand awareness and customer satisfaction, including the availability and range of value-added services to help foster a sense of community and loyalty among customers.

We face competition in sourcing suitable apartment communities in our target markets. Our competitors may have better access to newer and better located apartments at lower cost. They may also have more rapid access to the information of available apartments, which helps them rent such apartments from owners before we receive such information. Moreover, our competitors may have a lower cost of funds or better access to funding sources that may not be available to us. In addition, our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of rental apartments.

RISK FACTORS

Competition may result in fewer options of apartments available to us, higher rental rates to be paid by us, our acceptance of greater risks, lower yields and a narrower spread of yields over our financing costs. As a result, there can be no assurance that we will be able to identify suitable apartments that are consistent with our residents’ needs, and our failure to accomplish the foregoing could have a material adverse impact on our business and results of operations.

We also face competition in sourcing available manachised and third-party managed opportunities. See “– We may not be able to successfully compete for the manachise or management agreements for our manachised or third-party managed projects and, as a result, we may not be able to expand as we planned.”

In addition, we face competition for our target customers. Our competitors may successfully attract customers with cheaper and more convenient rental apartments, better incentives, amenities and value-added services, which could adversely affect our ability to obtain quality customers and lease out our rental apartments on favorable terms. In addition, our competitors may have better access to information related to prospective customers, which may help them identify and acquire quality customers more quickly. Moreover, some competing housing options may qualify for government subsidies that may make such options more accessible and therefore more attractive than our rental apartments. This competition may affect our ability to attract and retain customers and may reduce the rental rates we are able to charge.

Furthermore, as a result of the competition for suitable apartment communities and customers, we may not be able to maintain the spread or margin between lease-in from landlords and lease-out to customers, which may adversely affect our results of operations.

If we fail to compete effectively in the market, we would lose our market share, fail to gain additional market share, and our business, results of operations and growth prospects may be materially and adversely affected.

We may not be able to successfully compete for the manachise or management agreements for our manachised or third-party managed projects and, as a result, we may not be able to expand as we planned.

Our growth strategy includes expanding through the manachised and third-party managed model, by entering into manachise agreements or management agreements with the franchisees or entrusting parties which are our key business partners. We believe that our ability to compete for manachise or management agreements primarily depends on our brand recognition and reputation, the results of our overall operations and our historical operating performance under the manachised and third-party managed model. Other competitive factors for manachise agreements or management agreements include marketing support, the strength of technology infrastructure and the ability to operate apartment communities in a cost-effective manner. In addition, if the availability of suitable locations for new apartment communities decreases, or governmental planning or other local regulations in the rental apartment industry change, the business demand for our manachised and third-party managed model would decrease. If the apartment communities that we manachise or manage perform less successfully than those of

RISK FACTORS

our competitors, or if we are unable to offer terms as favorable as those offered by our competitors, we may not be able to compete effectively for new manachised and third-party managed projects. As a result, we may not be able to achieve our planned growth and our business, financial condition and results of operations may be materially and adversely affected.

Our cost structure under the leased-and-operated model could materially and adversely affect our operating and financial performance as a significant portion of our costs and expenses may remain at the same level or increase even if our revenues decline.

For our leased-and-operated apartment communities, our operating costs and expenses include but are not limited to overhead costs associated with the due diligence of potential apartment projects and the hiring of on-site managers for apartment operation and management, employee base salaries, and the rents we pay to our landlords, is relatively fixed. Accordingly, a decrease in revenues could result in a disproportionately higher decrease in our earnings because our operating costs and expenses are unlikely to decrease proportionately. For example, potential further outbreaks of COVID-19 may negatively impact the centralized rental apartment market going forward, which could lead to a decline in prevailing rental rates at the market and the occupancy rate of our apartments. Consequently, we may generate less revenue than during normal times. However, our costs and expenses may not vary as significantly despite changes in occupancy and revenues. This is because we expect to continue to pay rents to our landlords and salaries to our employees and make regular repairs and maintenance to keep the attractiveness of our rental apartments. However, we have limited ability to pass increased costs to our customers, as the rental rates are relatively fixed during the lease term. Therefore, our costs and expenses may remain constant or increase even if our revenues decline, which could materially and adversely affect our net margins and results of operations.

Our leased-and-operated apartment projects typically incur significant pre-opening expenses and generate relatively low revenues during their ramp-up stages, which may have a negative impact on our financial performance.

It is rather important for us to lease apartments that can be quickly renovated, repaired and leased out with minimal expenses and maintained in quality condition. Nearly all of our rental apartments require some level of renovation when we rent them from landlords or following departure of a previous resident or otherwise. The majority of the apartments we source are in rather basic conditions, which needs decoration and furnishing in a relatively short period of time with heavy work. While we are currently able to efficiently manage the renovation process and limit the renovation period to a rather short time range, we may not be able to continue to do so if our operating capacities cannot keep pace with the speed at which we expand our apartment operation business or if our standard operating procedure is not faithfully implemented by those staff in charge of the work related to construction and renovation.

RISK FACTORS

When a renovated leased-and-operated apartment community is available for leasing out, such community usually goes through a ramp-up stage when the occupancy rate is relatively low and revenues generated may be insufficient to cover their operating expenses and the pre-opening cost. As a result, these newly opened leased-and-operated apartments may not achieve profitability during the ramp-up stage. As we continue to increase the numbers of our leased-and-operated apartments, the pre-opening cost incurred during the renovation stage and the relatively low revenues during the ramp-up stage of our newly opened leased-and-operated apartment communities in combination may have a negative impact on our financial performance. Moreover, we plan to develop more midscale and upscale leased-and-operated apartment communities in the future with relatively higher pre-opening expenses, which may lead to a more evident negative impact on our financials. In addition, we conduct regular maintenance or upgrade of our leased-and-operated apartments to ensure high quality and may have to incur significant maintenance expenses from time to time.

If we fail to provide satisfactory customer experience or otherwise maintain or enhance customer trust, the size of our customer base and the occupancy rate of our apartments could stagnate or decline, and our business would be materially and adversely affected.

The success of our business substantially hinges on our ability to provide quality customer experience and maintain our reputation as a trusted rental apartment platform, which in turn depends on a variety of factors, such as:

- our ability to provide customers with high-quality rental apartment services at competitive prices;
- our ability to improve our existing apartments and service offerings and upgrade our platform;
- our ability to meet the diverse needs of our customers with ongoing innovation and new service offerings;
- our ability to maintain and improve operating efficiency and customer experience of online management;
- our ability to leverage technology and data to improve our services;
- our ability to adequately train and manage our employees;
- our ability to foster an inclusive apartment community to which residents feel attached; and
- our ability to effectively ensure the quality of services provided by our third-party service providers.

RISK FACTORS

We cannot guarantee that we can always provide a satisfactory experience to our customers or continue to maintain customer trust in our platform at a high level as our business continues to evolve. Our failure to do so could materially and adversely affect our business, financial condition and results of operations.

Our business depends on strong brand recognition, and failure to maintain or enhance our brands or to conduct our marketing and branding activities in a cost effective manner could adversely affect our business and growth prospects.

Brands are the bedrock of our success. We believe that the market recognition of our brands has significantly contributed to the success of our business and that maintaining and enhancing our brand recognition is critical to sustaining our competitive advantages. A number of factors could prevent us from successfully promoting our brands, including negative publicity involving our business, our management, our employees, our relationships with our partners, landlords and customers, any wrongdoing committed by our residents in our apartments, the failure of our sales and marketing activities, employee relationships and welfare, regulatory compliance and financial condition. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, financial condition and results of operations may be materially and adversely affected.

We conducted various sales and marketing initiatives to promote our brands through a combination of online and offline channels with the goal of driving more visitors to our mobile app and website and more people to choose our rental apartment services. We incurred RMB42.7 million, RMB50.3 million and RMB70.3 million in selling and distribution expenses in 2020, 2021 and 2022, respectively, representing 4.5%, 3.4% and 4.1%, respectively, of our revenue in the same years. We may not be able to continue to conduct these activities efficiently, and our marketing activities may not yield satisfactory results. If we fail to conduct our sales and marketing activities effectively and efficiently, or if our marketing campaigns are not successful, our results of operations and financial condition could be materially and adversely affected.

The lease term with landlords is longer than the lease term with our residents, which subjects us to risk of fluctuations in market rent and vacancy risk, and could adversely affect our business, financial condition and results of operations.

The long-term nature of our leases with our landlords and the relatively shorter terms of our leases with our residents may subject us to certain risks. Under the leased-and-operated model, we usually enter into long-term leases for apartment properties with an initial lease term generally ranging from 10 to 15 years. The term of the leases with our residents is usually one year. Due to the mismatch between the terms of our leases with landlords and that of our leases with our residents, we may be subject to a vacancy risk if our residents do not renew their leases with us or if we fail to find new residents in a timely manner to cover the remainder of the lease terms of our leases with landlords. In addition, our revenues may be materially and adversely affected if a decline in market rental rates renders us unable to rent out our apartments to our customers at rental rates higher than what we pay to the landlords. We may also need to incur sales and marketing expenses in connection with the acquisition of new residents.

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The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.

Since December 2019, a novel strain of coronavirus, or COVID-19, has significantly impacted both China and the whole world. In March 2020, the World Health Organization declared the spread of COVID-19 a pandemic after characterizing it as a public health emergency of international concern in January 2020. Since the beginning of 2020, China has taken various restrictive measures to contain the spread of COVID-19, such as quarantines, travel restrictions and home office policies. This has resulted in a material and adverse impact on the economy and the rental apartment market in China, such as decreases in occupancy rates and rental rates and delays in rent payments by corporate customers, particularly in the quarters ended March 31, 2020 and June 30, 2020. As a result, our business, results of operations and financial condition have been adversely affected by the COVID-19 pandemic.

During the spring of 2022, a new wave of COVID-19 infections ferociously swept across Shanghai, an economic powerhouse in the PRC and one of our strongholds, leading to a sudden surge of COVID-19 infections. The occupancy rate of our apartment communities located in Shanghai was weighed down by the pandemic and did not witness growth in the period as anticipated. In the meantime, our pre-determined plan to continue expanding our apartment network was also frustrated by the pandemic, as we were forced to delay the opening of new apartment communities and decelerate our efforts in furthering strategic acquisitions. In December 2022 and January 2023, when a new wave of COVID-19 infections swept across many regions in China, our business operations around the country faced challenges. In light of the changed circumstances in pandemic control and the early arrival of the Chinese New Year in 2023, our certain operating metrics demonstrated a decline in this period of time. For example, the occupancy rate of our leased-and-operated apartments decreased by approximately 2.2% in December 2022 and approximately 6.6% in January 2023. The renewal rate of residents also decreased by approximately 5.0% in December 2022 and approximately 9.2% in January 2023. Nevertheless, with the negative impact of COVID-19 gradually fading away and the end of the Chinese New Year holiday, the occupancy rate of our leased-and-operated apartments increased by approximately 3.2% in February 2023 and approximately 3.0% in March 2023. Meanwhile, the renewal rate of residents also strongly increased by approximately 11.5% in February 2023. Due to the material and adverse impact of the COVID-19 outbreaks in 2022, we recorded a net loss of RMB246.6 million in 2022, representing a significant decrease as compared to a net profit of RMB301.9 million in 2021.

In a bid to minimize the negative impact of COVID-19 on our results of operations, financial condition and growth prospects, we have since the start of the pandemic in China implemented a range of responsive measures. For details on our COVID-19-related responsive measures, please refer to “Financial Information – The COVID-19 Pandemic: Its Impact and Our Responses – Our Measures to Mitigate the Impact of COVID-19.”

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Since December 2022, the Chinese government has adjusted its approach to handling the COVID-19 pandemic. Meanwhile, in late 2022 and early 2023, many regions in China had experienced large-scale transmission of the virus, which had a negative impact on our operations in China. Since the end of the Chinese New Year holiday in 2023, there have been signs of commercial activities and social life returning to the normalcy during the pre-pandemic era. We cannot guarantee, however, that the COVID-19 pandemic will not further escalate or have a material adverse impact on our results of operations, financial position or growth prospects. The lingering effects of COVID-19, if any, may not only add more uncertainty to the development of the Chinese economy, but also may disrupt the rental apartment market and inflate our operating costs. There is also no guarantee that our mitigating measures as mentioned above will be adequate to counteract the disruptions that COVID-19 may further bring about to the overall industry and/or our business operations. Our business, results of operations, financial condition and prospects may be materially and adversely affected if new waves of the COVID-19 pandemic or epidemic of another disease occur in Chinese cities where we conduct operations.

If our customers seek early termination of their leases or fail to discharge their obligations under the applicable lease agreements, our business, results of operations and financial condition may be materially and adversely affected.

Our customers, including individual residents and corporate customers, may seek early termination of their leases or fail to meet their obligations in connection with the leases. For example, our residents may default on rental payments, or they may request early termination of the leases. If a resident defaults on his/her payment obligations and fails to cure the default within the applicable grace period, we may terminate the lease and take back the apartment pursuant to the lease and relevant PRC laws. In the meantime, the resident usually has to forfeit the security deposit. We, on the other hand, need to return prepaid rents to the relevant resident, which might have a negative impact on our cash flow. In the event of breaches or early termination of lease agreements, we may not be able to find a new resident to fill the vacancy in a timely manner, under the same terms or at all, and the security deposit or penalty of the defaulting customer may not be sufficient to cover our losses for the period in between the leases. Our business, results of operations and financial condition would be materially and adversely affected if a significant number of our residents seek early termination or fail to meet their obligations in connection with the leases.

In addition, residents may use our apartments for illegal purposes or engage in illegal activities in our apartments, damage or make unauthorized structural changes to our apartments, refuse to leave the apartments upon default or termination of the leases, disturb neighboring residents with noises, trash, odor or eyesores, sublet our apartments in violation of our leases or permit unauthorized persons to live in our apartments. Although we have the right to terminate the leases in such circumstances and the residents are responsible for damage caused to us or other residents by their wrongful conduct, there may still be a negative impact on our business and reputation. Damage to our apartments may delay re-leasing, necessitate expensive repairs or impair the rental income of the apartments, resulting in a lower-than-expected rate of return.

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We may fail to successfully identify, secure and develop additional apartments in a timely manner, which would disrupt our plan to further grow our business.

We plan to increase the total number of apartments in operation to further grow our business and increase our market share. We select locations that we believe would provide our residents with convenient access to core districts, major business development zones, and commercial centers, as well as affordability. We make our site selection decisions based on our proprietary “7-Dimension” model, which factors in market data collected from approximately 50 cities. We have also developed a GIS simulation system to help us screen the optimal store opening area with high precision, so that we can expand efficiently. However, we cannot guarantee that we will be successful in identifying and leasing additional apartment properties at the locations as desirable as we anticipated for reasons beyond our control. We may also incur substantial costs associated with identifying and evaluating apartment properties and negotiating lease terms with landlords. We may also discover unforeseen defects and problems with regard to apartment properties after the lease agreements were entered into, which may prevent us from leasing them out in a timely manner, or at all. In addition, we may not be able to develop additional rental apartments on a timely basis because of the delays in renovation. If we fail to successfully identify, secure or develop additional apartment communities in a timely fashion, our ability to execute our growth strategy could be impaired and our business and prospects could be materially and adversely affected.

We may not be able to manage our planned growth, which could adversely affect our operating results.

The centralized rental apartment industry has been growing rapidly over the last few years. We opened our first Mofang Apartment in Nanjing in June 2009, embarking on a journey towards providing high-quality rental apartments for white-collar workers. In September 2016, we unveiled our Unit 9 Apartment to the general public, opening a new chapter in our history as we began to address the rising needs of blue-collar workers for quality accommodation. Through such organic growth and acquisitions, we increased the number of our apartments from 39,030 apartments as of December 31, 2020 to 76,245 apartments as of December 31, 2022.

We intend to continue developing and operating additional apartment communities in different geographic locations in China. Such expansions have placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. Our planned expansion will also require us to maintain the consistency of our products and the quality of our services to ensure that our business does not suffer as a result of any deviations, whether actual or perceived, in our quality standards. In order to manage and support our growth, we must continue improving our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain qualified apartment management personnel as well as other administrative and sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate new apartment communities into our operations. Our inability to anticipate the changing demands that expanding operations will impose on our management, technology infrastructure and operation process, or our failure to quickly adapt our systems and operation process to new markets, could result in declines of revenues and increases in expenses or otherwise harm our results of operations and financial condition. Furthermore, the macroeconomic environment may also limit our ability to effectively manage our planned

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growth. For instance, any adverse change in the macroeconomic environment of a specific area where we operate our business may lead to a decrease in the prevailing rental rates at the market for rental apartments, which may subject us to negative impact in terms of revenue generation as well as the fair value of our investment properties. For details, please refer to “Financial Information – Critical Accounting Policies and Estimates – Significant Accounting Policies – Investment Properties.”

In addition, expansion into new geographic markets, in which we have limited operating experience and brand recognition, may present new operating and marketing challenges. Those new markets may have different regulatory requirements, competitive landscape, customer preferences and discretionary spending patterns as compared to our existing markets. As a result, any new apartment communities we open in those markets may be less successful than apartment communities in our existing markets. Customers in new markets may not be familiar with our brands and we may need more time to build brand awareness in these markets through more investments in advertising and promotional activities than we anticipated. We may find it more difficult in new markets to hire, motivate and retain qualified talents who share our vision, passion and culture. Apartment communities operated in new markets may also have lower average revenues or higher operating costs than those in existing markets. Revenues at apartment communities operated in new markets may take longer than expected to ramp up and reach expected revenues and profit levels, or may never do so, thereby affecting our overall profitability. There can be no assurance that any new products or service we introduce will be well received by our customers and become profitable in a timely fashion, or at all. If a new product or service is not well received by our customers, or our expansion into new geographic markets is not successful, we may not be able to generate sufficient revenue to offset related costs and expenses, and our overall financial performance and condition may be materially and adversely affected.

Our business growth depends on our ability to attract and retain customers. If we are not able to attract or retain sufficient customers in a timely manner and at a low cost, our business, financial condition and results of operation may be materially and adversely affected.

A substantial portion of our revenue comes from the rents paid by our customers, including both individual residents and corporate customers. For that reason, our success depends upon our ability to attract quality customers in a timely manner and at a low cost. We may not be successful in locating quality customers to lease out our apartments as quickly as we expect, or at all, for reasons beyond our control, such as intense competition, market condition, delay in renovation or other factors. Likewise, despite the efforts that we make to deliver high-quality apartments and related services to our customers, we face challenges in retaining our existing customers in the face of increasing market competition. Our customers typically enter into lease agreements with us with a term of one year, which are renewable upon mutual agreement. However, there can be no assurance that our customers will renew their lease agreements with us as they may find the apartments and services offered by our competitors satisfy their needs better than ours.

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If vacancies continue for a longer period of time than we expect, we may experience decreasing revenues, which may have a material adverse impact on our business, financial condition and results of operations. Besides, our competitors may devote substantial financial and human resources to attracting customers, forcing us to make more investments in marketing and promotional activities. The potential competition for quality customers among centralized rental apartment operators in China not only may decrease our profit margin, but also divert our management’s attention away from other pressing matters in day-to-day operations, such as product renovation, talent recruitment and community building.

We may not be able to effectively control the timing, quality and costs relating to the renovation and maintenance of apartments, which may adversely affect our business, results of operations, financial condition, and growth prospects.

It is relatively important for us to lease apartment communities that can be quickly renovated, constructed and leased out. After we take over the possession of apartment communities from landlords, we need to renovate and construct them in accordance with our standards before leasing out to our customers. In addition, from time to time, we may perform ongoing maintenance to our apartments. Although we have developed technology infrastructure to centrally manage suppliers and contractors, monitor the renovation process, track delivery schedules, and exert quality control throughout the entire apartment renovation process to control the timing, quality and costs, our system may not always work effectively as anticipated. See “– Interruption or failure of our technology platform or IT system could impair our ability to effectively conduct operations and provide services, which could materially and adversely impact our operating performance” in this section. As a result, our ability to adequately monitor or manage our renovations or maintenance process may be adversely affected if our system does not work properly. Through the implementation of our standard operating procedure, we are able to efficiently manage the renovation process and limit the renovation period to to a great extent. However, we cannot guarantee that we will continue to achieve such a rather high level of efficiency in the process of apartment development in the future.

We retain independent contractors and other third parties to perform renovation and maintenance work and are exposed to all of the risks inherent in apartment renovation and maintenance, including but not limited to, potential cost overruns, increases in labor and material costs, delays by contractors in completing work and poor workmanship. If our assumptions regarding the costs or timing of renovation and maintenance across our rental apartments prove to be materially inaccurate, our results of operations, financial condition, and growth prospects may be adversely affected. In addition, if we fail to control the quality of renovation and the poor quality leads to any potential complaints from, or damage to, our residents, we could be exposed to material liability and be held responsible for damages, fines or penalties and our reputation may suffer. See “– We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operations, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard.”

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Our financial condition and results of operations may fluctuate due to seasonal variations in the demand of rental apartments.

Our revenues are generally higher during the three months ended September 30 of each year, as many students search for apartments in the cities where they are employed after graduation from universities. In addition, during and around the Chinese New Year holidays, which usually fall in January or February, our revenues are generally lower than other periods of a year as people are less likely to move into new apartments or stay in rented apartments during and around Chinese New Year holidays. As a result, even though our revenues rebound in March due to a higher demand as labor forces come back to cities in search of jobs or for work after the Chinese New Year holidays, our revenues are generally lower during the three months ended March 31 of each year. For these reasons, our results of operations may not be comparable from quarter to quarter and have been and may continue to be subject to seasonality.

We may encounter failure in identifying and securing apartment properties from property owners or sublessors as we continue our apartment operation business under the leased-and-operated model.

We are one of the leading centralized rental apartment services providers in China. According to Frost & Sullivan, we ranked first among independent centralized rental apartment operators, in terms of the number of apartments in operation as of December 31, 2022. With the aim to further enhance our leading position in the centralized rental apartment market in China, we plan to expand our geographical coverage and deepen penetration in core cities by further enlarging our nationwide rental apartment network. That, in turn, requires us to continue our efforts in identifying and securing apartment properties that align with our business strategies. While our extensive industry knowledge and accumulated operating experience provide us valuable support in this regard, we may still fail to source additional apartment properties due to a host of reasons, which may disrupt our plan to develop our apartment operation business under the leased-and-operated model.

Fierce market competition and uncertain operating environment may cause difficulties for our efforts in securing additional apartment properties. In more developed cities, since we or our competitors may already have business operations in such cities, rental cost may increase or even skyrocket, or our competitors may be able to gain leases of apartment properties before we can do so. In some cases, our competitors may be willing to enter into less favorable leases with property owners or sublessors in order to prevent us from securing a particular apartment property. Alternatively, in less developed cities, due to the lack of available market data and operating experience, we may find it more difficult to identify apartment properties that would best suit our business expansion strategies. In addition, since our brand may be less well-known in those cities than more developed cities in China, we may not be able to effectively compete with local competitors for available apartment properties.

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Our ability to successfully identify and secure apartment properties from property owners and sublessors may also be negatively impacted by other factors, such as macroeconomic conditions and unexpected events. If the macro-economy in China slows, market demand for our apartment products is expected to decrease as well. In that case, we would have fewer financial resources and less financial incentive to expand our apartment operation business under the leased-and-operated model. If China’s economy develops at a rapid rate, however, we may also face intensified competition in securing additional apartment properties, because property owners and sublessors may believe other types of commercial activities, instead of apartment operation business, will bring them more economic benefits. In addition, unexpected events, such as natural disasters or infectious diseases, may weaken our ability to identify and secure available apartment properties because of economic repercussions, mobility restrictions and health hazards.

Furthermore, we may incur costs in connection with evaluating apartment properties and negotiating with property owners and sublessors, including properties that we are subsequently unable to lease and operate. If we fail to successfully identify or compete for additional apartment properties, our ability to execute our growth strategy could be impaired and our business and prospects may be materially and adversely affected.

Over-expansion may expose us to increased risks and challenges, which could materially and adversely affect our business, financial condition and operational results.

We have engaged in a rather rapid expansion of our apartment operation business in recent years, leaving business footprint in many different geographic markets in China and significantly increasing the number of our rental apartments in operation. While we believe there are continued opportunities for growth in the centralized rental apartment market in China, which could provide significant benefits to our business, our rapid expansion may put a strain on our managerial, operational and financial resources. If we over-expand and are unable to adequately fill new apartments with residents or achieve expected rents in certain locations, our occupancy rate, rental income and profit margin would be negatively impacted.

The integration of additional apartment communities, acquired through either organic growth or strategic acquisition, into our existing portfolio may be more difficult and time-consuming than anticipated, particularly if we enter markets where we have limited or no experience. This could lead to operational inefficiencies, increased costs and reduced profitability. As we expand our portfolio, we may encounter difficulties in maintaining the quality and consistency of our products and services, which could harm our brand reputation in the market. Our expansion strategy also requires significant capital investments, which may put a strain on our financial resources and limit our ability to fund other aspects of our business, such as the maintenance of and improvements to our existing apartment communities. Additionally, our expansion may require us to incur additional debt or issue equity securities, which could dilute existing shareholders’ ownership and increase our interest expenses.

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In summary, over-expansion may expose us to increased risks and challenges that could adversely affect our business, financial condition and operating results. If we are unable to effectively manage our expansion plan, our growth prospects may be limited and our overall business may be harmed.

We may not be able to renew existing leases with our landlords on commercially reasonable terms and the rents we pay could increase substantially in the future, which could materially and adversely affect our operations.

We plan to renew our existing leases with landlords upon expiration. We cannot assure you, however, that we will be able to renew our leases with landlords on commercially satisfactory terms, or at all. Those landlords may demand higher rents than anticipated as a condition to renew the leases, or may lease their properties to our competitors if our competitors could offer them more favorable terms. If we fail to renew our leases with landlords or a significant number of our existing leases with landlords are not renewed on satisfactory terms upon expiration, our expansion may be impeded and our costs and expenses may increase. If we are unable to pass the increased costs on to our customers by increasing rental rates, our operating margins and earnings could decrease and our results of operations could be materially and adversely affected.

We may have disputes with the franchisees or entrusting parties and they may default on contractual terms, conduct wrongdoings or early terminate the manachise or management agreements with us if the performance of the manachised or third-party managed apartments is worse than they expected.

We may have disputes with franchisees or entrusting parties under the manachised and third-party managed model with respect to the performance of manachise or management agreements. Historically, there were incidents in which we entered into disputes with franchisees or entrusting parties and our business was adversely impacted as a result. If the apartments operated by us under the manachised and third-party managed model fail to deliver the anticipated performance, we may not be able to further expand our operations under the manachised and third-party managed model as we planned and our reputation and results of operations may be materially and adversely impacted. Those franchisees or entrusting parties may also have disputes with us regarding other matters, such as the amount and settlement of fees payable by them and the adequacy of our operational support provided for them. In addition, our manachise agreements with franchisees and management agreements with entrusting parties typically provide that such agreements could be terminated in certain circumstances. If manachise or management agreements are terminated early, we may lose the franchise fees, royalties and other service fees. As a result, our business, results of operations and financial condition may be adversely affected by the early termination of our manachise and management agreements.

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We plan to renew our existing manachise and management agreements upon expiration. However, we may be unable to retain the franchisees or entrusting parties on commercially satisfactory terms, or at all. If a significant number of our existing manachise or management agreements are terminated before the respective expiration dates or are not renewed on satisfactory terms upon expiration, our revenue and profit may decrease in the future. If we cannot secure new franchisees or entrusting parties to compensate for the loss of business, our results of operations could be materially and adversely affected.

Our business requires funding for sourcing, renovating and maintaining rental apartments. Failure to access financing on favorable terms in a timely manner or at all would materially and adversely affect our business, results of operations, financial condition and growth prospects.

As of December 31, 2022, approximately 66.7% of our apartments are operated under the leased-and-operated model. We generally incur substantial upfront capital outlay before starting to generate revenues on the relevant apartments. These include capital outlay for market research and the evaluation of target geographic areas for expansion, apartment sourcing, prepayment of rents to our landlords, and the renovation of apartments communities, which are usually in bare-bones condition, to make them suitable for leasing out. After we identify suitable geographic areas and available apartments at such areas, there is a time gap from entry of a lease agreement with landlords to successfully leasing out the apartments and receiving the first rent payments from residents, which may be extended due to factors beyond our control, including but not limited to substantial delay during the renovation period due to third-party contractors’ default, and unfavorable market conditions. Inability to timely access financing on favorable terms or at all would significantly drag down our apartment sourcing and expansion, which could materially and adversely affect our future business, results of operations, financial condition and growth prospects. Historically, to satisfy the capital needs of further expanding our business operations, certain of our subsidiaries’ equity interests were pledged to financial institutions to secure the relevant financing.

In addition, our rental apartments have infrastructure and appliances of varying ages and conditions. In order to maintain and operate our rental apartments, ongoing renovations and other leasehold improvements, including regular maintenance and replacement of furniture, fixtures and equipment, are required. These investments and expenditures also require ongoing capital expenditure investment and, to the extent we cannot fund these expenditures from our existing cash or cash flow generated from operations, we must borrow or raise capital through financing. If we fail to access capital that is necessary to maintain or improve rental apartments, the attractiveness of our rental apartments could be reduced, we could lose market share to our competitors and our occupancy rates may decline.

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Our business is susceptible to government measures in respect of the rental apartment industry and we cannot guarantee that current favorable policies will continue indefinitely.

In recent years, PRC governmental authorities put forward favorable policies in respect of rental apartments, including but not limited to, increasing rental housing supply, encouraging the development of modern rental companies, and reducing applicable VAT rates. For more details on those favorable policies related to the centralized rental apartment market, see “Industry Overview – Centralized Rental Apartment Market in China – Market Drivers – Favorable Policies.” These policies have in part driven our growth. Meanwhile, the PRC governmental authorities also set out certain criteria to regulate the rental apartment market. If the PRC governmental authorities adopt any prohibitive or restrictive measures or policies with respect to rental housing, or the interpretation of current laws and regulations relating to the rental apartment market becomes more restrictive and rigorous, they may depress the rental apartment market, dissuade potential residents from renting our apartments, and cause a decline in average rental rates. See “– Risks Related to Doing Business in China – Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.” Our business may be materially and adversely affected as a result of a decreased demand for rental apartments that may result from unfavorable government policies.

Our net current liabilities may expose us to certain liquidity risks and may restrain our operational flexibility as well as affect our ability to expand our business.

As of December 31, 2020, 2021 and 2022, our net current liabilities amounted to RMB1,374.4 million, RMB1,537.9 million and RMB2,423.6 million, respectively, and our current lease liabilities amounted to RMB425.9 million, RMB717.8 million and RMB874.6 million, respectively, representing 8.7%, 9.4% and 10.9% of our lease liabilities as of the same dates. Furthermore, our lease liabilities amounted to RMB4,923.1 million, RMB7,603.2 million and RMB8,010.9 million as of December 31, 2020, 2021 and 2022, respectively. In connection with the adoption of IFRS 16, we recognized lease liabilities for future fixed lease payments in current liabilities and non-current liabilities. Meanwhile, we recognized investment properties representing lease-hold interests to earn rental income (within one year and beyond) entirely in non-current assets. As such, IFRS 16 resulted in us having less current assets and more current liabilities, which represents a de facto mismatch between current liabilities and current assets throughout the Track Record Period. Such a mismatch, together with our borrowings, payables and accruals, led to our net current liability position.

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Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects. Going forward, we cannot guarantee that we will not continue to have a net current liabilities position, which would expose us to liquidity risks. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from competent government authorities, [REDACTED] confidence in us, the performance of the rental apartment industry, and our operating and financial performance. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow, obtain bank loans or facilities, or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

We have engaged in joint ventures and may continue to do so, which could result in unforeseen expenses or disruptive effects on our business.

From time to time, we have engaged and may consider engaging in joint ventures with other businesses to develop business initiatives. Any joint venture that we determine to pursue will be accompanied by a number of risks. We may not be in a position to exercise sole decision-making authority regarding the joint ventures. Due to the lack of full control of those joint ventures, we may not be able to control the quality of products produced or services provided by the joint ventures. Depending on the terms of the joint venture agreement, we may need the consent of our joint venture partners for the joint venture to take certain actions, such as making distributions to the partners. A particular joint venture partner may encounter financial difficulties and become unable to meet obligations with regard to funding the joint venture. In addition, our joint venture partners and the joint ventures themselves may hold different views or have different interests from ours, and therefore may compete in the same market with us, in which case our interest and future development may be materially and adversely affected. Furthermore, since we may not have full control over the business and operations of our joint ventures, we cannot guarantee that they will be in strict compliance with all applicable laws and regulations. If our joint ventures slide into operating or financial predicament or if they conduct wrongdoing or otherwise violate applicable laws and regulations, our business, results of operations and financial condition may be materially and adversely affected.

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We may undertake strategic partnerships which may not be successful. If our collaboration with any of our strategic partners is terminated or curtailed, or if we are no longer able to benefit from the business collaboration with our strategic partners, our business may be materially and adversely affected.

Our business has benefited from our collaborations with our strategic partners in the areas such as home appliance suppliers, furniture suppliers, and apartment renovation services providers. We cannot assure you that such alliances or partnerships will contribute to our business, and we might not be able to maintain our cooperative relationships with our strategic partners and their respective affiliates in the future. If the services provided by these strategic partners become limited, compromised, restricted, curtailed or less effective or become more expensive or unavailable to us for any reason, our business may be materially and adversely affected. To the extent that we cannot maintain our cooperative relationships with any of these strategic partners, it may be difficult for us to identify other alternative partners, which may divert significant management attention from existing business operations and adversely impact our daily operation and customer experience.

Potential strategic investments, acquisitions or new business initiatives may disrupt our ability to effectively manage our business and adversely affect our operating results. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interest of our shareholders could be significantly diluted.

We may acquire or make investments in other companies, business, products, technologies or other assets along our business value chain to complement and expand our business. The cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. We may not be able to find suitable acquisition or investment candidates, and we may not be able to complete acquisition and investment on favorable terms, or at all. If we do not complete acquisition and investment as we expect, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisition and investment we complete could be viewed negatively by investors. During the process of negotiations with acquisition or investment candidates or their respective controllers, we may have unexpected conflicts with our counterparties for a wide range of reasons, such as the default on the agreed contractual terms by either side of the negotiating parties. These conflicts not only may lead to the failure of our original plans to make strategic investments, acquisitions or new business initiatives, but also may entangle us in troubling legal proceedings, either as the claimant or the defendant, which could impose significant burden on us in terms of both financial resources and time costs. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. Furthermore, if we fail to successfully integrate such acquisitions or the technologies or other assets associated with such acquisitions into our company, be it due to our limited capabilities or resources, or our conflicting ideas or vision with the acquired entities, the revenues and operating results of the combined company could be adversely affected. Acquisitions and investments are inherently risky and may not be successful, and they may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to greater-than-expected liabilities and expenses, and adversely impact our business, financial condition, operating results, and cash flows.

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We may be subject to significant costs and reputational harm if our employees, dispatched workers or third-party service providers commit any misconduct or violate any laws or regulations during the course of our operations.

We have a large number of employees, dispatched workers and third-party service providers involved in our daily operations and serve our residents. Although we have implemented policies and procedures to govern their conduct, they could commit misconduct or violate laws or regulations during the course of our operations. For instance, they may make misrepresentations to our residents, cause personal injuries or property losses to our residents when performing the services inside the residents’ apartments, or breach our data policy. Any such incident may subject us to disputes or legal proceedings, resulting in negative publicity and causing reputational harm to us. If we are ordered by public authorities to compensate the loss of our residents and pay damages to them for the wrongdoings of our employees, dispatched workers or third-party service providers, we may incur significant economic losses and our business, results of operations and financial condition could be materially and adversely affected.

Any negative publicity, including false rumors, about us, our business, our operations, our management, our business partners or the rental apartment market in general, may materially and adversely affect our reputation, business, results of operations and growth prospects.

The reputation of our brands is critical to our business and competitiveness. Factors that are vital to our reputation include, but are not limited to, our ability to:

- maintain the reliability of our IT system;
- provide well-maintained apartments to our customers;
- provide appropriate and explicit lease terms to our landlords and customers;
- effectively manage and resolve the complaints from our landlords and customers; and
- effectively protect personal information and privacy of our customers, landlords, franchisees, entrusting parties, employees and third party contractors and service providers.

Any malicious or negative allegation made by the media, customers, landlords or other parties about the foregoing or other aspects of our company, whether with merit or not, could severely compromise our reputation and harm our business and operating results.

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If we fail to comply with governmental laws and regulations, or obtain or keep licenses, permits, or approvals applicable to our business, our business and operations may be restricted and we may incur liabilities, financial penalties and other governmental sanctions.

Our business is subject to various compliance and operational requirements under PRC laws. For example, pursuant to relevant laws and regulations, the operators of rental apartments shall obtain relevant business licenses, on which apartment operation shall be explicitly listed in the business scope. However, the business licenses we hold may not be sufficient to meet regulatory requirements, which may restrain our ability to expand our business operations and may subject us to fines or other regulatory actions by relevant regulators if our practice is deemed as violating relevant laws and regulations. In addition, pursuant to PRC regulations, the registered address of a PRC company should be the place where it mainly operates its business, and a PRC company is required to establish branch offices where it operates its business. We seek to register branch offices where we have business operations. However, we have not been able to establish branch offices in some of our existing locations, and no penalties had been imposed by relevant PRC regulatory authorities, as of the date of this document.

To expand our business operations and explore innovative business models, we have adopted and will continue to adopt various operating strategies and measures. Due to the uncertainties of the interpretation and application of pertinent laws by government authorities, such strategies and measures could be challenged under PRC laws and regulations. If so, relevant PRC government authorities may issue warnings, order us to rectify our violating operations and/or impose fines on us. In the case of serious violations as determined by relevant authorities at their discretion, they may ban the violating operations, seize our equipment in connection with such operations, impose a fine and/or revoke the license, which may materially and adversely affect our business.

As we further develop and expand our business operations, we may need to obtain additional qualifications, permits, approvals or licenses. Moreover, we may be required to obtain additional licenses or approvals if PRC governmental authorities adopt more stringent policies or regulations for our industry. We cannot assure you that we will be able to timely obtain, maintain or renew all the required licenses or permits or make all the necessary filings in the future. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties, such as the confiscation of the net revenues that were generated through the unlicensed activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

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Moreover, under PRC advertising laws and regulations, we shall ensure that our advertising content is true and accurate and in compliance with applicable laws and regulations. See “Regulatory Overview – Regulations Relating to Consumer Protection.” In addition, where a special government review is required for specific types of advertisements prior to internet posting, we are obligated to confirm that such a review has been performed and approval has been obtained. Any violation of these laws and regulations may subject us to penalties, including the imposition of fines, orders to cease dissemination of the advertisements and orders to publish an announcement correcting misleading information. While we have made significant efforts to ensure that our advertisements are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements is true and accurate and in compliance with laws and regulations, especially given the uncertainties in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse impact on our business, financial condition, and results of operations.

Our business is also subject to various health and safety and environmental laws and regulations that affect our operations and conversion activities, including construction, building, zoning, environmental protection, public safety, health and sanitary requirements. We cannot assure you that we or our employees comply with or will comply with all present and future laws and regulations related to our business, including but not limited to, laws and regulations related to the rental housing industry, health, safety, construction, fire prevention and environment. Such non-compliance may subject us to monetary damages, the imposition of fines and/or other administrative penalties or investigations against us, or the suspension of our operations or conversion activities, which in turn could materially and adversely affect our financial condition and results of operations. Furthermore, new regulations could require us to retrofit or modify our apartments or incur other significant expenses. Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances in our conversion activities, or otherwise operate in compliance with environmental laws, could subject us to potentially significant monetary damages and fines or the suspension of our business operations, which could materially and adversely affect our financial condition and results of operations.

Owners of our manachised and third-party managed apartments are subject to these same permit and safety requirements. Although the arrangements in relation to our manachised and third-party managed apartments require the owners of these apartment communities to obtain and maintain all required permits or licenses, we have limited control over the conduct of the owners of these manachised and third-party managed apartments. Any failure to obtain and maintain the required permits or licenses may require us to delay the opening of a manachised or third-party managed apartment community or to forgo or terminate our manachise or management agreements, which could harm our brand reputation, result in lost revenues and/or subject us to potential indirect liability. Each of the foregoing could materially and adversely affect our financial condition and results of operations.

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We are subject to fire prevention laws and regulations that may subject us to liability.

According to relevant PRC laws, the party responsible for renovation and decoration work needs to obtain approvals from or filings for the renovation construction projects with fire prevention authorities and/or construction authorities, such as the as-built acceptance check on fire safety (竣工消防驗收) or filing of the as-built acceptance check on fire safety (消防驗收備案) (“**Fire Safety Design Examination and As-Built Acceptance Checks**”), unless otherwise falling into any carve-outs. Unlike the hotel industry or private residential housing, for which there are specifically applicable technical standards, there lacks clear statutory procedures and standards on how the existing fire safety laws and regulations apply to the PRC rental apartment industry, as it is still at its incipient stage. This has caused practical difficulties for members of the rental apartment industry in ensuring full compliance with existing fire safety laws, regulations and implementing rules, as their enforcement and interpretation are left to the broad discretion of the relevant regulatory authorities. Such practical difficulties include:

- (i) the refusal of certain local authorities to accept applications for completing Fire Safety Design Examination and As-Built Acceptance Checks (“**Fire Safety Applications**”) due to the lack of clear and uniform statutory procedures and standards governing the application process and review criteria for renovation construction projects of rental apartments; and
- (ii) certain local authorities may not accept Fire Safety Applications if they were not submitted within the timelines for projects that are explicitly required to complete Fire Safety Design Examination and As-Built Acceptance Checks.

If the authorities conclude that we failed to comply with rules, laws and regulations as to construction permits and fire safety, we may be subject to a wide spectrum of administrative penalties, such as the confiscation of illegal revenue, the imposition of fines and the suspension of operations.

During the Track Record Period and up to the Latest Practicable Date, 14 administrative penalties in relation to fire safety regulations were imposed on the Group. All of the individual monetary amounts in relation to the 14 administrative penalties were no more than RMB42,000, resulting in an aggregate monetary amount not exceeding RMB300,000. The Company was also once ordered to suspend the operations of an apartment property, although the suspension order was ultimately not enforced and the relevant apartment community continued to operate throughout the Track Record Period. The Group arranged interviews with the government authority that imposed such administrative penalty, who confirmed that: (i) the property at issue had previously been used by an independent third party as a hotel before it was leased by the Group; (ii) the government authority had applied the fire safety requirements in relation to hotels to the property being used by the Group as a rental apartment. The fire safety requirements in relation to hotels are not applicable to rental apartments; and (iii) the government authority decided that it would not enforce the aforementioned suspension order. Save as disclosed herein, during the Track Record Period and up to the Latest Practicable Date, none of the rental apartments of the Group were ordered to cease operations due to administrative penalties in relation to fire safety regulations. As such, the administrative penalties did not have any material consequences on the Group.

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Additionally, according to our PRC Legal Advisors, if fire accidents occur in these leased properties, our liability mainly depends on whether we acted with intention or negligence in respect of the fire accidents and their consequences. The lack of Fire Safety Design Examination and As-Built Acceptance Checks will not automatically lead a competent court to determine that the Group acted with intention or negligence in a fire accident under relevant PRC laws and regulations. Instead, such determination will be made in accordance with the fire accident determination report to be published by the competent authority and actual facts and circumstances. If a competent court determines that we acted negligently in such a fire accident but the accident does not constitute a criminal offence, we may incur administrative penalties such as warnings, detainment of liable personnel for ten to 15 days and/or a fine of not more than RMB500. If the competent court deems that we have not acted negligently in such a fire accident, or the fire accident has not caused severe harm (as defined under the relevant PRC laws and regulations), we would not be subject to any criminal liability. In addition, if any resident incurs losses as a result of property damage arising from the fire accident, and a competent court determines we are at fault (whether it be intentionally or through gross negligence), we would be required to compensate for such losses. As of the Latest Practicable Date, no civil, criminal or administrative liabilities have ever been imposed on us resulting from any fire accidents on our leased properties.

Our leasehold interest in the leased-and-operated apartment properties may be defective and our legal right to lease certain properties may be challenged by property owners or other third parties, or subject to government regulation, which could cause significant disruption to our business.

Our leased-and-operated model relies on the leases of apartment properties with third parties who either own or lease the apartments from the ultimate owners. Under the PRC Civil Code, which has taken effect since January 1, 2021, only the property owner can have the right, at its full discretion, to possess, use, benefit and dispose of its immovable or movable property pursuant to law. The creation, variation, transfer and extinguishment of immovable real right pursuant to law shall be effective upon registration, unless the law provides the contrary. Accordingly, the local registration authority will issue to the real property owner a property title certificate which clearly indicates the ownership of the property. If a lessee intends to sublease the leased property to a third party, it shall obtain the prior consent regarding such sublease from the owner of the relevant property, otherwise any unauthorized sublease may be unwound by the owner. Therefore, we require property owners or sublessors to provide the photocopies of their property title certificates when entering into lease agreements, to ensure that we will be legitimately entitled to rent out the apartment to our customers. In the event that landlords intend to lease their apartments to us before obtaining property title certificates, as part of our due diligence for verification, we require such landlords to provide evidential documents that can prove their ownership over the leased properties, including, among other things, (i) permit for planned use of the construction project, (ii) housing pre-sale contract, housing purchase agreement and housing purchase invoice, or (iii) demolition compensation agreement and demolition settlement agreement.

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PRC laws expressly provide that the ownership certificate of a real property shall be the legal proof of the title to such real property, and it remains unclear whether any other documents can serve as a legal proof in lieu thereof. As a result, to the extent the parties with whom we enter into lease agreements fail to provide us with the ownership certificates of relevant apartment properties, we cannot ensure that they have the rights with respect to such properties, including but not limited to, leasing such apartments to us and allowing us to sublease such apartments to our customers. While we have performed our due diligence to verify the rights of our landlords to lease such apartments, our rights under those leases could be challenged by other parties, including government authorities. Moreover, as these substitute documents do not have the same legal force as the property title certificates, it is possible that the party who signs the lease agreement is not the legal and beneficial owner registered in the title certificate and the lease agreement may be invalidated, which may adversely affect our business, results of operations, financial condition and growth prospects. While some lessors have represented and warranted that they are legal property owners of the leased properties and have agreed to indemnify lessees against the losses resulting from the ownership defects, there is no assurance that the lessees will be able to successfully enforce such indemnification obligations against the lessors or that such indemnification can cover losses from all the ownership defects. As a result, we may suffer significant losses resulting from the lessors’ ownership defects to the extent that the lessees are not fully indemnified by the lessors.

In several instances where our landlords are not the ultimate owners of certain apartment properties, no consent or permits were obtained from the ultimate owners, or competent government authorities, as applicable, for the sublease of the properties to us, which could potentially invalidate our leases or result in the renegotiation of such leases that leads to terms less favorable to us. Some of the apartments we lease from third parties were also subject to mortgages at the time the leases were signed. Where consent to the lease was not obtained from the mortgage holder in such circumstances, the lease may not be binding on the transferee of the apartment if the mortgage holder forecloses on the mortgage and transfers the apartment.

Any challenge to our legal rights to the apartment properties we leased, if successful, could impair the development or operations of our apartments. We are also subject to the risk of potential disputes with apartment owners or third parties who otherwise have rights to or interests in our rental apartments. Such disputes, whether resolved in our favor or not, may divert management’s attention, harm our reputation or otherwise disrupt our business.

Any failure to comply with land- and property-related PRC laws and regulations may negatively affect our ability to operate our apartments and we may suffer significant losses as a result.

Lessors of our apartment properties are required to comply with various land- and property-related laws and regulations to enable them to lease effective titles of their properties for our apartment use. For example, before any properties located on state-owned land in China with allocated or leased land use rights or on land owned by collective organizations may be leased to third parties, lessors should obtain appropriate approvals from competent government authorities, and the actual usage of the property shall comply with the planned usage of the property and the land. Failure to comply with the land- and property-related laws and

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regulations may subject the lessors to monetary fines or other penalties and may lead to the invalidation or termination of the leases and relocation of our relevant leased apartment properties, and therefore may adversely affect our results of operations. While some lessors have agreed to indemnify lessees against the losses resulting from the lessors’ failure to obtain the required approvals, there is no assurance that the lessees will be able to successfully enforce such indemnification obligations against the lessors or that such indemnification can cover losses from all the property defects. As a result, we may suffer losses resulting from the lessors’ failure to obtain required approvals to the extent that the lessees are not fully indemnified by the lessors.

New laws, regulations and policies may be promulgated to strengthen the regulation on rental apartment market, which may adversely affect our business, results of operations, financial condition and growth prospects.

PRC laws, regulations and policies concerning the rental apartment industry are developing and evolving. Although we have been taking measures to comply with the laws, regulations and policies that are applicable to our business operations, the PRC government authorities may promulgate new laws and regulations regulating the apartment rental industry in the future. The roll-out of these new laws and regulations may increase our compliance efforts at significant costs. In addition, we may not be in full compliance with all of the applicable requirements if they are adopted and become effective, and our practice could be deemed to violate new PRC laws, regulations or policies relating to the apartment rental industry. Such failure to comply with applicable laws and regulations related to our business and apartment rental operations or obtain required permits may subject us to potential monetary damages and fines or the suspension of operations. For example, the PRC government may institute a licensing regime covering our industry at some point in the future. If any licensing regime is introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations. Also, the MOHURD, the NDRC, the MOPS, the SAMR, the CAC and the CBIRC jointly published the Opinion on Rectification and Standardization of Residential Tenancy Industry (《關於整頓規範住房租賃市場秩序的意見》) on December 13, 2019, and published Opinion on Strengthening Regulation on Asset-light Residential Tenancy Enterprises (《關於加強輕資產住房租賃企業監管的意見》) on April 15, 2021. These regulations provide that, among other things, (i) the MOHURD and its local counterpart shall promote the connection between its management and service platform of residential tenancy and the enterprises’ business system and realize the online signing and filing of lease contracts, and (ii) residential tenancy enterprises shall set up a capital supervision account in the commercial bank, and the commercial bank shall forward the information of the account to local MOHURD via the system docking. Local governments in different cities are gradually promoting and carrying out these requirements. In those cities with mature conditions, we comply with these requirements to the extent practicable. For example, we have connected to the governmental management and service platform of residential tenancy and filed the lease contracts with the governments online in major cities, such as Beijing, Hangzhou and Shenzhen. But we cannot assure you that we would be able to comply with these requirements in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

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In addition, under the current PRC legal regime, there are no laws or regulations specifically controlling rents. The Administrative Measures for Commodity Housing Leasing, promulgated by the MOHURD on December 1, 2010, provide a principle rule that landlords shall not raise the rent unilaterally and randomly during the term of the lease agreements. In addition, on May 19, 2017, the MOHURD published the Measures on Management of Residential Tenancy and Home Sales (Discussion Draft), or the Discussion Draft, for public discussion, which was closed on June 19, 2017. The Discussion Draft stipulates that landlords must not unilaterally raise rent if they have not reached a consensus with the tenant on the frequency and range of rent adjustments in the lease agreement. This Discussion Draft also stipulates that the local governments shall establish a system to publicize information on rents in the local markets. The Discussion Draft also stipulates that landlords shall not evict the tenants through violence, threats or other coercive measures. Although the final provisions, interpretation, adoption timeline and effective date of the Discussion Draft remain substantially uncertain, our business practices may be subject to stricter governmental supervision in the future, which may adversely affect our business, results of operations, financial condition and growth prospects.

Interruption or failure of our technology platform or IT system could impair our ability to effectively conduct operations and provide services, which could materially and adversely impact our operating performance.

Our business relies heavily on our technology-driven, end-to-end systems that are highly technical and complex. Our website, mobile app and internal systems highly depend on the ability of such information systems to store, retrieve, process and manage data throughout each key step of our operational process, including but not limited to, site selection, apartment development, renovation and construction, and sales and marketing activities. For example, residents may choose to use our proprietary Mofang Life APP or WeChat mini program to sign agreements with us, pay rents, submit repair requests and reserve house-keeping services. The information systems we use may contain undetected errors, ineffective algorithms or other design defects, which may result in a negative experience for our customers, landlords, third-party service providers and our employees, delay the introduction of new features or enhancements, result in errors or compromise our ability to protect user data or our intellectual property. Any interruption or failure of our technology platform or IT system we use could result in harm to our reputation, loss of customers or business partners, or liability for damages, any of which could materially adversely affect our business, results of operations and financial condition.

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Failure to comply with cybersecurity and data protection laws or maintain the integrity of internal or customer data could result in harm to our reputation or subject us to costs, liabilities, fines or lawsuits.

Our business involves collecting and retaining a certain amount of internal and customer data to the extent compatible with the scale of our operations, including personal information, as our various information technology systems enter, process, summarize and report such data. We also maintain information about various aspects of our operations as well as regarding our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen’s personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People’s Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not, without users’ consent, collect personal information, and may only collect users’ personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the PRC National People’s Congress on May 28, 2020 and effective from January 1, 2021) provides a main legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on the regulation in the areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various regulatory bodies in China, including the Cyberspace Administration of China, the Ministry of Public Security and the State Administration for Market Regulation, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In April 2020, the Chinese government promulgated the Cybersecurity Review Measures, which came into effect on June 1, 2020. According to the Cybersecurity Review Measures, the operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On December 28, 2021, the Cyberspace Administration of China and other related authorities jointly revised and promulgated the Cybersecurity Review Measures, which came into force on February 15, 2022. The Cybersecurity Review Measures propose the following key changes: (i) companies who are engaged in data processing are also subject to the regulatory scope; (ii) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review working mechanism; (iii) the operators (including both the

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operators of critical information infrastructure and relevant parties who are engaged in data processing) holding personal information of more than one million users and seeking a listing abroad shall file for cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process. Recently, certain internet platforms in China have been reportedly subject to heightened regulatory scrutiny in relation to cybersecurity matters. As advised by our PRC Legal Advisors, Hong Kong does not fall within the definition of “abroad” in the provision, therefore the obligations under the Cybersecurity Review Measures to proactively apply for cybersecurity review by a network platform operator seeking listing abroad shall not be applicable to the proposed [REDACTED] in Hong Kong. As of the date of this document, we have not been informed by any PRC governmental authority of any requirement that we file for a cybersecurity review. However, if we are deemed to be a critical information infrastructure operator or a company that is engaged in data processing and holds personal information of more than one million users, we could be subject to PRC cybersecurity review. As there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations, we cannot assure you that we would not be subject to such cybersecurity review requirement, and if so, that we would be able to pass such review in relation to this [REDACTED]. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including the suspension of business, website closure, the removal of our app from relevant app stores, and the revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have a material and adverse impact on our business, financial condition or results of operations. As of the date of this document, we had not been notified by any authorities of being classified as a critical information infrastructure operator.

As advised by our PRC Legal Advisors, except the above voluntary filings, regulatory authorities may initiate cybersecurity reviews if it is of the opinion that the network products and services as well as data processing activities affect or may affect national security. Since there have been no clarifications from the authorities as to the standards for determining such activities that “affect or may affect national security”, we cannot preclude the possibility that we may be subject to cybersecurity review. As of the date of this document, we had not been involved in any investigations on cybersecurity review made by the Cybersecurity Review Office, and we had not received any inquiry, notice, warning, or sanction in such respect.

On June 10, 2021, the Standing Committee of the National People’s Congress of China, or the SCNPC, promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national

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security, public interests, or the legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we will comply with such regulations in all respects and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions which may have a material and adverse impact on our business, operations and financial condition.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which took effect in November 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual, including biometric recognition, religious belief, specific identity, medical and health, financial account, personal whereabouts and other information of an individual, as well as any personal information of a minor under the age of 14. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests. We may collect sensitive personal information such as ID card photos and personal photos from our customers for the purpose of verifying their personal identities when they carry out online check-in or make online reservation with our apartments. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and/or other penalties which may have a material and adverse impact on our business, operations and financial condition.

Security breaches and attacks against our technology systems, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Given the size of our customer base and the types and volume of personal data on our system, we may be a particularly attractive target for computer hackers, foreign governments or cyber terrorists. Unauthorized access to our proprietary internal and customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of

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the networks of our third-party service providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our proprietary internal and customer data change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Unauthorized access to our proprietary internal and customer data may also be obtained through inadequate use of security controls. Any of such incidents may harm our reputation and adversely affect our business and results of operations. In addition, we may be subject to negative publicity about our security and privacy policies, systems, or measurements from time to time.

Any failure to prevent or mitigate security breaches, cyber-attacks or other unauthorized access to our systems or disclosure of our customers’ data, including their personal information, could result in loss or misuse of such data, interruptions to our service system, diminished customer experience, loss of customer confidence and trust, impairment of our technology infrastructure, and harm our reputation and business, resulting in significant legal and financial exposure and potential lawsuits.

We leverage a wide array of internet technologies to achieve management and operation efficiency and effectiveness, which depend upon the performance and reliability of the internet infrastructure and telecommunications network in China.

Our business depends on the performance and reliability of the internet infrastructure in China. Substantially all access to the internet is maintained through state-controlled telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. In addition, the national networks in China are connected to the internet through international gateways controlled by the PRC government. These international gateways are generally the only websites through which a domestic user can connect to the internet. We cannot assure you that a more sophisticated internet infrastructure will be developed in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s internet infrastructure. In addition, the internet infrastructure in China may not support the demands associated with continued growth in internet usage.

We also rely on third-party providers to provide us with data communications capacity primarily through local telecommunications lines and internet data centers to host our servers. We may not have access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of the third-party providers, or if the third-party providers otherwise fail to provide such services. Any unscheduled service interruption could disrupt our operations, damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by third-party providers. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins could be significantly reduced. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may cause our revenues to decline.

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If our IT capabilities and infrastructure fail to keep up with our growing business needs, industry trends or technological developments, our business, results of operations and financial condition may be materially and adversely affected.

We have experienced substantial growth in the past and plan to further expand our business in the future. Our expansion has placed, and will continue to place, substantial demands on our IT capabilities and infrastructure. In order to manage and support our growth, we must continue to improve our IT systems, including the investments in the IT infrastructure and the recruitment and training of IT personnel. We cannot assure you that the development of our IT capabilities and infrastructure will keep up with our growing business needs. If we fail to do so, our business, results of operations and financial condition may be materially and adversely affected.

Furthermore, the rental apartment industry is rapidly evolving and subject to continuous technological changes. Our success will depend on our ability to keep up with the changes in technology and user behavior resulting from new developments and innovations. For example, as we provide our product and service offerings across a variety of mobile systems and devices, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. If any changes in such mobile operating systems or devices degrade the functionality of our services or give preferential treatment to competitive products and services, the usage of our products and services could be adversely affected. In addition, we have invested in developing our data analytics and other technologies to improve our customer services and operational efficiency, but there is no guarantee that such investments may result in our anticipated outcomes or returns.

Technological innovations may also require substantial capital expenditures in product or service development as well as in the modification of products, services or infrastructure. We cannot assure you that we can obtain financing to cover such expenditures. If we fail to adapt our products and services to such changes in an effective and timely manner, we may suffer from decreased user traffic and user base, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We use software licensed from third parties. Our ability to provide customers with a high-quality online experience depends on the satisfactory performance, reliability and availability of software licensed from third parties.

A portion of the technologies we use incorporates open source software, and we may incorporate open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. These licenses may subject us to certain unfavorable conditions, including requirements that we offer our services that incorporate the open source software for no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating, or using the open source software, or that we license such modifications or derivative works under the terms of the particular open source license.

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Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose or provide at no cost any of our source code that incorporates or is a modification of such licensed software. If an author or any third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we may need to incur significant legal expenses defending against such allegations and could be subject to significant damages and enjoined from providing services that contain the open source software. Any of the foregoing could result in disruptions to our business, or delays in the development of future enhancements to our existing platform, which could materially and adversely affect our business and results of operations.

Accidents and injuries in our apartments may materially and adversely affect our reputation and subject us to liability.

While we endeavor to provide our residents with high-quality and safe living conditions, there are inherent risks of accidents or injuries in our apartments. One or more accidents or injuries such as injury or death due to any criminal behavior, slip and fall, or suicide in any of our apartments could subject us to disputes or legal proceedings, adversely affect our reputation, decrease our overall occupancy rate and increase our costs for taking additional measures to further improve the effectiveness of our safety precautions.

In addition, if an incident occurs in our apartments that do not fully comply with land- and property-related PRC laws and regulations, there could be substantial negative publicity, and may even trigger large-scale government actions that impact all of our apartments, which in turn will have a material and adverse impact on our business, results of operations and financial condition.

Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We believe we maintain insurance policies in line with industry standards. However, insurance companies in China currently do not offer as extensive an array of insurance products as are offered by insurance companies in more developed economies. At the same time, according to our contractual arrangements with business partners, such as some of our landlords, they are responsible for purchasing certain kinds of insurance. As such, we may not be able to insure certain risks related to our assets or business even if we desire to. Although we maintain property insurance covering the apartments we operate, public liability insurance, liability insurance related to directors, and statutory automobile liability insurance, we do not maintain property insurance covering our equipment and other property that are essential to our business operation, business interruption insurance, key-man life insurance or litigation insurance. In addition, although we maintain personal injury insurance that covers personal injuries of our residents caused by certain types of accidents in a majority of our apartments, such insurance may not be sufficient to cover all types of accidents that may occur or cover all possible losses. Any uninsured occurrence of business disruption, litigation, accidents or natural disaster, or significant damage to our uninsured equipment or facilities could have a

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material and adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We have been, and may from time to time be, subject to claims, controversies, lawsuits and other legal and administrative proceedings, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

We are currently not party to any material legal or administrative proceedings. However, in the light of the nature of our business, we are susceptible to potential claims or controversies. We have been, and may from time to time in the future be, subject to or involved in various claims, controversies, lawsuits and other legal and administrative proceedings. Lawsuits and litigation may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law could be asserted against us by the lessors or ultimate owners of the apartment communities we leased, customers, third-party contractors and service providers, suppliers, competitors, or governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to, internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws, labor and employment laws, securities laws, consumer protection laws, tort laws, contract laws, property laws and employee benefit laws. In addition, as we do not verify the authenticity of the information such as electronic signatures provided by residents, landlords and other third parties, such information may be misused and not genuine, which may also subject us to claims, lawsuits and other proceedings. We may also receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation.

In particular, we may be exposed to various claims and disputes with our customers, including but not limited to, those related to the terms set forth in the lease agreements. We take various measures to ensure that our customers are aware of and understand the terms set forth in the lease agreements. These measures include, but are not limited to, verbal reminders from our staff members during the signing process and the issuance of check-in notes which restate some of the key terms contained in lease agreements. However, our customers may misunderstand the terms in the lease agreements, such as the length of the lease and upfront payment terms. These misunderstandings may lead to disputes between our customers and us. For example, our customers may claim that they are not aware that the length of the contracted lease term is 12 months, or do not know their deposits may be forfeited when they terminate the lease during the lock-in period or otherwise breach the term of the lease. In addition, some claims and disputes with residents may involve accidents, injuries or death in our rental apartments, if a resident is assaulted or becomes the victim of theft or other criminal behavior during his or her stay in our rental apartments. See "– Accidents and injuries in our apartments

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may materially and adversely affect our reputation and subject us to liability.” Moreover, we may be exposed to claims and disputes with third-party suppliers, including but not limited to, those related to the payment for goods. Such claims and disputes may be escalated to lawsuits or other legal proceedings and may distract our management, and materially and adversely affect our business and reputation.

There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempts to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to, the suspension or revocation of licenses to conduct business.

Any failure to protect our trademarks and other intellectual property rights could have a negative impact on our business.

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete arrangements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, we may file patent applications in the future, but there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological changes in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual

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property at risk of being invalidated or narrowed in scope. We cannot assure you that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be liable for infringement relating to intellectual property of third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business.

We cannot be certain that our services, information system, information provided on our website, Mofang Life App, WeChat mini program do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights.

The validity, enforceability and scope of intellectual property rights protection in internet-related industries, particularly in China, are uncertain and still evolving. Since there is increasing competition in the rental apartment market and litigation is frequently used to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operations, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard.

We depend on third parties for different aspects of our business, including apartment design, renovation, construction, leasing out, and maintenance. In addition, we rely on third parties for the provision of value-added services to our residents. Selecting, managing and supervising these third-party service providers require significant resources and expertise. Poor performance by such third-party service providers or misconduct or fraud on the part of their employees may reflect poorly on us and could significantly damage our reputation. In the event of fraud or misconduct by a third party, we could also be exposed to material liability and be held responsible for damages, fines or penalties and our reputation may suffer. If we do not select, manage and supervise appropriate third parties to provide these services and products, our reputation and financial results may be materially and adversely impacted.

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The service or cooperative agreements we have signed with third party vendors, service providers or strategic partners are subject to a term, and not on an exclusive basis. If the third-party service providers or strategic partners do not continue to maintain or expand their relationships with us, we would be required to seek new alternative service providers or partners, which could adversely affect our operations and the range and quality of the products and services that we offer. Moreover, our strategic partners may compete with us or enter into strategic cooperation with our competitors, which may materially and adversely affect our business and competitive position.

We cooperate with third parties for the cleaning of common areas in the apartments, broadband internet access and other products and services provided to our residents. The level of satisfaction of our residents may be adversely affected as a result of any disruption to or termination of services offered by our service providers or partners. In addition, as our service providers have plenty of opportunities to interact with our residents, we may not successfully detect and prevent fraud, misconduct or incompetence of our service providers, including their employees, or ensure the quality or stability of their services, which may adversely affect our business and reputation.

Our success depends on the continuing efforts of our key management and experienced and capable personnel generally as well as our ability to preserve our corporate culture and values. As our business expands, we need to continuously recruit employees to develop our online and offline capabilities. If we fail to hire, retain and motivate our staff, our business may suffer.

Our future success is significantly dependent upon the continued service of our key management as well as experienced and capable personnel generally. In particular, Ms. LIU Jia, our Chief Executive Officer, has been crucial to the development of our culture and strategic direction. If we lose the services of any member of key management, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. If any member of our key management joins a competitor or forms a competing business, we may lose customers, know-how and key professionals and staff members. Our management has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between any of our management member and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

We believe that a critical component of our success is our corporate culture and values, which have generated strong cohesiveness that has attracted and retained many employees. As we continue to expand and grow our business, we may find it difficult to maintain these valuable aspects of our corporate culture and values. Any failure to preserve our corporate culture and values could negatively impact our ability to attract and retain employees, which would in turn jeopardize our future success.

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Our rapid growth also requires us to hire and retain a wide range of employees who can adapt to a dynamic, competitive and challenging business environment and are capable of helping us develop online and offline capabilities. We have established Mofang Academy to train our staff and cultivate our next generation of leaders, which we believe solidifies our foundation for sustainable growth. As of December 31, 2022, Mofang Academy offered over 220 courses designed for management trainees, mid-to-senior level employees and on-site staff in charge of daily operation of our apartment communities. We will need to continue to attract and retain experienced and capable personnel at all levels as we expand our business and operations. In particular, our on-site managers are responsible for managing our apartment communities and interact with our residents on a daily basis and are critical to maintaining the consistent and high-quality living experiences that we provide for our residents, as well as our established brand and reputation. We aim to recruit, train and retain entrepreneurial, motivated and resident-oriented managers with backgrounds and experience in rental apartment services and other related industries. We must recruit and train qualified managers on a timely basis to keep pace with our rapid growth. There may be a limited supply of such qualified managers in some of the markets in China where we have operations and other cities into which we intend to expand. In addition, criteria such as dedication to work and commitment to high-quality customer service are difficult to ascertain during the recruitment process. We also must provide continuous training for our managers so that they can stay abreast of changes in our apartment operations and consumer preferences and demands, and meet and implement our quality standards. If we fail to recruit, train and retain qualified managers, our quality standards may decrease in one or more of our apartment communities and our operation may be adversely affected, which in turn may have a material and adverse impact on our brands, business, financial condition and results of operations.

We recorded a net loss for the years ended December 31, 2020 and December 31, 2022 and we may experience net losses in future periods.

We recorded a net loss of RMB230.3 million for the year ended December 31, 2020 and a net loss of RMB246.6 million for the year ended December 31, 2022, primarily due to the decrease in the average monthly rental rate and average occupancy rate caused by the COVID-19 outbreaks in China, as the pandemic-related restrictions dampened rental needs and impeded our efforts to attract potential residents. For the year ended December 31, 2021, we had a net profit of RMB301.9 million. However, we could incur net losses again in the future. Our future revenue growth and profitability will depend on a variety of factors, including the other risks described in this document, many of which are beyond our control. Our ability to maintain profitability will depend in large part on our ability to control our costs and expenses which we expect to increase as we further develop and expand our apartment network. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to increase revenue at the rate we anticipate or if our expenses increase at a faster rate than our revenue, we may not be able to improve our profitability or remain profitable. In addition, unfavorable market conditions are likely to result in a higher amount of net fair value loss of investment properties incurred by us, which may also have material adverse impact on our profitability in future periods.

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We face risks associated with our investments, including exposure to fair value changes of financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain. The fair value change for financial assets at fair value through profit or loss would affect our financial performance.

We currently invest a portion of our capital in investments. During the Track Record Period, we had invested in debt, equity and wealth management products and may, from time to time, invest in such products in the future. For the years ended December 31, 2020, 2021 and 2022, we recorded changes in fair value of financial assets and liabilities at fair value through profit or loss of RMB38.1 million, RMB29.5 million and RMB19.9 million as profits, respectively. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free rate and expected rate of return, in valuing such financial assets. The fair value change of financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic conditions, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

Furthermore, our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

We may not be able to fully collect our trade and loan receivables generated in the course of our business, which could lead to the impairment of our trade and loan receivables. We might also be subject to impairment losses on finance lease receivables and prepayments, other receivables and other assets.

We are subject to credit risks in relation to trade and loan receivables generated in the course of our business. If our customers, for any reason, experience any difficulty in their operations, we may encounter difficulties in collecting rents from certain corporate customers of our blue collar dormitories, and rents from third party merchants of our commercial leases. If our business relationships with the foregoing parties and/or other relevant parties are terminated or scaled back, or the cooperative arrangements between the foregoing parties/other relevant parties and us are altered, or if the foregoing parties and/or other relevant parties experience financial difficulties, we may not collect the corresponding trade and loan receivables, which could materially and adversely affect our financial position and liquidity. We strive to collect overdue rents through a number of collection measures, such as collecting prepayment and deposit. However, there can be no assurance that these measures will be effective.

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As of December 31, 2020, 2021 and 2022, the gross carrying amount of our trade receivables was RMB14.6 million, RMB45.9 million, and RMB37.4 million, respectively; the gross carrying amount of our loan receivables was RMB121.1 million, RMB16.3 million, and RMB9.6 million, respectively; the gross carrying amount of our finance lease receivables was RMB158.7 million, RMB253.2 million, and RMB276.7 million, respectively; the gross carrying amount of prepayments, other receivables and other assets was RMB359.4 million, RMB406.3 million, and RMB123.9 million, respectively; and the gross carrying amount of other non-current assets was RMB72.1 million, RMB129.5 million, and RMB141.6 million, respectively. In 2020, 2021 and 2022, our impairment loss recognized in profit or loss was RMB2.3 million, RMB3.6 million, and RMB8.3 million, respectively. Specifically, in 2020 and 2021, our impairment loss for finance lease receivables recognized in profit or loss was RMB1.3 million and RMB1.0 million, respectively. In 2022, we recognized impairment loss of RMB2.2 million for finance lease receivables recognized in profit or loss.

As of December 31, 2020, 2021 and 2022, our loss allowance for impairment of trade receivables was RMB2.6 million, RMB3.3 million and RMB7.3 million, respectively. Moreover, as of December 31, 2020, 2021 and 2022, our loss allowance for impairment of loan receivables was RMB0.3 million, RMB2.1 million and RMB0.1 million, respectively. We made such provisions for impairment of trade and loan receivables based on expected credit losses. Similarly, we might be subject to impairment losses on prepayments, other receivables and other assets. Our prepayments, other receivables and other assets primarily consist of prepayments to suppliers, deductible value-added tax recoverable, loan receivables from shareholders, other receivables from a shareholder, interest receivables, amount due from associates and joint ventures and other assets. As of December 31, 2020, 2021 and 2022, our loss allowance for impairment of prepayments, other receivables and other assets was RMB14.9 million, RMB6.0 million and RMB3.5 million, respectively.

We could have bad debts in the future. In the event that the actual recoverability of trade receivables, loan receivables, finance lease receivables, and prepayments, other receivables and other assets is lower than the expected level, we may need to provide allowance for impairment of trade receivables, loan receivables, prepayments, other receivables and other assets, which could adversely affect our cash flow position and our ability to meet our working capital requirements, thereby materially and adversely affecting our business, financial condition and results of operations.

The fair value of our investment properties fluctuated during the Track Record Period. We expect to continue to recognize loss on changes in fair value of investment properties in the future not least due to the gradual reduction in the lease terms of our investment properties.

We recognized loss on changes in fair value of investment properties of RMB496.7 million, RMB241.4 million, and RMB776.6 million in 2020, 2021 and 2022, respectively. We expect to continue to recognize loss on changes in fair value of investment properties in the future as we expand our apartment operation business under the leased-and-operated model. In addition, we use unobservable inputs, such as historical assumed capitalization rate and

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prevailing market rents, in valuing our investment properties. The fair value change of investment properties may affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of our investment properties. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could affect our results of operations and financial condition.

Our results of operations have been affected, and will continue to be affected, by the performance of our joint ventures and associates, and our investments in joint ventures and associates are subject to liquidity risk and possible impairment loss.

The performance of our joint ventures and associates has affected, and will continue to affect, our results of operations and financial position. For the years ended December 31, 2020, 2021 and 2022, our share of profits of joint ventures and associates was RMB11.4 million, RMB27.9 million and RMB11.1 million, respectively.

Our investment in joint ventures and associates are subject to liquidity risk. Our investments in joint ventures and associates are not as liquid as other investment products as there is no cash flow until dividends are received even if our joint ventures and associates report profits under equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our joint ventures and associates. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subject to liquidity risk and our financial condition and results of operations could be materially and adversely affected.

We may also have to recognize our share of the comprehensive income or loss of our joint ventures and associates, including our share of any impairment loss recorded by our joint ventures and associates on their own underlying assets. Separately, our investment may be impaired and we may be required to test the carrying amount for impairment if objective evidence of impairment exists. Impairment testing for associates and joint ventures also requires significant judgments and estimates to be made. If our investment is impaired, our financial condition may be materially and adversely affected.

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Impairment of goodwill and other intangible assets could materially and adversely affect our financial condition and results of operations.

We record goodwill primarily in connection with acquisitions. We review our goodwill before the end of the reporting period. We did not recognize impairment losses of goodwill during the Track Record Period. Determining whether goodwill is impaired requires an estimate of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. Impairment of some or all of the remaining goodwill on our consolidated statements of financial position could have a material adverse impact on our profitability. In addition, other intangible assets primarily include our software, and acquired management contracts that we took over as a result of our acquisitions. An impairment of goodwill or other intangible assets could have a material adverse impact on our financial condition and results of operations. For more information on our good will and other intangible assets, see the section headed “Financial Information.”

Uncertainties related to the recoverability of our deferred tax assets could materially and adversely affect our results of operations.

We recorded deferred tax assets of RMB126.9 million, RMB184.1 million and RMB219.1 million as of December 31, 2020, 2021 and 2022, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations and financial position.

Government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, we recorded government grants primarily from local government authorities. These government grants have been provided in recognition of our achievements and contribution to local economy. For the years ended December 31, 2020, 2021 and 2022, we recognized government grants of RMB11.4 million, RMB35.5 million, and RMB19.2 million, respectively. See “Appendix I – Accountants’ Report – II Notes to the Historical Financial Information – 5. Revenue, Other Income and Gains” for further details. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies that affect the validity of our agreements with the relevant local government authorities and the availability of similar preferential arrangements, and may be affected by the termination of, or amendments to, such agreements for any number of reasons, including those beyond our control. Moreover, we cannot assure you that we will be able to enter into new agreements with local government authorities that provide government grants to us on similar terms. Any decrease in or termination of such government grants in the future may have a material and adverse effect on our financial condition, results of operations and growth prospects.

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We have granted, and may continue to grant options and other types of awards under our share incentive plans, which may result in increased share-based compensation expenses and dilution to the shareholding of existing shareholders. Share-based compensation expenses would affect our financial performance and may dilute [REDACTED] shareholdings.

We operate the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Eligible participants thereof include our directors, senior executives and other employees. As of the Latest Practicable Date, our Company had granted options totaling 47,468,057 to 740 individual grantees. See “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans”.

We incurred share-based compensation payments RMB14.9 million, RMB16.3 million and RMB66.3 million in 2020, 2021 and 2022, respectively. Share-based compensation expenses would affect our financial performance and may dilute [REDACTED] shareholdings. As of the Latest Practicable Date, options to purchase a total of 47,468,057 Shares had been granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, including 38,786,487 Shares that will be issued pursuant to the exercised options under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan on the [REDACTED] and 8,681,570 Shares that may be issued when the corresponding options granted under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan become exercisable after the completion of the [REDACTED]. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with equity-settled share-based compensation may increase, which may have an adverse effect on our results of operations and financial performance.

Meanwhile, granting options and other types of awards under our share incentive plans may result in dilution to the shareholding of existing shareholders. As of the Latest Practicable Date, the Shares underlying the Outstanding and Unexercised Options (i.e. 8,681,570 options) represented approximately [REDACTED] of the total issued and outstanding Shares of our Company. Assuming full issuance of Shares underlying the Outstanding and Unexercised Options (i.e. 8,681,570 options), and assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted to an Ordinary Share on a one-to-one basis upon the [REDACTED], the shareholding of our Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED].

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Increases in labor costs and raw materials and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and financial condition.

Labor costs in China have risen in recent years as a result of a variety of factors, such as the enactment of new labor laws and social development. Given that all of our employees are currently located in China, rising labor costs in China will increase our personnel expenses. In addition, we have witnessed growing inflation rates in China, where we procure our raw materials for renovation of apartments, leading to higher costs of raw materials for us to pay. We may not be able to pass on rising costs as a result of higher labor costs and increasing raw material prices to our customers in the form of higher rents. Accordingly, our financial condition may be adversely affected if labor costs and raw material prices continue to rise in the future.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local governments from time to time at our existing locations. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees’ salaries based on the actual salary of each employee upon payment.

In addition, we have been subject to strict regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing provident funds, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract Law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labor contracts. The Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) also impose stringent requirements on the use of employees of temp agencies (i.e., “dispatched workers”), who shall not exceed 10% of the total number of a company’s workforce. In the event that we decide to lay off some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. Under the PRC Social Insurance Law and the Administrative Measures on Housing Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident fund, and employers are required, together with their employees or separately, to pay the social insurance premiums and housing provident funds for their employees. Employers that fail to make adequate social insurance and housing provident fund contributions may be subject to fines and legal sanctions. We could be deemed to have failed to pay certain social insurance and housing fund contributions under the relevant PRC laws and regulations. If the relevant

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PRC authorities determine that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, our business, financial condition and results of operations may be adversely affected.

During the Track Record Period, some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premiums and housing provident funds for certain of our employees. This was primarily because we were short of human resource staff at certain locations where we conducted business and these agencies could assist us in contributing to the social insurance premiums and housing provident funds for our local employees. As of the Latest Practicable Date, we had not received any administrative penalty or labor arbitration application from employees for the agency arrangement with third-party human resources agencies. However, since whether the practice of engaging third-party human resources agencies to pay social insurance premiums and housing provident funds is legal remains unclear under PRC laws and regulations, we cannot assure you that such practice on our part will not be deemed as a violation of laws or regulations by relevant PRC authorities or will not subject us to any administrative penalties or statutory liability. As advised by our PRC Legal Advisors, whether the practice of engaging third-party human resources agencies to pay social insurance and housing provident funds can fully satisfy the requirements under PRC laws and regulations remains unclear. If the relevant competent government authority is of the view that such arrangement of engaging third-party human resources agencies to pay for social insurance and housing provident funds contribution does not satisfy the requirements under relevant PRC laws and regulations, (i) in respect of social insurance, we might be ordered to pay the outstanding balance within a certain period of time and a late fee that equals to 0.05% of the total outstanding balance per day from the date of the failure to make payment, failing which we may be subject to a fine ranging from one to three times of the total outstanding balance; and (ii) in respect of housing provident funds, we may be ordered to pay the outstanding balance to the relevant local government authority within a prescribed period of time, failing which the government authority can apply to the People’s Court for compulsory enforcement, but no penalties are provided for under the relevant PRC laws and regulations. However, as advised by our PRC Legal Advisors, the likelihood that we would be subject to administrative penalties due to paying social insurance fund and housing provident funds through third-party human resources agencies is low, considering that: (i) during the Track Record Period we have fully paid social insurance and housing provident funds for our staff including engaging third-party human resources agencies for such payments, (ii) the third-party human resources agencies have confirmed in writing to us that during the Track Record Period, they have fully paid social insurance and housing provident funds for the staff of relevant PRC subsidiaries as instructed by us, (iii) none of the relevant PRC subsidiaries received any administrative penalty, as confirmed by competent local departments, for the arrangement with the third-party human resources agencies during the Track Record Period, and (iv) none of the relevant PRC subsidiaries received any compulsory enforcement by the People’s Court in respect of housing provident funds during the Track Record Period. During the Track Record Period, usually at the request of certain employees, there were also exceptional instances in which we paid social insurance premiums and housing provident funds for some of our employees in other cities rather than the cities whose authorities regulating

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their employment contracts with us. While we had not received any administrative penalty or employee complaint due to such an arrangement as of the Latest Practicable Date, we cannot assure you that we will not be required to rectify such arrangement or be subject to any penalties or economic losses.

Furthermore, as the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain effective internal control measures to identify deficiencies and manage risks, our business could be materially and adversely affected.

We have established our internal control system, such as an organizational framework and, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. However, due to the inherent limitations in the design and implementation of our risk management system, our risk management system may not be sufficiently effective in identifying, managing and preventing all deficiencies or risks if external circumstances change substantially or extraordinary events take place.

Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such

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events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

We face risks related to catastrophic weather, natural disasters, political unrest, climate change, health epidemics and other outbreaks, which could significantly disrupt our operations.

We are vulnerable to catastrophic weather, natural disasters and other calamities. Some of our apartments are located in areas that may experience catastrophic weather and other natural events from time to time, including earthquakes, mudslides, fires, typhoons, tornadoes, floods, snow, ice storms, or other severe inclement weather. We may also experience power loss or telecommunications failures. Such events may cause physical damage to our apartments, injure our residents and result in negative publicity about us, which may in turn cause a decrease in demand for our apartments in these areas. Additionally, the accidental death or injury of our residents due to fire, natural disasters or other hazards could have a material and adverse effect on our business and results of operations. Our insurance coverage may not cover all losses associated with such events, which could have an adverse impact on our financial condition and results of operations. See “– Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.” Furthermore, such events may give rise to server interruptions, breakdowns, system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services.

We may experience break-ins, war, riots, terrorist attacks or similar events. Actual or threatened such events and other acts of violence or war could have a material and adverse effect on our business and operating results. Attacks that directly impact one or more of the properties under our management could significantly affect our ability to operate those properties and thereby impair our ability to achieve our expected results. In addition, the adverse effects that such violent acts and threats of future attacks could have on the Chinese economy could similarly have an adverse impact on our financial condition and results of operations.

Our business could also be adversely affected by the effects of COVID-19, monkeypox, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having COVID-19, monkeypox, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or another contagious disease or condition, since it could require our employees to be quarantined and/or our apartment communities to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general. See “– The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.”

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Because we are incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts or the U.S. courts may be limited (depending on the remedies you are seeking).

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding (except for those decisions handed down from the Judicial Committee of the Privy Council to the extent that these have been appealed from the Cayman Islands courts), authority on a court in the Cayman Islands. Shareholders may have different remedies in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

We have no prior experience operating as a public company and we may have to incur substantial costs for meeting enhanced administrative and compliance requirements after becoming a public company.

We have no experience conducting our operations as a stand-alone public company. After we become a stand-alone public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a [REDACTED] company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, [REDACTED] and securities and [REDACTED] relationships. As a stand-alone public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

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Increasing focus on environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operations.

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance (“ESG”) issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors also increasingly focus on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and our business, financial condition, and the [REDACTED] of our Shares could be materially and adversely effected. For details about our recent efforts in and further plan of improving our ESG practices, see “Business – Social Responsibility, Health, Safety and Environmental Impact.”

RISKS RELATED TO DOING BUSINESS IN CHINA

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes, and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and the enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability in the laws, regulations and policies governing our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

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We are subject to changes in economic, political and social conditions and government policies in the PRC.

Substantially all of our revenues are sourced from China. Accordingly, our results of operations, financial condition and prospects are influenced by the economic, political, social and legal developments in China. The economic reforms which begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, the level of development, the growth rate, the control of foreign exchange and the allocation of resources. While the PRC economy has experienced significant growth in the past years, growth has been uneven across different regions and among different economic sectors.

The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the PRC economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the PRC economy in recent years. Any adverse changes in the economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of the country. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position.

Rapid urbanization and changes in zoning and urban planning in China may cause our apartment communities to be demolished, expropriated or otherwise affected.

China is undergoing a rapid urbanization process, and zoning requirements and other governmental mandates with respect to the urban planning of a particular area may change. The PRC government has the statutory power to acquire or demolish any land in the PRC for reason of changes in urban planning or zoning or otherwise. When zoning requirements or other governmental mandates change with respect to the areas where our apartments are located, the affected apartments may need to be demolished or removed. As a result, we may have to relocate our apartments to other locations. We have experienced such demolition and relocation in the past and we may encounter additional demolition and relocation cases in the future. Our apartments could suffer from demolitions or interruptions due to zoning or other local regulations in the future. Any such demolition and relocation could cause us to lose primary locations for our apartments and cause the licenses and permits held for the apartments facing demolition to not be renewed or even be revoked, and we may not be able to achieve comparable operational results following the relocations. While we may be reimbursed for such demolition and relocation, we cannot assure you that the reimbursement, as determined by the relevant government authorities, will be sufficient to cover our direct and indirect losses. Accordingly, our business, results of operations and financial condition may be materially and adversely affected.

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It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigations that are common in the United States (including securities law class actions and fraud claims) generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator may directly conduct investigations or collect evidence and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or collect evidence within China may further increase difficulties faced by you in protecting your interests.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

The Renminbi is not currently a freely convertible currency as the Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in China to remit sufficient amount of foreign currency to pay dividends or make other payments to us, or otherwise to satisfy their foreign currency-denominated obligations. Under the existing foreign exchange regulations in China, following the completion of the [REDACTED], we can pay dividends in foreign currencies without obtaining prior approval from the SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies if foreign currencies become scarce within China. We may not be able to pay dividends in foreign currencies to our shareholders if the Chinese government restricts access to foreign currencies. In addition, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds from the offshore financing to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the

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requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts, and (ii) the medium- or long-term debts with a maturity period of one year or above shall be registered with the NDRC before the issuance, and the information on the issuance shall be reported to the NDRC within 10 working days after the completion of the issuance. We may not be able to complete such filings or registrations on a timely basis, or at all, with respect to the capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such filings or registrations, our ability to use the proceeds from our offshore financing and to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Fluctuations in exchange rates may have a material adverse impact on your [REDACTED].

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 would 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 the 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.

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

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

In the past, the economic growth in the PRC was sometimes affected by 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. 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 activities and we may see reduced demands for our services.

China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008 and amended on August 1, 2022, and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by anti-monopoly enforcement authority before they can be completed.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM

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promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

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PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration for Financing and Round-trip Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 75, promulgated by the SAFE and effective on November 1, 2005, a PRC resident must register with the local SAFE branch prior to establishing or controlling an overseas special purpose vehicle. The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Roundtripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”) in July 2014 and replaced the SAFE Circular 75. SAFE Circular 37 requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

RISK FACTORS

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law (the “**EIT Law**”) (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007, and effective on January 1, 2008, and most recently amended on December 29, 2018 and effective on the same date, and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a PRC resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise.

In 2009, the STA issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was most recently amended in December 2017, or the Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. The STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011, and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) decisions relating to the enterprise’s financial matters (such as loan, financing and financial risk management) and human resource matters (such as appointment, dismissal and remuneration) are made or are subject to determination or approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of the shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in our shares.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we may rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, although foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

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The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non- PRC resident enterprises are incorporated.

RISKS RELATED TO THE [REDACTED]

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

Prior to the [REDACTED], there was no [REDACTED] for our Shares. The indicative [REDACTED] range and the [REDACTED] will be determined by negotiations between us and the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and they may differ significantly from the market [REDACTED] of our Shares following the [REDACTED].

We have applied to [REDACTED] and [REDACTED] our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) [REDACTED] will develop; or (ii) if such a [REDACTED] does develop, it will be sustained following completion of the [REDACTED]; or (iii) the market [REDACTED] of our Shares will not decline below the [REDACTED]. The [REDACTED] of our 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 [REDACTED] 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 litigation or regulatory investigations;

RISK FACTORS

- 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 Shares; and
- general economic and other factors.

The approval, filing and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with the [REDACTED] under PRC rules, regulations or policies.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining CSRC approval for the [REDACTED] may subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval under the M&A Rules for the [REDACTED] or the [REDACTED] and [REDACTED] of the Shares on the Hong Kong Stock Exchange, primarily because (i) we are not controlled by PRC companies or individuals, and (ii) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this document are subject to this regulation.

However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an [REDACTED], and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor, and hence, we may face regulatory actions or other sanctions from them.

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On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five guidelines (the “**Trial Measures**”), which took effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer and list securities in overseas markets, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Regulations – Regulations Relating to Overseas Listing.”

As advised by our PRC Legal Advisors, we are required to submit the filing materials to the CSRC within three business days after our application for [REDACTED] is submitted. However, since the Trial Measures were newly promulgated, the interpretation, application and enforcement of the Trial Measures remain largely uncertain. Therefore, we may fail to obtain such filing or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such filing or completing such procedures for this [REDACTED], or a rescission of any such filing obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of [REDACTED] or future capital raising activities into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations and prospects, as well as the [REDACTED] of our Shares.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt the [REDACTED] or future capital raising activities before settlement and delivery of the Shares [REDACTED] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for the [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the [REDACTED] of the Shares.

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The [REDACTED] of our Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatilities in the [REDACTED] of our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our Shares. These broad market and industry factors may significantly affect the market [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the market [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by or to be held by our shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

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Potential [REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financing.

The [REDACTED] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential [REDACTED] will experience immediate dilution when they purchase our Shares in the [REDACTED]. If we were to distribute our net tangible assets 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 the 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 the 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.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on [REDACTED] appreciation of our Shares for return on your [REDACTED].

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands laws, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future [REDACTED] appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the [REDACTED] at which you [REDACTED] the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

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We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways with which you may not agree or which do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED] to fund (i) business expansion and strategic acquisitions, (ii) the upgrade of our technology infrastructure and innovation of apartment products, (iii) our continual selling and marketing efforts, and (iv) working capital needs and general corporate purpose. For details, see “Future Plans and Use of [REDACTED]”. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, and you have to depend on the judgment of our management for the specific uses of the [REDACTED] from this [REDACTED].

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various market data providers and other independent third-party sources contained in this document.

This document contains information and statistics relating to the rental apartment industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED] and the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information 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 our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations,

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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. [REDACTED] should not place undue reliance on such forward-looking statements and information.

[REDACTED] 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 and the [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 [REDACTED] 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 the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], we have sought the following waivers and exemptions certificates from strict compliance with the relevant provisions of the Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Given that (i) our business operations are principally located, managed and conducted in the PRC and the Company’s head office is situated in Shanghai, the PRC; (ii) our executive Director and senior management team principally reside in the PRC; and (iii) the management and operations of the Company have mainly been under the supervision and guidance of our executive Director, chairman of the Board and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group’s businesses and it is important for them to remain in close proximity to the Group’s operations located in the PRC, our Company considers that it would be more practical for our executive Director and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

- (a) both of our Company’s authorized representatives, Ms. Liu Jia (柳佳) (“**Ms. Liu**”), an executive Director, and Ms. HO Wing Nga (何詠雅) (“**Ms. Ho**”), our joint company secretary, will act as our Company’s principal channel of communication with the Stock Exchange. Although Ms. Liu resides in the PRC, she possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Our Company will also inform the Stock Exchange promptly in respect of any change in our authorized representatives. Accordingly, each of our authorized representatives will be able to meet with the Stock Exchange within a reasonable time frame on request and will be readily contactable by telephone, facsimile and email. Our Company is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Ms. Ho has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (b) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her mobile phone number, residential phone number, fax number and email address to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives has also provided his/her mobile number, office phone number, fax number (if any) and email address to the Stock Exchange;
- (c) we have appointed First Shanghai Capital Limited as the compliance advisor of our Company (the “**Compliance Advisor**”), in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the [REDACTED] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [REDACTED]. The Compliance Advisor will maintain constant contact with the authorized representatives, Directors and senior management of our Company through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will promptly provide such information and assistance as the Compliance Advisor may reasonably require in connection with the performance of the Compliance Advisor’s duties as set forth in Chapter 3A of the Listing Rules;
- (d) meetings between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and
- (e) we will also retain legal advisors to advise us on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company’s company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other issuers and the roles he/she played; (ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the Listing Rules and other relevant laws and regulations, he/she also needs to have experience relevant to our Company’s operations and a close working relationship with our Board and senior management to effectively and efficiently discharge the functions of a company secretary. We have appointed Mr. Hu Ding (胡鼎) (“**Mr. Hu**”) and Ms. Ho as our joint company secretaries. Mr. Hu joined our Group in November 2019 and has successively served as strategic management supervisor, general manager of the strategic marketing center and the board secretary of the Group. He is mainly responsible for industry analysis and management of secretarial matters of our Group. His detailed biographical information is set out in the section headed “Directors and Senior Management – Joint Company Secretaries – Mr. HU Ding (胡鼎)” in this document. As our headquarters and principal business operations are located in China, our Directors believe that it is necessary to appoint Mr. Hu as a company secretary whose presence in Shanghai enables him to attend to the day-to-day corporate secretarial matters concerning our Group. However, Mr. Hu does not possess any of the qualifications stipulated in Rule 3.28 of the Listing Rules, and is unable to solely fulfill the requirements as a company secretary of a [REDACTED] stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Mr. Hu, we have appointed Ms. Ho, a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as a joint company secretary and provide assistance to Mr. Hu for a three-year period from the [REDACTED], so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Hu as our joint company secretary. The waiver [was granted] on the conditions that:

- (i) Ms. Ho is appointed as a joint company secretary to assist Mr. Hu in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;
- (ii) this waiver will be revoked immediately if and when Ms. Ho ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Ms. Ho ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company;
- (iii) our Company will further ensure that Mr. Hu has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an [REDACTED] on the Stock Exchange. The Company’s Hong Kong legal advisors have provided training to Mr. Hu on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to the Company after its [REDACTED]. In addition, Mr. Hu will endeavor to familiarize himself with the Listing Rules, including any updates thereto, during the three-year period from the [REDACTED];
- (iv) Mr. Hu has confirmed that he will attend no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong [REDACTED] during each financial year as required under Rule 3.29 of the Listing Rules; and
- (v) this waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We expect that Mr. Hu will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [REDACTED]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Hu, having had the benefit of Ms. Ho’s assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules such that a further waiver will not be necessary.

See the section headed “Directors and Senior Management – Joint Company Secretaries” in this document for further information regarding the experiences and qualifications of Mr. Hu and Ms. Ho.

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**WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT
TO CHANGES IN SHARE CAPITAL**

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this document.

As of December 31, 2022, our Group had approximately 147 subsidiaries. We have identified 30 subsidiaries that are primarily responsible for the track record results of our Group (the “**Principal Entities**,” and each a “**Principal Entity**”). These Principal Entities were identified after extensive consideration by our Company, taking into account various factors from the business and financial perspectives. We selected the representative subsidiaries with the largest revenue contribution, or subsidiaries which best represent our business from strategic importance or brand name perspectives. Additionally, none of the non-Principal Entities are individually material to the Company in terms of holding intellectual property rights. We have also taken into account the geographic locations of the Principal Entities. By way of illustration, (a) for the three years ended December 31, 2020, 2021 and 2022, the aggregate revenue generated from the Principal Entities (after intra-group eliminations) represented approximately 86.2%, 87.4% and 78.6% of the Group’s total revenue, respectively and (b) as of December 31, 2020, 2021 and 2022, the aggregate assets (after intra-group eliminations) of the Principal Entities represented approximately 79.0%, 77.7% and 88.8% of the Group’s total assets, respectively. Considering that the remaining subsidiaries of our Company are not individually significant to the overall operations and financial results of our Group, the non-disclosure of the changes in share capital of such subsidiaries would not prejudice the interests of the [REDACTED]. It would be unduly burdensome for the Company to disclose the changes in share capital of the remaining 117 subsidiaries, which would not be material or meaningful to [REDACTED].

Particulars of the changes in the share capital of our Company and the Principal Entities have been disclosed in “Appendix V – Statutory and General Information – A. Further Information about Our Group – 2. Changes in the Share Capital of Our Company” and “Appendix V – Statutory and General Information – A. Further Information about Our Group – 3. Changes in the Share Capital of Our Principal Entities” to this document.

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WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] SHARE OPTION PLANS

Information Disclosure in the Document

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe the Share Option Disclosure Requirements, which include:

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in the document. The Company is also required to disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires the Company to set out in the document particulars of any capital of any member of the Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires the Company to set out in the document, among other, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options totaling 47,468,057 to 740 individual grantees. We set forth below a summary of the information related to the options granted under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan from different angles:

First angle: whether the options were issued to Directors, members of senior management, connected persons or other types of grantees?

- (1) A total of 28,433,051 options (representing 28,433,051 underlying Shares if fully exercised) have been granted to two Directors, three members of senior management and two connected persons (both of whom are directors of our significant subsidiaries) (collectively, the “**Relevant Persons**”).
- (2) A total of 19,035,006 options (representing 19,035,006 underlying Shares if fully exercised) have been granted to 733 individuals who are not the Relevant Persons.

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*Second angle: whether the options have been exercised and
will be issued to the Trust Holdco on the [REDACTED]?*

- (1) 38,786,487 options (the “**Exercised Pre-[REDACTED] Options**”) (representing 38,786,487 underlying Shares if fully exercised) were granted to 11 individual grantees. All of these options had been exercised as of the Latest Practicable Date and our Company will issue 38,786,487 Shares to the Trust Holdco on the [REDACTED].

Among these 11 individual grantees:

- there are two Directors, three members of senior management and one connected person of our Company (a director of our significant subsidiary) holding an aggregate of 28,266,901 options (representing 28,266,901 underlying Shares if fully exercised); and
- the remaining five grantees are key employees of our Group (who are not our Directors, members of senior management or connected persons) holding an aggregate of 10,519,586 options (representing 10,519,586 underlying Shares if fully exercised).

None of these 11 individuals will hold any outstanding and unexercised options pursuant to the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan after the [REDACTED].

- (2) 8,681,570 options (representing 8,681,570 underlying Shares if fully exercised) were granted to 729 individual grantees. These 8,681,570 options remained outstanding and unexercised (the “**Outstanding and Unexercised Options**”) as of the Latest Practicable Date and would only be issued by our Company after the [REDACTED] if these Outstanding and Unexercised Options are fully vested and exercised. These 8,681,570 Outstanding and Unexercised Options will have potential dilutive effect on the shareholdings of our Shareholders.

Assuming full issuance of Shares pursuant to the Outstanding and Unexercised Options (i.e. 8,681,570 options), and assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED], (a) the Shares to be issued pursuant to the Outstanding and Unexercised Options (i.e. 8,681,570 Shares) represent approximately [REDACTED] of the total issued shares of our Company immediately following completion of the [REDACTED]; and (b) the shareholding of Our Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED].

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Our Company has applied to the Stock Exchange and the SFC for:

- (a) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and
- (b) a certificate of exemption under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, as strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) as of the Latest Practicable Date:

- A. our Company had granted options totaling 47,468,057 (representing 47,468,057 underlying Shares if fully exercised) to 740 individual grantees, among which:

- a. a total of 28,433,051 options (representing 28,433,051 underlying Shares if fully exercised) were granted to two Directors, three members of senior management and two connected persons (both of whom are directors of our significant subsidiaries); and
 - b. a total of 19,035,006 options (representing 19,035,006 underlying Shares if fully exercised) were granted to 733 individuals who are not our Directors, members of senior management or connected persons.

- B. Among these 47,468,057 options (representing 47,468,057 underlying Shares if fully exercised):

- a. 38,786,487 options (representing 38,786,487 underlying Shares if fully exercised) had been exercised and our Company will issue 38,786,487 Shares to the Trust Holdco on the [REDACTED]; and
 - b. the remaining 8,681,570 Outstanding and Unexercised Options (representing 8,681,570 underlying Shares if fully exercised) would remain unexercised and would only be issued by our Company after the [REDACTED] if these Outstanding and Unexercised Options are fully vested and exercised.

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Strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees who held the Outstanding and Unexercised Pre-[REDACTED] Share Options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan in the document would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation and document preparation;

- (b) the disclosure of the personal details of each grantee, including the number of options granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- (c) the grant and exercise in full of the options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan will not cause any material adverse impact on the financial position of our Company;
- (d) non-compliance with the Share Option Disclosure Requirements would not prevent our Company from providing potential [REDACTED] with information for making an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan will be disclosed in this document, including the total number of Shares to be issued by the Company after [REDACTED] subject to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, the exercise price per Share, and the potential dilution effect on shareholding. Our Directors consider that the information that is reasonably necessary for potential [REDACTED] to make an informed assessment of our Company in their [REDACTED] decision-making process will have already been included in the document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the [REDACTED].

The Stock Exchange [has granted] to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Share Option Plan on the conditions that:

- (a) on an individual basis, full details of the share options (including both Exercised Pre-[REDACTED] Options and Outstanding and Unexercised Pre-[REDACTED] Options) granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan to each of our Directors, members of senior

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management and connected persons will be disclosed in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document, as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

- (b) in respect of the Outstanding and Unexercised Options, disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being (i) 300-10,000 Shares; (ii) 10,001-100,000 Shares; and (iii) 100,001-891,130 Shares.

For each lot of Shares, the following disclosure will be made on an aggregate basis:

- (i) the aggregate number of grantees and the number of Shares underlying the relevant Outstanding and Unexercised Options;
 - (ii) the dates of grant of the options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan;
 - (iii) the consideration for the grant of options (if any) under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan; and
 - (iv) the exercise price and exercise period of the options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan;
- (c) the aggregate number of Shares underlying the Outstanding and Unexercised Options and the percentage of our Company’s total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this document;
 - (d) the dilution effect and impact on earnings per Share upon full exercise of the Outstanding and Unexercised Options will be disclosed in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document;
 - (e) a summary of the major terms of the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan will be disclosed in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document;
 - (f) the particulars of the waiver and the exemption will be disclosed in the document;

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- (g) the Full List of Option Grantees (as defined below) (including those persons whose details have already been disclosed in this document), containing all the particulars as required under the applicable Share Option Disclosure Requirements, will be made available for public inspection at Kirkland & Ellis, 26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document; and
- (h) the certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been granted by the SFC exempting our Company from strict compliance with the requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has also granted] our Company the certificate of exemption under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the following conditions:

- (a) on an individual basis, full details of the share options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan to each of our directors, members of senior management and connected persons will be disclosed in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document, as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the Outstanding and Unexercised Options, disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being (i) 300-10,000 Shares; (ii) 10,001-100,000 Shares; and (iii) 100,001-891,130 Shares.

For each lot of Shares, the following disclosure will be made on an aggregate basis:

- (i) the aggregate number of grantees and the number of Shares underlying the relevant Outstanding and Unexercised Options;
- (ii) the dates of grant of the options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan;

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- (iii) the consideration for the grant of options (if any) under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan; and
- (iv) the exercise price and exercise period of the options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan;
- (c) the Full List of Option Grantees (as defined below) (including those persons whose details have already been disclosed in this document), containing all the particulars as required under the applicable Share Option Disclosure Requirements, will be made available for public inspection at Kirkland & Ellis, 26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document;
- (d) the particulars of the exemption will be disclosed in this document; and
- (e) this document will be issued on or before [REDACTED].

Further details of the Pre-[REDACTED] Share Option Plan are set out in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document.

PROPERTY VALUATION

Pursuant to Rule 5.01(2) of the Listing Rules, “property activities” mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or redevelopment of properties for subsequent sale, or for subsequent letting or retention as investments. It does not include holding of properties for own use. Pursuant to Note 1 of Rule 5.01(2), any other property interest is classified as “non-property activities”.

Pursuant Rule 5.01A of the Listing Rules, a listing document must include valuations of and information on property interests:

- (a) that form part of the issuer’s property activities except for those with a carrying amount below 1% of its total assets. Additionally, the total carrying amount of property interests not valued must not exceed 10% of its total assets; and
- (b) that do not form part of the issuer’s property activities if the carrying amount of a property interest is or is above 15% of its total assets.

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Section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require, if the Company’s latest financial statements disclose either (i) a value exceeding 10% of the value of the assets of the company or (ii) a value of not less than HK\$3,000,000 is placed on the company’s interests in land or buildings, a valuation report to be included in the issuer’s document with respect to all of its interests in land or buildings.

In addition, pursuant to section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32 sub. Leg. L) (the “**Exemption Notice**”), the document of a company incorporated outside Hong Kong is exempted from compliance with the requirements of Section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the following property interests:

- (a) any property interest that is not the subject matter of property activities (defined as “**Type A interest**” in the Exemption Notice) with a carrying amount of less than 15% of the group’s total assets (“**exempt Type A interest**”);
- (b) any property interest that is the subject matter of property activities (defined as “**Type B interest**” in the Exemption Notice) with a carrying amount of less than 1% of the group’s total assets, if the aggregate carrying amount of all such property interests does not exceed 10% of the group’s total assets; and
- (c) any property interest that is the subject matter of property activities with a carrying amount of less than 1% of the group’s total assets whose carrying amounts when added together do not exceed 10% of the group’s total assets, if the aggregate carrying amount of all such property interests exceeds 10% of the group’s total assets (the property interests satisfying the requirements of paragraphs (b) and (c) are collectively referred to as “**exempt Type B interest**”),

“Property activities” is defined under the Exemption Notice to mean holding (whether directly or indirectly), purchasing or developing properties for sale, letting or retention as investments.

(the requirements above are collectively referred to as the “**Property Valuation Requirements**”)

Our Group operates a rental apartment business under the leased-and-operated model and manachised and third-party managed model. Our Group does not have any self-owned properties. As of December 31, 2022, our Group’s leased properties included the following:

- (a) 277 leased properties that were used for the operation of rental apartments; and
- (b) one leased property that was used for the Company’s headquarters in Shanghai.

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In light of the nature of our Group’s principal business and its business model, the Group’s leased properties used for operation of its principal business (i.e. operation of rental apartments) constitute “property activities” as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Pursuant to the accounting standard IFRS 16 (Leases) (“**IFRS 16**”), the operating leases with respect to the leased properties as discussed above (including 277 leased properties used for the operation of rental apartments and one leased property used for the Company’s headquarters in Shanghai) will be recognized as right-of-use assets (“**ROU Assets**”) on the balance sheet of the Company.

Based on the audited financial information of the Company as of December 31, 2022, the details of the Group’s ROU Assets are set forth below:

<i>Total assets of the Group (the “Total Assets”)</i>	Approximately RMB14,019 million
<i>Aggregate ROU Assets of the Group</i>	
Carrying amount	Approximately RMB12,087 million
Percentage relative to the Total Assets	86.22%
<i>Number (and nature) of ROU Assets each of which has a carrying amount of no less than 1% of the Total Assets (“No-less-than-1% ROU Assets”)</i>	15 (all of which are operating leases for the rental apartments operated by the Group)
<i>Range of percentages of each of the No-less-than-1% ROU Assets to the Total Assets</i>	1.03% to 4.89%
<i>Number (and nature) of ROU Assets each of which is less than 1% of the Total Assets while the total ROU Assets of other property interests not valued exceed 10% of Total Assets (“In-excess-of-10% Exemption Threshold ROU Assets”)</i>	132 (all of which are operating leases for the rental apartments operated by the Group)
<i>Range of percentages of each of the In-excess-of-10% Exemption Threshold ROU Assets to the Total Assets</i>	0.15% to 0.98%

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Pursuant to the Property Valuation Requirements, the Company’s document would need to include a property valuation report covering 147 leased properties, including 15 No-less-than 1% ROU Assets and 132 In-excess-of-10% Exemption Threshold ROU Assets (such leased properties of the Group collectively referred to as “**Non-exempt Leased Properties**”). Based on the following reasons, the Company has applied to the Stock Exchange and the SFC for (a) a waiver from the Stock Exchange from strict compliance with Rule 5.01A of the Listing Rules; and (b) an exemption from the SFC from strict compliance with section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (such waiver and exemption collectively referred to as the “**Waiver and Exemption**”):

1. No commercial value attributed to the relevant leased properties and such information is not meaningful to potential [REDACTED] for them to make informed [REDACTED] decisions

As advised by Jones Lang LaSalle (“**JLL**”), an independent and qualified property valuer engaged by the Company, according to the Hong Kong Institute of Surveyors Valuation Standards on Properties (the “**Valuation Standards**”), “market value” is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

JLL further advised that pursuant to the Valuation Standards, the subject interest valued is the “market value (commercial value) of the properties” (物業的商業價值), which essentially depends on whether the holder of a property interest is entitled to the full spectrum of rights of a property, including the rights to possess, occupy, use, let and assign. If the holder of a property interest does not have the right to freely use, assign or dispose of the subject property in the open market, no commercial value will be attributed to such property.

Although the Group has the right to use the leased properties for operating rental apartments, the Group does not have titles to such leased properties. Under the terms of the head leases executed by various members of the Group, the Group is prohibited from assigning, freely transferring or disposing of the leased properties. Therefore, in light of the foregoing restrictions, JLL has confirmed that no commercial value will be attributed to the Group’s leased properties in accordance with the Valuation Standards.

JLL also confirmed that even if the Group’s leased properties are appraised, JLL is only required to report on the subject property as part of the valuation report and attribute zero commercial value to these leased properties without conducting any form of valuation in accordance with the Valuation Standards.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The general disclosure obligation provided in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules requires a prospectus to contain sufficient particulars and information that is necessary to enable an investor to make an informed judgment of the [REDACTED]. Additionally, one of the main objectives of the SFC and the Stock Exchange’s efforts to reform the property valuation regime for [REDACTED] and [REDACTED] in 2010 was to remove unnecessary burdens from [REDACTED] and [REDACTED], in terms of cost and timing of preparation of property valuation reports. In light of the foregoing, the Company is of the view that:

- (a) inclusion of a valuation report containing 147 leased properties with zero commercial value would not provide meaningful information to the [REDACTED] to make an informed [REDACTED] but would contradict the SFC and the Stock Exchange’s efforts to simplify and streamline the property valuation regime for [REDACTED] and [REDACTED];
- (b) for [REDACTED] who are not familiar with the applicable accounting standards and Valuation Standards (as well as the differences of their respective methodologies), inclusion of valuation of the Group’s leased properties with no commercial value in the document, together with quite substantial carrying amounts attributed to the Group’s right to use these leased properties in the Group’s consolidated balance sheet (see below for an elaboration on the carrying amounts of the Group’s right to use these leased properties) may even cause unnecessary confusion to potential [REDACTED]; and
- (c) requiring the inclusion of a property valuation report in the document with respect to a significant number of leased properties with no commercial value may deter other companies with similar business models from pursuing [REDACTED] in Hong Kong.

2. Alternative meaningful information (the “Alternative Information”) to be included in the document

The Company proposes to disclose the following Alternative Information in the document, which the Company believes would enable potential [REDACTED] to assess the impact of the Group’s leased properties on its financial position. Such Alternative Information would include:

- a. carrying amount of the investment properties of the Company;
- b. a property valuation report of the Significant ROU Assets of the Company (as defined below);

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- c. information about the Material ROU Assets of the Company (as defined below) on an individual basis; and
- d. information about the Other ROU Assets of the Company (as defined below).

a. Carrying amount of the investment properties of the Company

Under IFRS 16, the Group recognizes the leases used for operation of rental apartments as right-of-use assets upon their commencement. IFRS 16 requires a lessee to measure the right-of-use assets arising from leased properties in accordance with the fair value model of IAS 40 (Investment Properties) (“**IAS 40**”) if such leased properties meet the definition of “investment property” and the lessee elects to use the fair value model in IAS 40 as an accounting policy. The Group’s leasehold interests relating to leases used for the operation of rental apartments meet the definition of “investment properties” as defined under IAS 40 and are thus recognized as investment properties (the “**Investment Properties**”) in the Company’s consolidated statements of financial position. The Company adopted the fair value model as its accounting policy with respect to the Investment Properties during the Track Record Period, which are carried on the Company’s balance sheet at their fair value. Such fair value is determined by the Company with reference to the valuations of the Investment Properties made by JLL by taking into account the capitalized income to be derived from these Investment Properties.

As confirmed by Ernst & Young, the Company’s reporting accountants, the accountants’ report to be included in the Company’s document will include the following:

- (a) a summary of the valuation techniques used and the key inputs to the valuation of the Investment Properties held as of the end of each period of the Track Record Period, including a description of the subject leased properties, valuation techniques, significant unobservable inputs, basis of the significant unobservable inputs (e.g. the basis of prevailing market rents and/or reversionary capitalization rate), and range of unobservable inputs as of the end of each period of the Track Record Period; and
- (b) the carrying amounts of investment properties (i.e. the Group’s right to use these leased properties) as of the end of each period of the Track Record Period.

The Company generates revenue from providing centralized living solutions in the form of ready-to-move-in apartments on the basis of the Group’s leased properties. As such, the fair value on the Group’s right to use the leased properties, which will be determined by JLL by taking into account the capitalized income to be derived from these leased properties and disclosed in the accountants’ report, is more meaningful to potential

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[REDACTED] to enable them to assess the impact of the Group’s leased properties on the Group’s financial position, as compared to the zero commercial value attributed to these leased properties as determined in accordance with the Valuation Standards.

b. Property valuation report of the Significant ROU Assets of the Company

Although the commercial value attributed to the Group’s leased properties is zero, the Company nevertheless proposes to include a valuation report (the “**Valuation Report of the Significant ROU Assets**”) in respect of the carrying amounts of the top 30 leased properties of the Group as of December 31, 2022 (the “**Significant ROU Assets**”) (i.e. the date to which the latest audited financial statements of the Company was made up) in the document. The Valuation Report of the Significant ROU Assets will be prepared in accordance with the Valuation Standards and in compliance with the Valuation Requirements.

The Significant ROU Assets would include all of the 15 No-less-than-1% ROU Assets (each of which has a carrying amount of no less than 1% of the Total Assets) and another 15 In-excess-of-10% Exemption Threshold ROU Assets whose carrying amounts range between 0.6% and 1.0% as compared to the Total Assets. The aggregate carrying amount of the Significant ROU Assets represented approximately 39.5% of the Total Assets and 45.9% of the Group’s total right-of-use assets as of December 31, 2022 (the “**Total ROU Assets**”).

In addition to the Valuation Report of the Significant ROU Assets, the Company will also disclose the lease income contribution from the Significant ROU Assets in the section headed “Business – Properties” of the document.

c. Information about the Material ROU Assets of the Company on an individual basis

The Company will identify the carrying amount of each leased property interest held for property activities and add up from the highest value until 50% of the Group’s total assets as of December 31, 2022. Among these leased properties, the Significant ROU Assets (i.e. top 30 leased properties in terms of the carrying amount) will be the subject of the Valuation Report of the Significant ROU Assets. The Company will disclose the salient lease terms of the remaining such ROU Assets (the “**Material ROU Assets**”) in the document on an individual basis such that the Significant ROU Assets and the Material ROU Assets will cover more than 50% of the Group’s Total Assets. The carrying amount of the Material ROU Assets represented approximately 10.7% of the Total Assets and 12.4% of the Total ROU Assets. As of December 31, 2022, the Significant ROU Assets and the Material ROU Assets together accounted for approximately 50.2% of the Total Assets and 58.3% of the Total ROU Assets.

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d. Information about the Other ROU Assets of the Company

In respect of the other ROU Assets of the Company (i.e. the ROU Assets other than the Significant ROU Assets and the Material ROU Assets) (the “**Other ROU Assets**”), the Company will disclose the following information in the document:

- (a) a confirmation from JLL that the commercial value attributed to the Other ROU Assets is zero and reasons for not attributing any commercial value to the Other ROU Assets;
- (b) the following information on the Other ROU Assets categorized by cities in which the Other ROU Assets are situated:
 - (1) the names of cities in which the Other ROU Assets are situated;
 - (2) the aggregate lease income contribution from the Other ROU Assets;
 - (3) the number of apartment communities corresponding to the Other ROU Assets;
 - (4) the number of apartments available for lease;
 - (5) the range of the lease tenure with the landlords and residents;
 - (6) the range of monthly rental rates offered to the residents;
 - (7) the average monthly rent charged by landlords;
 - (8) the use of the Other ROU Assets;
 - (9) the range of rentable area;
 - (10) the average occupancy rate;
 - (11) confirmation as to whether the lessors of the Other ROU Assets are independent third parties. If any of the lessors are connected persons of the Company, the following information would also be disclosed:
 - (A) the names of lessors who are connected persons of the Company;
 - (B) the nature of the relationship between such lessors and the Company; and

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
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(C) information in relation to connected transactions with such lessors that is required to be included in the document pursuant to Chapter 14A of the Listing Rules.

(12) a summary of PRC property legal opinions in respect of the following in compliance with HKEx-GL86-16 and HKEx-GL19-10:

(A) validity of the leasehold interest (i.e. whether the lessors are entitled to lease the properties to the Company); and

(B) whether the leases have been properly registered with the relevant PRC authorities and the legal consequences of non-registration.

The Company is of view that the Alternative Information to be included in the document would provide no less meaningful disclosure than a formal property valuation report, and would give [REDACTED] sufficient information to enable them to properly assess the Group's leased properties in all material respects. The Waiver and Exemption that the Company is applying for would not contravene the general disclosure principles embedded in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules or prejudice the interests of the [REDACTED].

The Stock Exchange [has granted] to our Company a waiver from strict compliance with Rule 5.01A of the Listing Rules on the conditions that:

- (a) the Alternative Information will be disclosed in the Company's document;
- (b) the particulars of the Waiver and Exemption will be disclosed in the Company's document; and
- (c) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from strict compliance with the disclosure requirements under section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has also granted] our Company the certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) the Alternative Information will be disclosed in the Company's document; and
- (b) the particulars of the Waiver and Exemption will be disclosed in the document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Director		
Ms. LIU Jia (柳佳)	Room 802, No. 1, Lane 209 Tianshan Road Changning District, Shanghai PRC	Chinese
Non-executive Directors		
Mr. ZHENG Nanyan (鄭南雁)	Flat B, 21/F Crown By The Sea, TMTL 334 Area 20 3 Tsing Yung Street Tuen Mun, New Territories Hong Kong	Chinese (Hong Kong)
Mr. PERLMAN Jeffrey David	7 Ardmore Park, #12-01 Singapore, 259954	United States
Ms. NG Ellen Hoi Ying (吳凱盈)	Flat G, 30/F Tower 8, The Belcher’s 89 Pokfulam Road Hong Kong	Canadian
Mr. ZHANG Qiqi (張其奇)	Flat D, 7/F The Avenue Tower 5 33 Tai Yuen Road Wan Chai Hong Kong	Chinese
Mr. CHEN Yuxi (陳彧西)	Room 2205, Floor 22, Building 217 Chenguang Homeland Chaoyang District, Beijing PRC	Chinese
Ms. LI Xiaomei (李曉梅)	Lemon Metropolis No. 999 Diezi Lake Avenue Honggutan, Nanchang Jiangxi Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Mr. LIM Meng Ann	House 54E King’s Road Singapore	Singaporean

Independent Non-executive Directors

Mr. SONG Chengli (宋成立)	No. 269, Lane 4288 Longdong Avenue Pudong New Area, Shanghai PRC	Chinese
Mr. WANG Can (王燦)	Room 602, No. 26, Lane 11 Honggu Road Changning District, Shanghai PRC	Chinese
Mr. HE Yu (何愚)	No. 4, Lane 87 Yaohua Road Pudong New Area, Shanghai PRC	Chinese
Dr. LI Shihong (李詩鴻)	Room 502, No. 2, Sub-lane 26 Lane 236, Caoyang Road Putuo District, Shanghai PRC	Chinese

For further details of our Directors, see “Directors and Senior Management”.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisors to our Company

As to Hong Kong and United States laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Central
Hong Kong

As to PRC laws:

JunHe LLP
26/F, HKRI Centre One
HKRI Taikoo Hui
288 Shimen Road (No. 1)
Jing’an District, Shanghai
PRC

As to Cayman Islands laws:

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal advisors to the Joint Sponsors and
[REDACTED]**

As to Hong Kong and United States laws:

Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC laws:

King & Wood Mallesons
17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road
Xuhui District, Shanghai
PRC

Auditor and Reporting Accountants

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King’s Road
Quarry Bay, Hong Kong

Industry Consultant

Frost & Sullivan Limited
1706, One Exchange Square
8 Connaught Place
Central,
Hong Kong

Property Valuer

**Jones Lang LaSalle Corporate Appraisal
and Advisory Limited**
7th Floor, One Taikoo Place
979 King’s Road
Hong Kong

Compliance Advisor

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Walkers Corporate Limited 190 Elgin Avenue, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters and Principal Place of Business in the PRC	No. 3125, Hongmei Road Minhang District, Shanghai PRC
Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Company’s Website	<u>www.52mf.com</u> <i>(information on this website does not form part of this document)</i>
Joint Company Secretaries	Ms. HO Wing Nga (何詠雅) <i>(Fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, United Kingdom)</i> 46/F, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong Mr. HU Ding (胡鼎) No. 3125, Hongmei Road Minhang District, Shanghai PRC
Authorized Representatives	Ms. HO Wing Nga (何詠雅) 46/F, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong Ms. LIU Jia (柳佳) No. 3125, Hongmei Road Minhang District, Shanghai PRC
Audit Committee	Mr. WANG Can (王燦) <i>(Chairperson)</i> Mr. SONG Chengli (宋成立) Ms. NG Ellen Hoi Ying (吳凱盈)

CORPORATE INFORMATION

Remuneration Committee

Mr. SONG Chengli (宋成立) (*Chairperson*)

Dr. LI Shihong (李詩鴻)

Mr. LIM Meng Ann

Nomination Committee

Mr. HE Yu (何愚) (*Chairperson*)

Mr. WANG Can (王燦)

Mr. ZHANG Qiqi (張其奇)

[REDACTED]

Principal Banks

**Bank of Communications, Shanghai
Municipal Branch**

3F, No. 200, Jiangxi Middle Road

Huangpu District, Shanghai

PRC

**Ping An Bank Shanghai Branch Banking
Department**

No. 1333 Lujiazui Ring Road

Pudong New District, Shanghai

PRC

Bank of Shanghai Puxi Branch

No. 259, Sichuan Middle Road,

Huangpu District, Shanghai

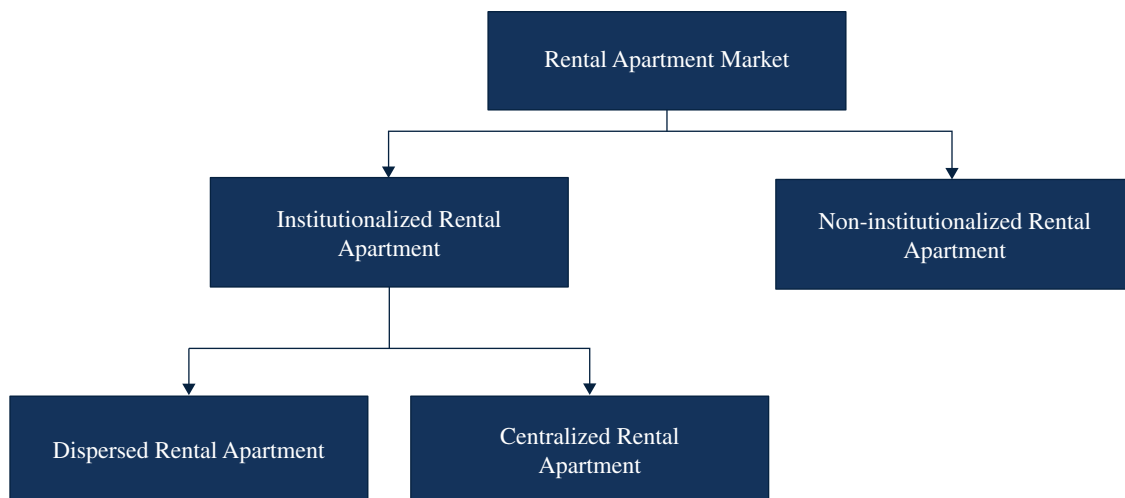
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], or any of our or their respective directors, officers, representatives or advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

OVERVIEW AND DEFINITIONS

The rental apartment market consists of (i) non-institutionalized rental apartments that are mostly provided by individual landlords, and (ii) institutionalized rental apartments that are typically provided by specialized rental apartment operating companies. The institutionalized rental apartment market comprises dispersed rental apartments and centralized rental apartments, which primarily differ in the operating model and the sources of properties. Dispersed rental apartment operators collect available apartments at scattered locations from various individual landlords, whereas centralized rental apartment operators usually enter into long-term en bloc leases with institutional landlords that could provide a large number of apartments in one building. According to Frost & Sullivan, in 2022, the institutionalized rental apartment market accounted for 8.2% of the total rental apartment market and the centralized rental apartment market accounted for 36.7% of the institutionalized rental apartment market. The following chart sets forth the components of China’s rental apartment market:



Source: Frost & Sullivan Report

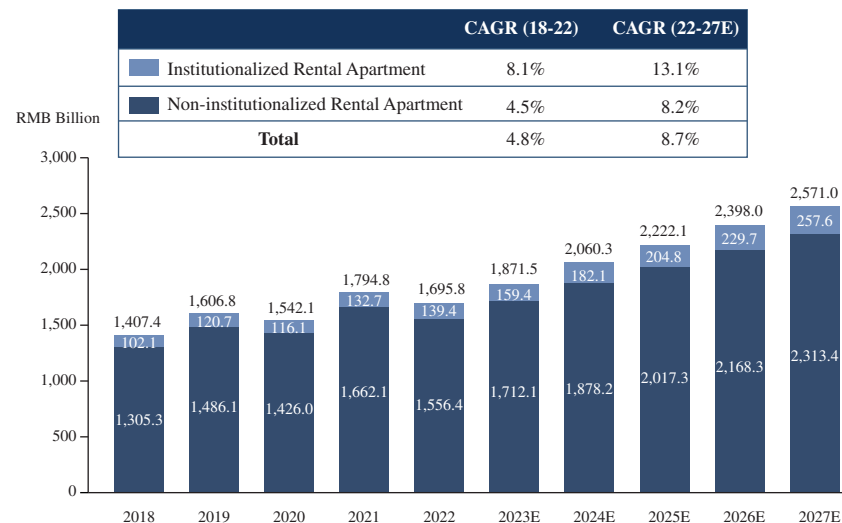
INDUSTRY OVERVIEW

RENTAL APARTMENT MARKET IN CHINA

In recent years, China’s rental apartment market has grown dramatically. According to Frost & Sullivan, the size of the rental apartment market in China increased from RMB1.4 trillion in 2018 to RMB1.7 trillion in 2022. By 2027, the size of the rental apartment market in China is expected to further increase to RMB2.6 trillion, primarily driven by high home ownership costs, the delay of marriage among younger generations, the increase in the urbanization rate and urban population, particularly the inflows of young people into cities.

China’s rental apartment market is very scattered, with a large number of non-institutionalized rental apartments in operation. The penetration rate of institutionalized rental apartments was only 8.2% in China in 2022, which was much lower than that in developed countries during the same year, such as 45% in the UK and 30% in the US. With the further development of China’s rental apartment market, the penetration rate of institutionalized rental apartments in China is expected to increase to 10.0% in 2027. While the size of the total rental apartment market in China is expected to grow at a CAGR of 8.7% from 2022 to 2027, the market size of institutionalized rental apartments is expected to increase at a higher CAGR of 13.1% for the same period. The chart below sets forth the breakdown of the size of China’s rental apartment market by institutionalized rental apartments and non-institutionalized rental apartments for the periods indicated:

Rental Apartment Market Size (Breakdown by Institutionalized Rental Apartment and Non-institutionalized Rental Apartment), China, 2018-2027E



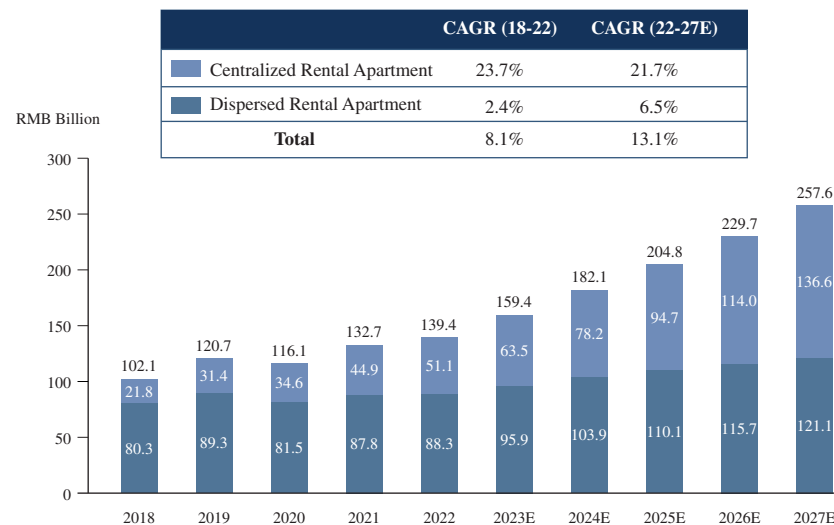
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

INSTITUTIONALIZED RENTAL APARTMENT MARKET IN CHINA

From 2018 to 2022, the institutionalized rental apartment market in China grew from RMB102.1 billion to RMB139.4 billion, representing a CAGR of 8.1%. It is estimated that the size of the institutionalized rental apartment market will increase to RMB257.6 billion by 2027, representing a CAGR of 13.1% from 2022 to 2027. The chart below sets forth the size of the institutionalized rental apartment market in China for the periods indicated, as well as the breakdown of China’s institutionalized rental apartment market by centralized rental apartment and dispersed rental apartment for the periods indicated:

Institutionalized Rental Apartment Market Size (Breakdown by Centralized Rental Apartment and Dispersed Rental Apartment), China, 2018-2027E



Source: Frost & Sullivan Report

Compared to dispersed rental apartments, centralized rental apartments have competitive advantages in terms of stability, safety, service, a sense of community, ability to address a mismatch in the market, and cost and operational efficiency. Therefore, according to Frost & Sullivan, the centralized rental apartment market is expected to grow at a faster rate than dispersed rental apartment market. For more details, please refer to “– Competitive Advantages of Centralized Rental Apartments.”

CENTRALIZED RENTAL APARTMENT MARKET IN CHINA

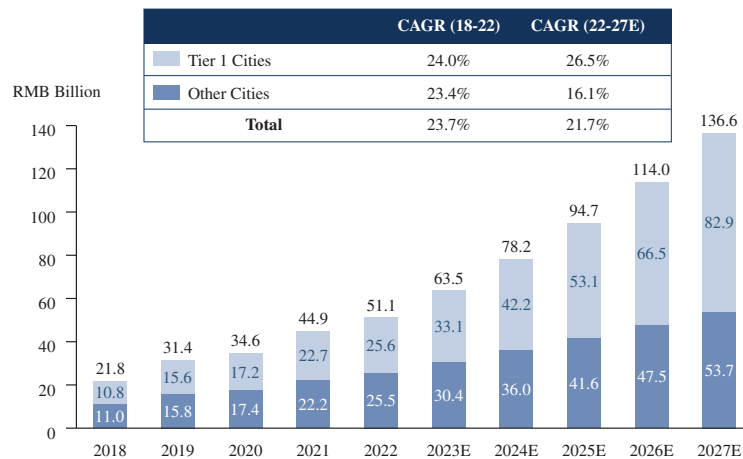
Market Size

From 2018 to 2022, the size of centralized rental apartment market increased from RMB21.8 billion to RMB51.1 billion, representing a CAGR of 23.7%. It is expected that the size of the centralized rental apartment market will reach RMB136.6 billion by 2027, representing a CAGR of 21.7% from 2022 to 2027.

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The geographical coverage of centralized rental apartments is dominated by Tier 1 cities, which also represent the largest and the fastest-growing markets between 2018 and 2022. The size of the centralized rental apartment market in Tier 1 cities is expected to reach RMB82.9 billion by 2027, accounting for approximately 60.7% of the overall centralized rental apartment market. The chart below sets forth the size of the centralized rental apartment market in China for the periods indicated, as well as the breakdown of the size of centralized rental apartment market by city tiers for the periods indicated:

**Centralized Rental Apartment Market Size (Breakdown by City Tier),
China, 2018-2027E**



Source: Frost & Sullivan Report

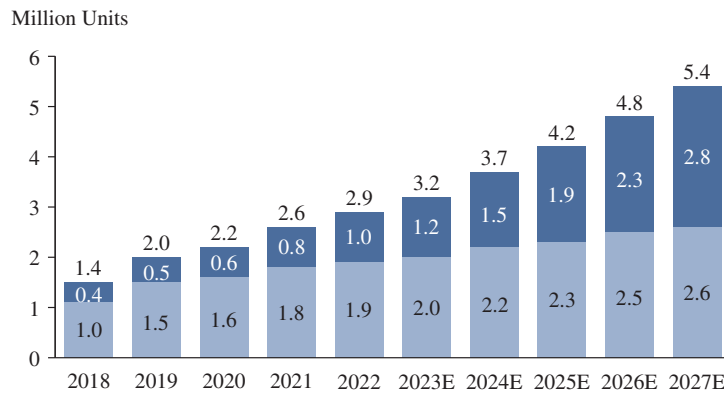
In terms of the number of apartments in operation, the number of centralized rental apartments increased from 1.4 million in 2018 to 2.9 million in 2022, representing a CAGR of 18.9%. The number of centralized rental apartments is expected to further increase to 5.4 million by 2027, representing a CAGR of 13.5% from 2022 to 2027. Centralized rental apartments can be further divided into chain apartments and non-chain apartments. An apartment chain is a set of centralized rental apartments that are located in more than one city and managed by a single operator, while non-chain apartments are managed by local operators with limited scale. In 2022, chain apartments accounted for only 34.2% of total centralized rental apartments in China in terms of the number of apartments in operation. The market share of chain apartments in China in terms of the number of apartments in operation, however, is expected to increase from 34.2% in 2022 to 51.9% in 2027, thereby exceeding that of non-chain apartments. A number of factors will drive the further development of the centralized rental apartment market, including acceleration of urbanization process in China, high barriers to home ownership, increased propensity to rent, growing awareness of service quality, and favorable policies. The increase in the market size of centralized rental apartments and the continuous growth in the number of centralized rental chain apartments are further discussed below under “– Market Drivers”. The chart below sets forth the number of

INDUSTRY OVERVIEW

centralized rental apartments in operation in China for the periods indicated, as well as the breakdown of centralized rental apartments by chain apartments and non-chain apartments in terms of the number of apartments in operation for the periods indicated:

Number of Centralized Rental Apartments in Operation (Breakdown by Chain Apartments and Non-chain Apartments), China, 2018-2027E

	CAGR (18-22)	CAGR (22-27E)	Share (2022)	Share (2027E)
Chained	27.1%	23.3%	34.2%	51.9%
Non-chained	15.6%	6.6%	65.8%	48.1%
Total	18.9%	13.5%	100.0%	100.0%



Source: Frost & Sullivan Report

Competitive Advantages of Centralized Rental Apartments

Compared with dispersed rental apartments, centralized rental apartments have competitive advantages in the following aspects:

Stability. Unlike dispersed rental apartment operators that source properties from various individual landlords, centralized rental apartment operators usually enter into long-term en bloc leases with large institutional landlords, which ensure the stability of the operation of centralized rental apartments.

Safety. Centralized rental apartments are usually manned with on-site security guards. Managers assigned to each single apartment community regularly visit the apartment properties to inspect property condition, and make sure that any potential safety hazards are spotted and fixed in a timely manner.

Service. Centralized rental apartments usually provide residents with a variety of value-added services that satisfy residents’ evolving demands, whereas fairly limited service can be provided at dispersed rental apartments.

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Community. With a large number of residents living in one apartment community, centralized rental apartments are better positioned to create meaningful connections and healthy relationships among residents through different types of social events.

Ability to address the mismatch between supply and demand of one-bedroom apartments. There has been a long-standing mismatch between supply and demand of one-bedroom apartments in China’s rental apartment market. While the supply of one-bedroom apartments has been relatively scarce, two- or three- bedroom apartments are abundant in the existing market. Younger generations have to either pay extra rent for an unnecessarily large apartment or share an apartment with others. By leveraging the core nature of the centralized operating model in terms of overall planning, product design and execution capability, centralized rental apartments are in a better position to address the aforesaid mismatch by supplying an abundant amount of one-bedroom apartments.

Lower cost and higher operational efficiency. An important feature of centralized rental apartments is that centralized rental apartment operators enter into long-term en bloc leases with large institutional landlords, which usually reduce the lease-in cost of rental apartments on a per-room basis. Additionally, centralized rental apartment operators generally maintain a higher level of operational efficiency by leveraging a centralized sourcing and procurement system, the standardization of products and services, superior management capability and a highly skilled workforce. Such advantages further empower centralized rental apartment operators to expand their apartment network efficiently and benefit from economies of scale.

Market Drivers

China’s centralized rental apartment market exhibits great growth potential, primarily driven by the following factors:

Acceleration of urbanization process in China. As China’s economy has been modernizing rapidly, urbanization has been taking place in China at a faster pace than planned, driving a massive influx of people from rural areas to urban areas. In 2022, China’s urban population was 920.7 million with a year-on-year growth of 0.7%, and the urbanization rate in China reached 65.2%. It is estimated that the continuous urbanization in China will generate enormous housing demand in cities, especially core cities, over the next few decades, which will further drive the growth of the centralized rental apartment market.

High barriers to home ownership, especially in Tier 1 cities. Despite the strong housing demand in Tier 1 cities, the overall level of housing supply is expected to remain low over the intermediate term in Tier 1 cities. A combination of rapidly-increasing housing demand and a lack of available housing supply resulted in home price appreciation, which puts house purchasing further out of reach for younger generations. Centralized rental apartments could alleviate the housing affordability issue by providing an alternative to home ownership.

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Increased propensity to rent. The propensity to rent has increased for younger generations amidst delay of marriage among them and higher frequency of job hopping. In addition, some young people simply prefer rental apartments due to the variety and flexibility they offer. According to Frost & Sullivan, the national rentership rate reached 14.5% in 2022, and is expected to climb to 16.6% in 2027.

Growing awareness of service quality. With an increasing disposable income, residents today are avid for better living conditions and community environment, and are more willing to pay premiums for high-quality living experience than before. In addition to high-quality housing options, centralized rental apartments also provide residents with access to a wide range of amenities and diversified value-added services, which help to make centralized rental apartments popular in the market.

Favorable policies. The State Council issued Several Opinions of the General Office of the State Council on Accelerating the Cultivation and Development of Rental Apartment Market in June 2016 to accelerate the development of the rental housing market and standardize the management of rental housing. In May 2017, the Ministry of Housing & Urban-Rural Development promulgated a Notice on Accelerating the Development of the Rental Apartment Market in Large and Medium-sized Cities with Net Population Inflows, which encourages the development of large-scale and specialized rental housing enterprises. In July 2021, the State Council issued an opinion reaffirming its commitment to encourage the development of specialized and institutionalized rental apartment operators. Around the same time, the Ministry of Finance and State Administration of Taxation jointly announced a favorable value-added tax rate as applied to enterprises that operate rental apartments. Additionally, provincial authorities in China have taken actions to encourage industry participants to increase the supply of apartment properties, including the conversion of non-residential housing into affordable rental housing, the increased utilization of vacant or inefficiently-used properties, and the renovation of existing urban residential communities. The introduction of favorable policies and new supply of available apartment properties both support the sustainable and healthy development of centralized rental apartments.

Market Trends

The following are the key trends in China’s centralized rental apartment market:

Increasing penetration rate of chain apartments. Prior to 2018, China’s centralized rental apartment market primarily consisted of smaller and non-chain operators. However, larger apartment chains across cities have emerged over the past few years. Despite their rapid growth, chain apartments accounted for only 34.2% of China’s centralized rental apartments in 2022 in terms of the number of apartments in operation. It is estimated that the penetration rate of chain apartments will increase to 51.9% by 2027.

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Younger generations’ appetite for quality services. With millennials and generation Z entering into workforce, younger generations have become the major resident group in the rental apartment market. Unlike the previous generations, millennials pursue better living conditions and community environment, and are more willing to pay premiums for high-quality apartments and convenient services. This incentivizes centralized rental apartment operators to improve the quality of apartments to appeal to younger generations. The centralized rental apartment market has seen a trend of extended scope of services in recent years, from basic services to diversified value-added services for residents. Leading centralized rental apartment operators have been actively extending the scope of their services, not least by launching new businesses, such as community retail, recruitment services, pet care and rental car services, to meet the evolving needs of residents.

Rising demand of blue-collar workers for suitable accommodation. Over the last decade, the rapid economic development in China’s top tier cities had largely drained the local labor force. Labor-intensive industries in such cities have had to rely on an influx of migrant workers from lower-tier cities or rural areas. The supply of suitable accommodation for blue-collar workers has long been in shortage. Centralized rental apartments provide migrant blue-collar workers with quality accommodation that is clean, safe and responsive to their daily living needs. As a result, it is expected that there will be more centralized rental apartments targeting blue-collar workers in the market.

More supportive government policies. Given the rising housing demand, centralized rental apartment operators have been actively trying to address the housing shortage not least by utilizing inefficiently-used or idle properties. In recent years, comprehensive regulatory policies have been adopted to encourage the development of centralized rental apartments. It is expected that there will be more favorable government policies from governments on both the national level and local level to support the long-term development of the centralized rental apartment market.

Digitalized operation. With its rapid development, technology now permeates into all aspects of our daily life. Technologies such as AI, big data, and IoT have been widely adopted in the management and operation of centralized rental apartments. It is anticipated that technologies will play a greater role in the centralized rental apartment market, as the overall market further scales up.

Accelerated industry consolidation. China’s centralized rental apartment market is highly fragmented. A trend of industry consolidation is likely to continue in the centralized rental apartment market, as leading players expand their scale of operation through mergers and acquisitions. It is expected that leading players will continue to consolidate the market in the future by leveraging brand names, ability to provide diverse services and superior operational efficiency. Customers tend to choose leading players with a reputable brand and sizable operations in pursuit of reliable, safe and comfortable living experience. Therefore, small to medium-sized players are motivated to enter into partnership with renowned centralized rental apartment operators in order to obtain a larger customer flow, increase the occupancy rate or charge higher rental rates, which contributes to accelerated industry integration and enhanced industry concentration.

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According to Frost & Sullivan, the instability in housing prices could potentially cause additional increases in the renter population and further delay in housing purchases, which have been demonstrated by recent decreases in housing transaction values in China. Some major players in the centralized rental apartment market recorded double-digit revenue growth in the first half of 2022 despite the negative impact of the recurring outbreaks of COVID-19. According to Frost & Sullivan, centralized rental apartment operators affiliated with real estate developers, however, are exposed to risks associated with the downturn in the PRC real estate market. If the real estate market downturn continues in the future, decreasing housing prices and transaction volumes could pose liquidity risks to real estate developers, and negatively impact those centralized rental apartment operators affiliated with real estate developers. Such situation, in turn, is likely to provide us with more opportunities for strategic acquisitions.

COMPETITIVE LANDSCAPE OF CHINA’S CENTRALIZED RENTAL APARTMENT MARKET

Key Entry Barriers

New entrants to the centralized rental apartment market will encounter a number of barriers, especially along with their growth in scale, including those relating to:

Brand and reputation. Brand awareness influences customers’ choice of rental apartments as they prefer an established and reputable brand for a better living experience. Brand awareness is also critical to attracting and retaining landlords for long-term en bloc leases, as well as franchisees and entrusting parties for managed and third-party managed apartment communities. The recognition of the brand of an operator in the centralized rental apartment market is highly dependent on its geographic coverage, quality of services and amenities, marketing strategies, and pricing, among others. It may take a long time for new entrants to the industry with limited or no track record to build up brand awareness, which therefore sets up a high entry barrier.

Scale. Economies of scale are crucial to the operation of centralized rental apartments. Large scale allows centralized rental apartment operators to accumulate operational capabilities, secure funding, establish standardized operating systems, source the most sought-after properties at popular locations, build brand reputation and generate profits. New entrants may find it difficult to build up a large scale of presence within a short term due to a lack of access to capital resources and/or a low level of brand awareness.

Standardization and innovation. Many leading centralized rental apartment operators have established internal standardized operating procedures that are fully integrated across technology infrastructure, products, resident service and operations to guide their everyday business. In addition, leading centralized rental apartment operators make continuous investment in product upgrade and innovation in order to consistently enhance residents’ living experience and appeal to an enlarged resident base. As standardized operation and continuous product innovation are the foundation for a sustainable expansion of business operations across different regions, they represent a significant barrier to entry into the centralized rental apartment market for those lacking experience.

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Technology capabilities. Proprietary technology infrastructure is conducive to integrating resources, improving operational efficiency and monitoring service processes. Key players in the centralized rental apartment market have established their technology infrastructure customized for their business processes, which has formed part of their competitive edges and constituted a technical barrier for new entrants.

High quality talents. Capable and skilled talents are essential for centralized rental apartment operators to provide superior services and quality rental options. A mature training system and abundant opportunities to practice are both needed for cultivating quality talents, which take time and resources and can present challenges for new entrants.

Market Participants and Rankings

According to Frost & Sullivan, the centralized rental apartment market in China is very fragmented, as the top five players in aggregate accounted for only 15.0% of the total market in terms of the number of apartments in operation. In terms of the number of apartments in operation, we ranked as the third largest centralized rental apartment operator in China with 76,245 apartments in operation as of December 31, 2022. In terms of revenue, we also ranked as the third largest centralized rental apartment operator in China with a market share of 3.3% in 2022. In addition, according to Frost & Sullivan, we were the largest independent operator of centralized rental apartments in China in 2022 in terms of the number of apartments in operation and we were the fastest growing platform among the top five centralized rental apartment services platform in China from 2020 to 2022.

Many centralized rental apartment operators are affiliated with real estate developers and are constrained by the scale of and financial support from such real estate developers for future growth. Independent centralized rental apartment operators, on the contrary, are not affiliated with real estate developers. The following chart sets forth the details of market shares of the top five centralized rental apartment operators in terms of the number of apartments in operation in China in 2022:

Ranking	Company	Number of Apartments in Operation (Thousand)	Market Share	CAGR of Apartments in Operation (2020-2022)	Type
1	Company A	166.6	5.8%	8.2%	Affiliate of Real Estate Developer
2	Company B	116.0	4.1%	13.5%	Affiliate of Real Estate Developer
3	Our Company	76.2	2.7%	39.8%	Independent
4	Company C	34.8	1.2%	5.9%	Affiliate of Real Estate Developer
5	Company D	32.9	1.2%	<0%	Independent
	Others	2,431.9	85.0%		
	Total	2,858.4	100.0%		

Notes:

The identities of peer companies are presented in code names as the information presented in this chart involves non-public information, estimated based on Frost & Sullivan’s primary interviews and calculations. Unauthorized disclosure may cause potential disputes.

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Company A, established in 2016, is an affiliate of a large real estate developer in China. Company A provides different types of centralized rental apartments, including independent single rooms, loft apartments, two-bedroom apartments and others. With apartments located in more than 30 cities across the nation, including Shenzhen, Guangzhou, Jinan, Xiamen, Tianjin and other cities, Company A has a diverse range of business layouts.

Company B, established in 2016, is an affiliate of a large real estate developer in China. Company B provides different types of rental apartments to meet the needs of different customers. Company B operates in more than 30 high-tier cities, including Shenzhen, Guangzhou, Shanghai, Chengdu, Chongqing and other cities.

Company C, established in 2017, is an affiliate of a large real estate developer in China. Company C provides rental apartments targeting distinct customer groups with different brands. Beijing, Shanghai, Shenzhen, Hangzhou, and other Tier 1 and Tier 2 cities in China are the places where the majority of Company C’s operations are conducted.

Company D, established in 2014, is an independent centralized rental apartment operator and provides both white-collar apartments and budgeted rental services. Business operations of Company D are concentrated in top tier cities in China, such as Beijing, Shanghai, Guangzhou and Shenzhen.

Source: Frost & Sullivan Report

The following chart sets forth the details of market shares of the top five centralized rental apartment operators in terms of revenue generated in 2022:

Ranking	Company Name	Revenue (RMB, Billion)	Market Share	Type
1	Company A	3.2	6.3%	Affiliate of Real Estate Developer
2	Company B	2.4	4.7%	Affiliate of Real Estate Developer
3	Our Company	1.7	3.3%	Independent
4	Company E	1.0	2.0%	Affiliate of Real Estate Developer
5	Company C	0.8	1.6%	Affiliate of Real Estate Developer
	Others	42.0	82.1%	
	Total	51.1	100.0%	

Notes:

The identities of peer companies are presented in code names as the information presented in this chart involves non-public information, estimated based on Frost & Sullivan’s primary interviews and calculations. Unauthorized disclosure may cause potential disputes.

Company E is an affiliate of a large real estate developer in China. Company E started its business as a blue-collar apartment provider in Shenzhen in 1981 and is now an operator of centralized rental apartments and hotels, with operations primarily in South China, such as Shenzhen and Guangzhou.

Source: Frost & Sullivan Report

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According to Frost & Sullivan, the geographic coverage of centralized rental apartments is dominated by Tier 1 cities, which also represent the largest and the fastest-growing markets between 2018 and 2022. Within Tier 1 cities, we were the largest centralized rental apartment operator in Beijing and Shanghai in terms of both the number of apartments in operation in Beijing and Shanghai and revenue generated from these two cities. As of December 31, 2022, we had an aggregate of approximately 35.7 thousand apartments in operation in Beijing and Shanghai and generated revenue of approximately RMB1,154.9 million from these two cities. The following table compares our operating performance in Beijing and Shanghai in 2022 with that of other centralized rental apartment operators in terms of the number of apartments in operation, market share in terms of the number of apartments in operation, revenue generated from Beijing and Shanghai, and market share in terms of revenue generated from these two cities:

Ranking	Company	Number of Apartments in Beijing and Shanghai (thousand)	Market Share in terms of the Number of Apartments in Operation in Beijing and Shanghai (%)	Revenue in Beijing and Shanghai (RMB, million)	Market Share in terms of Revenue in Beijing and Shanghai (%)
1	Our Company	35.7	7.2%	1,154.9	8.8%
2	Company C	20.1	4.1%	457.3	3.5%
3	Company D	19.7	4.0%	126.6	0.2%
4	Company F	13.1	2.6%	555.6	4.2%
5	Company B	10.0	2.0%	342.2	2.6%

Notes:

The identities of peer companies are presented in code names as the information presented in this chart involves non-public information, estimated based on Frost & Sullivan’s primary interviews and calculations. Unauthorized disclosure may cause potential disputes.

Company F, established in 2015, is a centralized rental apartment provider and an affiliate of a leading hotel brand in China. Company F’s operations spread across multiple cities in China. Specifically, the majority of Company F’s operations are concentrated in Shanghai, Beijing, Shenzhen, Hangzhou, Guangzhou, and other Tier 2 Chinese cities.

Source: Frost & Sullivan Report

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In addition, we were the third largest centralized rental apartment operator in Guangzhou and Shenzhen in terms of both the number of apartments in operation in Guangzhou and Shenzhen and revenue generated from these two cities. As of December 31, 2022, we had an aggregate of approximately 14.1 thousand apartments in operation in Guangzhou and Shenzhen and generated approximately RMB234.4 million from these two cities. The following table compares our operating performance in Guangzhou and Shenzhen in 2022 with that of other centralized rental apartment operators in terms of the number of apartments in operation, market share in terms of the number of apartments in operation, revenue generated from Guangzhou and Shenzhen, and market share in terms of revenue generated from these two cities:

Ranking	Company	Number of Apartments in Guangzhou and Shenzhen (thousand)	Market Share in terms of the Number of Apartments in Operation in Guangzhou and Shenzhen (%)	Revenue in Guangzhou and Shenzhen (RMB, million)	Market Share in terms of Revenue in Guangzhou and Shenzhen (%)
1	Company A	89.4	17.6%	1,316.1	10.6%
2	Company B	20.3	4.0%	472.0	3.8%
3	Our Company	14.1	2.8%	234.4	1.9%
4	Company E	13.9	2.7%	838.5	6.8%
5	Company G	13.6	2.7%	71.1	0.6%

Notes:

The identities of peer companies are presented in code names as the information presented in this chart involves non-public information, estimated based on Frost & Sullivan’s primary interviews and calculations. Unauthorized disclosure may cause potential disputes.

Company G, established in 2010, manages apartments ranging from employee dormitories to luxury serviced suites. Company G is one of our investee companies. Company G’s operations are concentrated in Beijing and cities in South China, including Shenzhen, Guangzhou and Zhongshan.

Source: Frost & Sullivan Report

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SOURCE OF INFORMATION, KEY BASIS AND ASSUMPTIONS

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare the Frost & Sullivan Report about the rental apartment industry in China for use in this document, for which we agreed to pay a fee of US\$141,000. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently. Except as otherwise noted, all data and forecasts in this section have been derived from the Frost & Sullivan Report and were based on literature review, expert interview and analysis by Frost & Sullivan. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan made the following key assumptions: (i) the social, economic and political conditions in China currently discussed will remain stable during the forecast period, (ii) government policies on the rental apartment industry in China will remain consistent during the forecast period, (iii) the rental apartment industry in China will be driven by the factors which are stated in the Frost & Sullivan Report.

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This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), as revised in 2005, 2013 and 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments. On December 27, 2021, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List (2021), which became effective on January 1, 2022. The rental apartment service industry was not included in the Negative List (2021). Fields that were not included in the Negative List (2021) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

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REGULATIONS RELATING TO CONSUMER PROTECTION

On October 31, 1993, the Consumer Protection Law of the People’s Republic of China (《中華人民共和國消費者權益保護法》) was promulgated by the SCNPC, which was amended on October 25, 2013, to protect consumers’ rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. According to the amendment, all business operators shall pay high attention to protect the customers’ privacy which they obtain during the business operation.

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC on October 27, 1994 and most recently amended, on October 26, 2018 and April 29, 2021, advertisement shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and regulations, act in good faith, and conduct fair competition.

REGULATIONS RELATING TO HOUSE LEASING AND RENTAL APARTMENT SERVICES

General Regulations on Housing Leasing

Pursuant to the Law on Administration of Urban Real Estate of the People’s Republic of China (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 and amended on August 30, 2007, August 27, 2009 and took effect on August 27, 2009 (which was further amended on August 26, 2019 and became effective on January 1, 2020), when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties.

According to the PRC Civil Code (《中華人民共和國民法典》), the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. Where the lessor knows or should know about the sublease of the lessee but fails to raise any objection within six months, it shall be deemed that the lessor agrees to the sublease. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, landlords and tenants are required to enter into lease contracts which should generally contain specified provisions, and lease contracts should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the landlords and tenants fail to go through the registration procedures, both landlords and tenants may be subject to fines. Also, according to such measures, a house shall not be leased under any of the following circumstances: (i) being an illegal construction; (ii) failing to meet the compulsory standards for engineering construction in terms of safety, disaster prevention, etc.;

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(iii) changing the use nature of the house in violation of relevant provisions; or (iv) other circumstances under which the house is prohibited to be leased as prescribed by laws and regulations. Where the provisions of these Measures are violated, the competent construction (real estate) departments of the people’s governments of the municipalities directly under the Central Government, cities and counties shall order the violators to make corrections within a specified time limit. Where there is no illegal income, a fine of not more than RMB5,000 may be imposed; where there is illegal income, a fine of not less than one time but not more than three times the illegal income, but not more than RMB30,000, may be imposed.

Regulations Relating to Residential Tenancy Market

The laws and regulations governing residential tenancy in China are still developing and evolving. Most of them are in the form of government opinions, rules or circulars issued by different government agencies at the national or local level rather than detailed legislations. These government opinions, rules or circulars are aimed at encouraging, facilitating and guiding the development of residential tenancy market. The following provides a summary.

On January 6, 2015, the Ministry of Housing and Urban-rural Construction, or MOHURD, released Guidelines on the cultivation and development of residential tenancy market (《住房城鄉建設部關於加快培育和發展住房租賃市場的指導意見》), which encourage the establishment of residential tenancy organizations. Residential tenancy organizations are encouraged to purchase or lease housing for long-term and re-decorate the housing before renting out to the public.

Furthermore, on May 17, 2016, the State Council released Several Opinions on Accelerating the Cultivation and Development of Housing Rental Market, (《國務院辦公廳關於加快培育和發展住房租賃市場的若干意見》) which, among others, set forth the following principles:

- Conversion on properties for rental is allowed. Commercial properties are allowed to be converted to rental housing with land use tenure and plot ratio unchanged, the purpose of land use shall be adjusted from commercial to residential, and after the adjustment, the prices of utilities like water, electricity, and gas shall follow residential standards. Conversion on residential properties for rental according to the national and local housing design standards is allowed, and the conversion shall not alter existing fire-proof compartmentation, emergency evacuation or fire separation facilities so as to ensure the intactness and validation of fire protection facilities.
- Local governments shall adopt preferential policies and measures to support leasing of residential properties and guide urban residents to resolve housing issues through residential tenancy. Laws and regulations on residential tenancy shall clearly define the rights and obligations of the parties in residential tenancy, regulate market conducts, and stabilize landlord-tenant relationship. Exemplary residential lease texts and online execution of contract shall be implemented, and the residential lease registration and recordation system shall be implemented.

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- Provincial-level governments shall strengthen the administration of housing rental market within their respective administrative regions. Municipal governments shall take the general charge of the administration of the housing rental market within their respective administrative regions, establish a regulatory system with the cooperation of multiple departments. Local governments shall establish a residential tenancy information service and regulatory system to promote information sharing between government agencies.
- Local housing authorities shall be responsible for the administration and coordination of the housing rental market, strengthen the administration of residential tenancy market in coordination with relevant departments, improve the credit administration system of residential tenancy enterprises, intermediary agencies and professionals, and keep credit records of relevant market participants which shall be incorporated into the national credit information sharing platform for the regulation and punishment of market participants with serious loss of credit. The public security authorities shall strengthen the public security administration of rented properties, residential tenancy and the residence registration in rental housing residential tenancy, urge and guide neighborhood committees, villagers’ committees, property service enterprises and other administration entities in screening for potential safety risks. All related government agencies shall, according to their powers, duties and division of work, investigate and prosecute the engagement in illegal activities in rented housing.

On May 19, 2017, the MOHURD published for public discussion the Measures on Management of Residential Tenancy and Housing Sales (Draft for Comments) (《住房租賃和銷售管理條例(徵求意見稿)》), the deadline of receiving comments of which was June 19, 2017 and as of the date hereof, the MOHURD has not yet promulgated and made public any further rules, regulations, notices or circulars in this regard. However, it reflects, to certain extent, the regulatory thinking with regard to residential tenancy as follow:

- Landlords shall ensure the safety and basic function of rented housing. Residential tenancy enterprises shall screen the identity of tenants and keep a truthful record thereof. Landlords shall not evict the tenants through violence, threats, or other coercive methods to repossess the properties.
- Landlords shall ensure that each room in the rented housing conforms to certain standards regarding maximum number of tenants and minimum floor area in a single room. Such standards shall be promulgated by local authorities.
- Leases shall contain a lease tenure clause. Duly executed leases that last over three years are encouraged and shall receive support by local governments.
- Landlords and tenants shall register signed leases at the local housing authorities within 15 days after the execution of the leases.

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- Residential tenancy enterprises shall, within 30 days of its establishment, report to local housing authorities. Housing authorities shall publish information of residential tenancy enterprises in a timely manner and inspect residential tenancy enterprises.

On July 18, 2017, the MOHURD, the National Development and Reform Commission, or the NDRC, and the Ministry of Public Security, or the MPS, jointly released Notice of Accelerating the Development of Residential Tenancy Industry in Large to Medium Sized Cities with Positive Population Influx (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》), which states the following:

- Institutionalized residential tenancy enterprises are encouraged. Housing developers, realtors and property management enterprises are encouraged to expand its business into residential tenancy industry.
- Housing authorities shall establish an online lease recordation system. Housing authorities shall also regulate and supervise the rental process in the residential tenancy industry including ensuring the truthfulness of residential tenancy advertisements and standardizing the residential tenancy process.
- To increase the supply of rental housing, local governments are encouraged to provide new land zoned for residential tenancy properties. State-owned rental apartment enterprises are encouraged to transform the state-owned factories and commercial offices that are idle or under inefficient use into the rental housing. Financial institutions are encouraged to extend more loans to residential tenancy enterprises with controllable risks and sustainable business operation.
- Different departments in local governments shall jointly enforce laws and regulations regarding residential tenancy and maintain the order of the residential tenancy market.

On August 21, 2017, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued the Pilot Program of Building Residential Houses on Collectively-owned Construction Land for Rental Purpose (《利用集體建設用地建設租賃住房試點方案》), which determined to carry out the pilot program of building residential houses on collectively-owned construction land for rental purpose in the first batch of 13 cities including Beijing, Shanghai, Nanjing, Hangzhou, Hefei and other cities.

According to the Opinion of the MOHURD, NDRC, Ministry of Public Security, SAMR, China Banking and Insurance Regulatory Commission and the Cyberspace Administration of China on Rectifying and Regulating the Order of the Housing Rental Market (《住房和城鄉建設部、國家發展改革委、公安部、市場監管總局、銀保監會、國家網信辦關於整頓規範住房租賃市場秩序的意見》) promulgated on December 13, 2019, housing rental enterprises, entities or individuals subleasing more than ten houses (rooms) shall go through market entity registration in accordance with the law, and the business scope shall be marked with “housing

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rental”. MOHURD and its local counterparts shall promote the connection between its management and service platform of residential tenancy and the enterprises’ business system and realize the online signing and filing of lease contracts. In addition, the MOHURD strengthens the supervision of housing rental enterprises that adopt the business model of “high in and low out” (“高進低出”) (higher rents paid to housing rights holders than the rents received from tenants) and “long in and short out” (“長收短付”) (term of receiving rent from tenants is longer than term of paying rent to housing rights holders). On April 15, 2021, the MOHURD and other five departments jointly issued the Opinions on Strengthening the Supervision of Asset-light Housing Leasing Enterprises(《關於加強輕資產住房租賃企業監管的意見》), which further strength the regulation on asset-light housing leasing enterprises.

The major compliance requirements under the Opinion on Rectification and Standardisation of Residential Tenancy Industry and the Opinions on Strengthening the Supervision of Asset-light Housing Leasing Enterprises and the Group’s corresponding practice as confirmed by the Group are the following:

Compliance Requirements

Housing rental enterprises shall complete the market entity registration in accordance with relevant laws and obtain a business license, and housing rental enterprises engaged in the cross-region business shall set up an independent legal entity in each city where it conducts business.

Housing rental enterprises entities shall submit information of business commencement to the local MOHURD through the management and service platform before carrying out business operation, connect to the local governmental management and service platform, submit the information of housing to the housing rental management service platform, and report the information of lease contracts in time.

The Group’s Practice

The Group has set up independent legal entities and completed market entity registration and obtained a business license in each city where it operates housing rental business.

The Group has connected to the governmental management and service platform and filled in the information of business commencement, the housing information, and the lease contracts with the governments through online platforms in cities where the governmental management and service platforms have been established, such as Beijing, Hangzhou, Shenzhen, Guangzhou, Nanjing and Suzhou. For the cities that have not yet established the management and service platform, the Group has filed the information of business commencement, the housing information and the lease contracts through other online and offline methods based on the requirements of the local authorities.

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Compliance Requirements

The housing rental enterprises shall not collect the rent of more than three months at a single time in principle, and the rents paid to housing rights holders shall not be higher than the rents received from tenants in principle.

If housing rental enterprises collect rent for more than 3 months at a single time, or collect deposits of more than 1 month at a single time, such rent and deposit shall be deposited into the capital supervision account.

Housing rental enterprises shall set up a capital supervision account in a commercial bank, and the commercial bank shall forward the information of the account to the local MOHURD via the system docking.

The Group's Practice

The Group does not charge tenants more than three months' rent at a single time or deposits of more than one month's rent at a single time, and does not pay to housing rights holders rents higher than that received from tenants.

The Group has set up capital supervision accounts in all cities where the Group operates housing rental business and the local authorities of housing and urban-rural construction management require to set up supervision accounts, including Hangzhou, Shenzhen, Nanjing, Guangzhou, Chengdu, Wuhan and Xi'an. With respect to other cities where the Group operates housing rental business, according to the Group's communication with the local authorities of housing and urban-rural construction management, the Group is not yet required to set up capital supervision accounts. The Group will promptly set up capital supervision accounts in these cities once required by competent authorities.

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Compliance Requirements

Housing rental enterprises shall be responsible for the authenticity and validity of the housing information that they release. The housing information released by housing rental enterprises shall include the real name of the organization and indicate the information of the organization and store, and shall include the location, purpose, area, pictures, price and other contents of the housing. The same house provided by the same institution can only be released once on the same network information platform, and the house information released in different channels should be consistent. The information of house that has been rented or revoked should be revoked from various channels within 5 working days.

Housing rental enterprises shall mark the price of the housing and services clearly. Before charging, housing rental enterprise shall issue a list of fees, setting out all service items, charging standards, charging amount, and other items, which shall be signed by the parties concerned for confirmation.

When the term of the housing lease contract expires, except for offsetting the expenses agreed in the contract, the remaining rent and deposit shall be returned to the lessee in time.

The Group’s Practice

The Group has released the housing information in accordance with the requirements.

The Group has signed a rental contract with its customers that sets out the details of the charges.

When the term of the housing lease contract expires, the Group will return the remaining rent and deposit to the tenant in a timely manner, except for offsetting the contracted expenses.

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Compliance Requirements

Housing rental enterprises shall prepare housing instructions to notify tenants of the use of housing and supporting facilities, guidance on fire, electricity, gas and other matters of use.

Housing leasing enterprises shall not carry out disguised financial business, use the tenants’ credits to obtain housing rental consumer loans, or induce the tenants to use housing rental consumer loans.

Housing leasing enterprises shall not require tenants to use the housing rental consumer loans by means of concealment, deception or coercion, and shall not induce tenants to use the housing rental consumer loans in the name of rent instalment and rent concessions. Out of the rental income of housing leasing enterprises, the proportion of housing rental consumer loans shall not exceed 30%.

Housing leasing enterprises that adopt the business models of “high in and low out” (高進低出) and “long in and short out” (長收短付) shall set up a capital supervision account in the bank, and remit the rent and deposit into the capital supervision account.

Housing leasing enterprises shall establish complaint handling mechanisms and assume primary mediation responsibilities for leasing disputes.

The Group’s Practice

The Group has notified and reminded tenants of the precautions for fire and electricity use by posting notices and other means.

The Group does not conduct any financial business or induce the tenants to use housing rental consumer loans.

The Group does not conduct any financial business.

The Group does not adopt the models of high in and low out” (高進低出) or “long in and short out” (長收短付)

The Group has established the complaint handling mechanisms.

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Based on the foregoing, the PRC Legal Advisors are of the view that the Group complies with the Opinion on Rectification and Standardisation of Residential Tenancy Industry and the Opinions on Strengthening the Supervision of Asset-light Housing Leasing Enterprises in all material aspects as of the Latest Practicable Date.

On June 24, 2021, the General Office of the State Council issued the Opinions on Accelerating the Development of Affordable Rental Housing (《國務院辦公廳關於加快發展保障性租賃住房的意見》), which clarifies the basic system and supporting policies of affordable rental housing from six aspects, including land, examination and approval, taxes and fees, and finance. For example, after satisfying certain requirements, large sized cities with positive population influx can construct the affordable rental housing on collectively-owned construction land or allocated land, and the existing non-residential properties (commercial offices, hotels, factories, warehouses, scientific education building) that are idle or under inefficient use are allowed to be converted into the affordable rental houses. In addition, it is supported that the professionalized and institutionalized residential tenancy enterprises build and operate the affordable rental houses. In addition, some cities, such as Shanghai and Nanjing, have promulgated management measures or drafts for discussion regarding affordable rental housing, such as Implementation Opinions on Accelerating the Development of Affordable Rental Housing of the City (《關於加快發展本市保障性租賃住房的實施意見》) and etc., which provide more implementing rules of affordable rental housing projects from the aspects including fiscal and taxation supporting policies, conditions for the tenants, rent management.

REGULATIONS ON CONSTRUCTION AND RENOVATION PROJECT

The Construction Law (《中華人民共和國建築法》), which took effect on March 1, 1998 and was amended in April 2011 and April 2019, respectively, is primarily aimed at regulating the construction industry. Pursuant to the Construction Law, the developer shall apply for a construction permit prior to commencement of a construction project, except for small projects below the limit determined by the construction administrative authorities of the State Council. Construction enterprises shall be classified under different qualification grade based on their registered capital, technical professionals, technical equipment and track records of completed construction projects. Construction enterprises may engage in construction activities within the scope of permitted qualification grade. Unauthorized construction without construction permit and projects which do not satisfy the criteria for commencement of work may lead to stoppage of construction project and fines by construction administrative authorities.

Under the Construction Law and the Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》), or the Construction Projects Regulations, which took effect in January 2000 and amended in April 2019 and the Administrative Measures for the Construction Permits of Construction Projects (《建築工程施工許可管理辦法》), or the Construction Measures, which took into effect in December 1, 1999 and was amended in July 2001, June 2014, September 2018 and March 2021, respectively, construction and renovation of all kinds of buildings and ancillary facilities shall apply for the permission before starting construction project unless the investment amount of the project is less than RMB300,000 or

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the area of the construction project is less than 300 square meters. Furthermore, the Construction Measures emphasize that no entity or individuals shall divide any construction project into a number of separate projects below the applicable limits in order to avoid the requirement of construction project permit. The violators may be ordered to stop work or take remedial actions within a specified period of time and subject to fines. Pursuant to the Construction Projects Regulations, where the owner of a construction project commits any of the following acts, it shall be ordered to make corrections, and shall be imposed a fine of not less than 2% but not more than 4% of the contractual price of the project; if any losses have been caused, it shall be liable for making compensation including (i) arbitrarily delivering the project for use before organizing the acceptance inspection, (ii) arbitrarily delivering the project for use in the event that the project has not passed the acceptance inspection, or (iii) inspecting and accepting a substandard construction project as one which is up to standards. As the rental apartment industry in China is relatively young and evolving, there lacks clear and consistent regulatory guidance on how such regulations apply to rental apartment industry at different levels or cities.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently revised on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection (the “MEP”) and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, and rectification within a time limit, forced shutdown, or criminal punishment.

Environmental Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental

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impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed.

On November 30, 2020, Ministry of Ecology and Environment of the PRC (the “MEE”) promulgated the Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalogue (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalogue (2021 version), the rental apartment service is not included in the management of EIA of construction projects.

REGULATIONS RELATING TO FIRE CONTROL

Pursuant to the PRC Fire Safety Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and most recently amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, which became effective on June 1, 2020, the construction entity of a large-scale crowded venue and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, (i) with respect to a project that only requires the filing of the as-built acceptance check on fire safety, the relevant authorities can order such party to rectify the non-compliance and impose an administrative fine of no more than RMB5,000. If the renovation and renovation works fail to pass the subsequent random fire safety inspection, the authorities can order the relevant premise to cease operation until rectifications are satisfactorily completed; and (ii) with respect to a project that requires fire safety design examination and as-built acceptance check on fire safety, the relevant authorities can order such party to cease or suspend the operations and impose an administrative fine ranging from RMB30,000 to RMB300,000.

Unlike hotels or private houses industry, for which there is specifically applicable technical standards, as the rental apartment industry in China is relatively young and evolving, there lacks clear and consistent regulatory practice on how such regulations apply to rental apartment industry at different levels or cities.

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REGULATIONS RELATING TO COMMERCIAL FRANCHISING

Pursuant to the Administrative Measures on the Filing of the Commercial Franchise (《商業特許經營備案管理辦法》), which took effect on February 1, 2012, within 15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor’s business registration, business resources, and the franchisee store network throughout China, the franchisor shall apply to MOFCOM for alteration within 30 days after the occurrence of such change.

REGULATIONS RELATING TO CYBER SECURITY AND PRIVACY

Pursuant to the Civil Code of the PRC, which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021, the personal information of a natural person shall be protected. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was promulgated by the Ministry of Industry and Information Technology (the “MIIT”) in December 2011 and became effective in March 2012, internet information service providers shall not collect any users’ personal information or provide any such information to third parties without the consent of the users. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such users’ personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the users’ personal information, and in case of any leak or likely leak of the users’ personal information, it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. In addition, the NPC promulgated a new National Security Law (《中華人民共和國國家安全法》), which became effective in July 2015, to replace the former National Security Law and cover various types of national security including technology security and information security.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated on November 7, 2016 and became effective on June 1, 2017, prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling or otherwise illegally disclosing personal information. The PRC Cyber Security Law requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws, regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any

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violation of the provisions and requirements under the PRC Cyber Security Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, close down of websites or even criminal liabilities. Furthermore, the MIIT’s Rules on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) which was promulgated in July 2013 and became effective in September 2013, contains detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

The Regulations on the Scope of Essential Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), which was promulgated on March 12, 2021 and came into effect on May 1, 2021, regulate the collection of personal information by mobile internet applications (APPs) and mini-programs developed on the basis of such open platform interfaces that users can use without downloading or installing. Apps and mini-programs shall not deny users to use their basic functions because they do not agree to provide unnecessary personal information. If they fail to comply with the above regulations, the competent departments will deal with them in accordance with the law.

The Cybersecurity Review Measures (《網絡安全審查辦法》), which was promulgated on April 13, 2020, amended on December 28, 2021 and became effective on February 15, 2022, stipulates that operators of critical information infrastructure purchasing network products and services, and platform operators carrying out data processing activities that affect or may affect national security, shall conduct a cyber security review. The Cybersecurity Review Measures further specifies that network platform operators who hold personal information of more than 1 million users, when applying for listing abroad (赴國外上市), must report to the Cybersecurity Review Office for a cybersecurity review.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and became effective on September 1, 2021, stipulates that relevant entities carrying out data processing activities should comply with laws, regulations and codes of ethics, establish and improve the data security governance system, and improve the data security protection capability. Those handling important data shall conduct regular risk assessments and report to the competent authorities. The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021, provides detailed rules for processing personal information and further improves the personal information protection system.

Pursuant to the Announcement of Conducting Special Activities Against Illegal Collection and Use of Personal Information by APPs (《關於開展APP違法違規收集使用個人信息專項治理的公告》), which was jointly released by the CAC, MIIT, MPS and SAMR on January 23, 2019 and became effective on the same date, to further implement and strengthen the Cyber Security Law, (i) the app operators shall strictly fulfill their obligations under the Cyber Security Law and shall be responsible for the personal information collected by them as well as implement effective measures to strengthen the protection of personal information, (ii)

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competent government authorities shall strengthen its regulations and punishments on illegal collection and use of personal information in accordance with the Cyber Security Law and the Law on the Protection of Consumer Rights and Interests, and (iii) the MPS will initiate targeted activities against illegal collection and use of personal information online. On November 28, 2019, the CAC, MIIT, MPS and SAMR jointly issued the Notice on Identification of the Illegal Collection and Use of Personal Information by APPs (《關於印發〈APP違法違規收集使用個人信息行為認定方法〉的通知》), effective on the same date, to provide detailed methods on identifying illegal collection and use of personal information by APPs. In addition, the MIIT issued the Notice on the Further Special Rectification of APP Infringement upon Users’ Personal Rights and Interests (《關於開展縱深推進APP侵害用戶權益事項整治行動的通知》) on July 22, 2020, which requires that certain conducts of APP service providers should be inspected and also set forth the period for the regulatory specific inspection on APPs and that the MIIT will order the non-compliant entities to rectify their business within five business days, or otherwise the MIIT will make public announcement, remove the APPs from the APP stores or impose other administrative penalties. Furthermore, Provisions on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《關於印發〈常見類型移動互聯網應用程序必要個人信息範圍規定〉的通知》) was jointly released by the CAC, MIIT, MPS and SAMR on March 12, 2021 and became effective on May 1, 2021, requires that the mobile Internet application operators shall not restrain the users from using the basic functions and services of the APP because such users do not agree to the collection of non-essential personal information.

Moreover, pursuant to the PRC Criminal Law (《中華人民共和國刑法》), as last amended in December 2020, any individual or entity that (i) sells or discloses any citizen’s personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any citizen’s personal information in severe situation, shall be subject to criminal penalty. Any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client’s information; (iii) any serious loss of criminal evidence; or (iv) other severe situations. In addition, the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was promulgated in May 2017 and became effective in June 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement.

On November 14, 2021, the CAC published the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (“**Draft Data Security Regulations**”), which include detailed cross-border data transmission security and cybersecurity review standards for listing abroad and in Hong Kong and protection of important data and personal information rights. If the listing in Hong Kong of a data processor affects or may affect national security, or data processors engage in other data processing activities that affect or may affect national security, the data processor shall, in accordance with

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relevant state provisions, apply for cybersecurity review. As advised by our PRC Legal Advisors, we are of the view that if the Draft Data Security Regulations becomes effective in the current form, it will be applicable to our certain PRC domestic entity and the relevant requirements shall be complied.

REGULATIONS RELATING TO OVERSEAS LISTING

Under the M&A Rules, which were jointly adopted by six PRC regulatory authorities, including CSRC, on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) such foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and relevant five guidelines (the “**Trial Measures**”) which came into force on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

The Trial Measures provides that (i) Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and the filing shall be submitted within three working days after the application for an initial public offering is submitted, and (ii) in the event that Chinese companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies shall fulfill the filing procedures with and report relevant information to the CSRC, and such filing shall be submitted within three working days after such follow-on offering is completed. Any overseas offering and listing made by an issuer that meets both of the following conditions will be determined as indirect overseas offering by PRC domestic companies: (i) more than 50% of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by the Chinese domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC, or its main places of operations are within the PRC, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance over form basis.

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Moreover, an overseas offering and listing is prohibited if (i) it is prohibited by PRC laws, (ii) it may endanger national security as reviewed and determined by competent PRC authorities, (iii) in recent three years, the Chinese operating entities or their controlling shareholders or actual controllers have committed relevant prescribed criminal offenses, (iv) domestic companies that are suspected of committing crimes or major violations of laws and regulations are under investigation according to law, and no conclusion has yet been made thereof, or (v) there are material ownership disputes over equity held by the controlling shareholders or by other shareholders that are controlled by the controlling shareholders or actual controllers.

According to the Notice on the Administrative Arrangements for the Filing of the Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Notice**”) published by the CSRC on February 17, 2023, the domestic companies that have already been listed overseas before March 31, 2023 shall be deemed as existing issuers (the “**Existing Issuers**”). Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent corporate actions are involved. Further, domestic companies that have obtained approval from overseas regulatory authorities or overseas stock exchanges for their indirect overseas offering and listing before March 31, 2023 but have not yet completed their indirect overseas offering and listing, are granted a six-month transition period from March 31, 2023. Those domestic companies who complete their overseas offering and listing before September 30, 2023 are deemed as Existing Issuers and are not required to file with the CSRC for their overseas offering and listing. Within such six-month transition period, however, if such domestic companies need to go through the regulatory procedures with the overseas regulatory authorities or overseas stock exchanges again (such as a new hearing for the listing application of their shares on the Stock Exchange), or if they eventually fail to complete their overseas offering and listing, such domestic companies shall complete the filing procedures with the CSRC. In addition, according to the Notice from the CSRC, domestic companies that have submitted valid applications for indirect overseas offerings and listings before March 31, 2023 but have not obtained the approval from overseas regulatory authorities or overseas stock exchanges (for example, a contemplated offering and listing in Hong Kong has passed the hearing for the listing application of its shares on the Stock Exchange) may reasonably arrange the timing of filing the application and shall complete the filing procedures with the CSRC prior to their overseas offerings and listings.

As advised by our PRC Legal Advisor, given that (i) our domestic operating entities generated 100% of the total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2022; (ii) our senior management are all PRC citizens; and (iii) our business activities are mainly conducted in the PRC, we falls within the scope of “domestic companies”, and the [REDACTED] falls within the scope of indirect overseas [REDACTED] under the Trial Measures.

Further, as advised by our PRC Legal Advisor, we are required to submit the filing materials to the CSRC within three business days after our application for overseas [REDACTED] is submitted.

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On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”) which took effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and revised on October 27, 2001, February 26, 2010, and November 11, 2020 (the latest revision came into effect on June 1, 2021), and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, amended on January 8, 2011, and January 30, 2013 (the latest revision became effective on March 1, 2013), the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》) which was most recently amended on October 17, 2020 and came into effect on June 1, 2021. The duration of the invention patent right shall be 20 years, and for utility models patent right, the term shall be 10 years and that of designs patent right shall be 15 years, all commencing from the application date thereof.

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Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and amended on April 23, 2019 and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years, unless otherwise revoked.

Domain Names

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the applicable regulations, and applicants become domain name holders upon successful registration.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTIONS

Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Administrative Regulations on Foreign Exchange of the People’s Republic of China (《中華人民共和國外匯管理條例》), or the Foreign Exchange Administrative Regulation, which were promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008, respectively, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the People’s Bank of China, on June 20, 1996 and became effective on July 1, 1996. Under these regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities or the designated banks is required where RMB is to be converted into foreign currency and remitted outside of China to pay capital account items such as the repayment of foreign currency-denominated loans, overseas direct investment and investments in securities or derivative products outside of the PRC. Foreign investment enterprises, or the FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

REGULATORY OVERVIEW

On March 30, 2015, SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, which took effect on June 1, 2015 and further revised in 2019. According to the SAFE Circular 19, the foreign currency capital contribution to an FIE in its capital account may be converted into RMB on a discretionary basis.

On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16. The SAFE Circular 16 unifies the discretionary foreign exchange settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) used for granting loans to non-affiliated enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the SAFE Circular 28. The SAFE Circular 28 stipulates that non-investment FIEs may use capital to carry out domestic equity investment in accordance with the law under the premise of not violating the negative list and the projects invested are true and in compliance with laws and regulations.

On April 10, 2020, SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

REGULATORY OVERVIEW

Foreign Debts

A loan made by a foreign entity to a Chinese entity is considered to be foreign debt in the PRC and is regulated by various laws and regulations, including the Foreign Exchange Administrative Regulation (《外匯管理條例》), the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》) promulgated by SAFE, the NDRC and the Ministry of Finance, or the MOF, which was most recently amended on July 26, 2022 and came into effect on September 1, 2022 and the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by SAFE on April 28, 2013 and amended by the Notice of the SAFE on Abolishing and Amending the Normative Documents Related to the Reform of the Registered Capital Registration System (《國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知》) on May 4, 2015, the Circular of the People’s Bank of China on Matters relating to the Macro-prudential Management of Full-covered Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) which was released on January 12, 2017 and the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment. Under these rules, foreign debts must be registered with and recorded by SAFE or its local branches or local banks as required. The SAFE Circular 28 provides that a non-financial enterprise in the pilot areas may register a permitted amount of foreign debts, which is as twice of the non-financial enterprise’s net assets, at the local foreign exchange bureau. Such non-financial enterprise may borrow foreign debts within the permitted amount and directly handle the relevant procedures in banks without registration of each foreign debt. However, the non-financial enterprise shall report its international income and expenditure regularly. In addition, a foreign debt with a term of or longer than one year must be filed with the NDRC and obtain the enterprise foreign debt pre-issuance registration certificate prior to the offering, and report the relevant information and documents in respect of the issuance of the foreign debt with the NDRC within ten (10) working days after the issue date of the foreign debt according to the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》) which was promulgated by the NDRC on January 5, 2023 and came into effect on February 10, 2023.

Foreign Exchange Registration of Overseas Investment by PRC Resident

In 2014, SAFE issued the SAFE Circular 37, for the purpose of simplifying the approval process, and for the promotion of cross-border investments. The SAFE Circular 37 supersedes the former circular commonly known as SAFE Circular 75 (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in China. Under SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investments in China by PRC residents or entities through special

REGULATORY OVERVIEW

purpose vehicles, namely establishing foreign investment enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event the change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merger, spin-off or other amendment of the material items, the PRC residents or entities shall complete the change of foreign exchange registration formality for offshore investments.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》). This notice has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branches in relation to their establishment or control of an offshore entities for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. Amendments to the registration are required if there is any material change with respect to the registered special purpose vehicle, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in the investment amount, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the registration procedures as set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failure to disclose the control of the foreign investment enterprise which is established through round-trip investments, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign investment enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Dividend Distributions

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the PRC Company Law last amended in 2018 and the FIL. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATORY OVERVIEW

REGULATIONS RELATING TO TAXATION

Income Tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the “**EIT Laws**”) were promulgated on March 16, 2007 and December 6, 2007, respectively and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**Circular 82**”) promulgated by the STA on April 22, 2009 and last amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in the PRC and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in the PRC.

The EIT Laws permit certain High and New Technologies Enterprises, or HNTes, to enjoy a reduced 15% EIT rate subject to these HNTes meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%.

REGULATORY OVERVIEW

The Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公 告》) (the “**Bulletin 7**”) was issued by the STA on February 3, 2015 and most recently amended in 2017. Pursuant to Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in the PRC, immovable properties in the PRC, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in the PRC or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7.

VAT and Business Tax

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

On November 16, 2011, the MOF and the STA promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). According to the Proposal, the general VAT calculation method will in principle apply to the transportation industry, the construction industry, the post and telecommunication industry, the modern service industry, the culture and sports industry, and the sale of real property and the transfer of intangible assets.

In March 2016, the MOF and the STA jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was further amended in July 11, 2017 and March 20, 2019. Upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the construction industry, the real estate industry, the financial industry, etc. shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

REGULATORY OVERVIEW

On November 19, 2017, the State Council further amended the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, the MOF and the STA issued the Notice on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the MOF, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the “**Announcement 39**”), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (i) for general VAT payers’ sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety and educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

REGULATORY OVERVIEW

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

On February 15, 2012, SAFE issued the Notice of SAFE on Issues relating to Foreign Exchange Administration for Domestic Individuals Participation on Equity Incentive Plans of Overseas-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Circular 7**”). Under Circular 7, domestic individuals, which means the PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are one of the leading and fast-growing rental apartment services platforms in the PRC. Our inception may be traced back to June 2009, when our Founders launched our first rental apartment community in Nanjing. Our Founders include experienced entrepreneurs and professionals who each had their own achievements and areas of expertise, ranging from business management, marketing strategy, technology and communications, construction, services, and finance. Recognizing the nationwide demand for safe and comfortable homes across China, the Founders pooled together their respective areas of expertise and established the Group.

Throughout our development history, we sought to expand by offering rental apartments of varying characteristics and pricing models to cater to evolving market conditions and customer needs. During our early years, we focused on continuous product innovation by collecting and analyzing feedback from our customers to improve and upgrade our rental apartments. We also refined our operational efficiencies by developing our technological infrastructure. As we gradually built up our product offerings, customer base and financial strength through organic growth, we also began to expand our business scale by acquiring other rental apartment operators. We compounded these efforts to achieve business growth and secure our customer base by consistently cultivating and refining our brand. According to Frost & Sullivan, as of December 31, 2022, we ranked as the largest independent centralized rental apartment services platform in China in terms of the number of apartments in operation. Today we continue to pursue excellence and have assembled a management team comprising former leaders of Fortune 500 companies, world-leading professional institutions and leading technology giants.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 15, 2012. Our Company has been an investment holding company since incorporation, following which we effected a series of capital reorganizations and rounds of pre-[REDACTED] financing. Our financial performance and operational success attracted the interest of Warburg Pincus, who became our controlling shareholder after the Series B Financing initiated in December 2012. For more information, see “– Our Establishment, Major Shareholding Changes and Development of Our Group – 4. Series B Financing” below. Warburg Pincus’ resources enhanced our efforts to execute our business strategies and expand our business scale.

As of December 31, 2022, we had already expanded to over 388 locations in 25 cities across China. According to Frost & Sullivan, we ranked first in Tier-1 cities among independent centralized rental apartment operators, in terms of the number of apartments in operation as of December 31, 2022.

HISTORY AND CORPORATE STRUCTURE

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

Year	Event
June 2009	We launched our first rental apartment community in Nanjing.
June 2012	We completed our Series A Financing and launched a national expansion strategy.
May 2015	Upon the completion of Tranches I and II of our Series B Financing, we launched “Apartment+” (公寓+), our strategy to establish a well-rounded lifestyle for residents of our rental communities by ensuring the availability of facilities and services in relation to, among others, shopping, fitness and education.
April 2016	We completed our Series C Financing and launched our multi-brand strategy.
September 2016	We released our “Unit 9 Apartments”, leading the PRC rental apartment industry in initiating a multi-dimensional branding strategy.
January 2017	We became the first rental apartment platform in China to issue asset-backed securities, which were listed on the Shanghai Stock Exchange.
July 2018	We completed our Series D Financing. We launched “MoFang Magic Club” (魔力會), the first membership club within the rental apartment industry in China.
January 2021	We were engaged to operate approximately 20,000 apartments through the manachised and third-party managed model, which was the largest-scale cooperative agreement within the rental apartment industry at the time according to Frost & Sullivan.
December 2021	We consolidated several industry players within our Group (accounting for approximately 20,000 apartments in total), and became the largest rental apartment platform in Shanghai according to Frost & Sullivan.
June 2022	We published the “2021 Environmental, Social and Corporate Governance Report” of our Group, signifying our commitment to environmental, social and corporate governance initiatives with sustainable growth.

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

While expanding our business during the Track Record Period, we established subsidiaries to facilitate rapid and effective implementation of our strategies across China, and acquired other quality rental apartment operators. We had 147 subsidiaries as of December 31, 2022. The principal business activities, place and date of establishment and commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of entity	Place of establishment	Date of establishment and commencement of business	Principal business activities
MoFang Service	Hong Kong	May 30, 2012	Investment holding
Cubic City Investment	PRC	June 21, 2012	Investment holding and operation of rental apartments across China
Mofang Shanghai	PRC	August 23, 2013	Operation of rental apartments in Shanghai
Mofang Guangzhou	PRC	April 2, 2014	Operation of rental apartments in Guangzhou
City Mofang	PRC	August 14, 2014	Operation of rental apartments in Beijing
Mofang Nanjing	PRC	December 16, 2015	Operation of rental apartments in Nanjing
Mofang Hotel Management	PRC	July 8, 2016	Operation of rental apartments in Shanghai
Mofang Shenzhen	PRC	September 6, 2016	Operation of rental apartments in Shenzhen
Mofang Yiju	PRC	August 16, 2016	Operation of rental apartments in Hangzhou
Shanghai Hanmo	PRC	October 8, 2014	Operation of Chummy Space, a provider of dormitory-style rental apartments

Note: A subsidiary is deemed to have made a material contribution to our results of operations if it contributed 5% or more to our net profit, assets or revenue in any given period of the Track Record Period.

HISTORY AND CORPORATE STRUCTURE

Each of the aforementioned entities are indirect wholly-owned subsidiaries of our Company. For information on our other subsidiaries, please see Note 1 to the Accountants’ Report as set out in Appendix I to this document.

OUR ESTABLISHMENT, MAJOR SHAREHOLDING CHANGES AND DEVELOPMENT OF OUR GROUP

During the Track Record Period, we primarily conducted our business through our PRC operating subsidiaries. The following sets forth the corporate history and major shareholding changes of our Group.

1. Incorporation of the Company

On May 15, 2012, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of US\$500 divided into 5,000,000 Shares of par value of US\$0.0001 each, comprising (i) 4,750,000 Ordinary Shares and (ii) 250,000 Series A Preferred Shares. Upon incorporation, one Ordinary Share was allotted and issued at par to an initial subscriber, an Independent Third Party, and was then transferred to GGX Holdings Limited. On the same date, the Company allotted and issued Shares at par to each of the Founders’ offshore investment vehicles. The shareholding of the Company upon completion of such allotment and issuance is set forth below:

Founder(s)	Shareholders/Founders’ offshore investment vehicles	Number of Shares	Shareholding in the Company
Mr. GE Lan	GGX Holdings Limited ⁽¹⁾	350,622	35.06%
Mr. LU Xin	Luxin Holdings Limited	320,452	32.05%
Ms. XU Haiyan	Xuhaiyan Holdings Limited	55,934	5.59%
Mr. XU Jia	Xuj Holdings Limited	25,598	2.56%
Ms. ZHANG Hongman	Hongmanzhang Holdings Limited	93,085	9.31%
Mr. YIN Xiaowei	Yinxiaowei Holdings Limited	9,309	0.93%
Ms. BAI Lingling	BLL Holding Limited	125,000	12.50%
Ms. YING Yingjun	Yingyingjun Holdings Limited	20,000	2.00%
		<u>1,000,000</u>	<u>100.0%</u>

Note:

(1) Formerly known as Gelan Holdings Limited.

HISTORY AND CORPORATE STRUCTURE

2. Incorporation of Intermediate Holding Companies

Cubic City International

Cubic City International was incorporated in the BVI with limited liability on May 17, 2012 to act as an intermediate holding company, and is authorized to issue up to a maximum of 50,000 shares of one class with a par value of US\$1.00 each. Upon incorporation, one share was allotted and issued to the Company at a consideration of US\$1.00, and Cubic City International became a wholly-owned subsidiary of the Company.

MoFang Service

MoFang Service was incorporated in Hong Kong with limited liability on May 30, 2012 to act as an intermediate holding company, and is authorized to issue up to a maximum of one share of one class with a par value of HK\$1.00 each. Upon incorporation, one share was allotted and issued to Cubic City International at a consideration of HK\$1.00, and MoFang Service became a wholly-owned subsidiary of Cubic City International.

Cubic City Investment

Cubic City Investment was established in the PRC with limited liability on June 21, 2012 with an initial registered capital of US\$4,500,000, fully paid up in cash, and was wholly-owned by MoFang Service. Since its establishment, Cubic City Investment has undergone 13 increases in registered capital, with US\$336,973,235 in registered capital as of the Latest Practicable Date. Cubic City Investment is the holding company of our PRC subsidiaries.

3. Series A Financing

On June 28, 2012, the Founders, each of the Founders’ offshore investment vehicles, the Company, Cubic City International, MoFang Service, Cubic City Investment and DT MF Investment entered into a share subscription agreement, pursuant to which DT MF Investment agreed to subscribe for 250,000 Series A Preferred Shares for a total cash consideration of US\$7,500,000 (the “**Series A Financing**”). On July 4, 2012, the Company allotted and issued 250,000 Series A Preferred Shares to DT MF Investment, after which DT MF Investment held 20.0% of the Company’s issued share capital. DT MF Investment is an investment vehicle directly wholly owned by DT Capital.

Post-Series A Financing Incentive Shares Issuance

On November 25, 2012, the Company allotted and issued 69,444 Ordinary Shares, 23,148 Ordinary Shares and 46,296 Series A Preferred Shares at par to each of GGX Holdings Limited, BLL Holding Limited and DT MF Investment, respectively, as incentive shares in recognition of the roles played by our Founders and DT MF Investment in consummating our first pre-[REDACTED] investment round and facilitating our expansion. Upon completion, GGX Holdings Limited, BLL Holding Limited and DT MF Investment each held 420,066 Ordinary Shares, 148,148 Ordinary Shares and 296,296 Series A Preferred Shares, respectively, representing 30.24%, 10.67% and 21.33%, respectively, of the Company’s issued share capital (the “**Post-Series A Financing Incentive Shares Issuance**”).

HISTORY AND CORPORATE STRUCTURE

4. Series B Financing

On December 1, 2012, the Founders, each of the Founders’ offshore investment vehicles, the Company, Cubic City International, MoFang Service, Cubic City Investment, DT MF Investment and Peridot Gem Investment entered into a share subscription agreement (the “**Series B Share Subscription Agreement**”), pursuant to which Peridot Gem Investment agreed to subscribe for up to 1,927,526 Series B Preferred Shares for a total cash consideration of RMB630,000,000 (“**Series B Financing**”). The Series B Financing was to be conducted in two tranches, with Peridot Gem Investment subscribing for 739,436 Tranche I Series B Preferred Shares for a total subscription price of RMB189,000,000, and 1,188,090 Tranche II Series B Preferred Shares for a total subscription price of RMB441,000,000. Peridot Gem Investment is controlled by certain investment funds advised or managed by Warburg Pincus.

On October 14, 2013, the Company and Peridot Gem Investment agreed to amend the Series B Share Subscription Agreement, such that Peridot Gem Investment would subscribe for up to 2,436,707 Series B Preferred Shares for a total cash consideration of RMB819,000,000 (the “**Series B SSA Amendment**”). Pursuant to the Series B SSA Amendment, Peridot Gem Investment would subscribe for the Series B Preferred Shares in four tranches, with the number of Shares in the last tranche subject to the exercise of an over-allotment option granted by the Company to DT MF Investment to subscribe for 25,459 Series A Preferred Shares for a consideration of RMB9,450,000. Peridot Gem Investment would have the right to subscribe for up to 483,722 Series B Preferred Shares for a consideration of RMB179,550,000 if DT MF Investment exercised its over-allotment option, and 509,181 Series B Preferred Shares for a consideration of RMB189,000,000 if DT MF Investment did not.

As DT MF Investment did not exercise its over-allotment option, Peridot Gem Investment subscribed for 509,181 Series B Preferred Shares in the last tranche of the Series B Financing for the pre-determined consideration of RMB189,000,000. A summary of the implementation of the four tranches of Series B Financing is set forth in the table below:

	No. of Series B Preferred Shares	Subscription price (RMB)	Date on which investment was settled ⁽¹⁾
<i>Tranche I</i>	739,436	189,000,000	January 25, 2013
<i>Tranche II</i>	509,181	189,000,000	October 28, 2013
<i>Tranche III</i>	678,909	252,000,000	September 9, 2015
<i>Tranche IV</i>	509,181	189,000,000	January 30, 2016
Total	<u>2,436,707</u>	<u>819,000,000</u>	

Note:

(1) Refers to the date of irrevocable settlement and receipt of funds by the Company.

HISTORY AND CORPORATE STRUCTURE

Upon completion of the Series B Financing, Warburg Pincus held 63.69% of the Company’s issued share capital through Peridot Gem Investment.

In connection with the Series B Financing, the Company redesignated its authorized share capital during Tranche I of the Series B Financing such that it became US\$792.7526 divided into 7,927,526 Shares of par value of US\$0.0001 each, comprising (i) 5,703,704 Ordinary Shares, (ii) 296,296 Series A Preferred Shares, and (iii) 1,927,526 Series B Preferred Shares.

Subsequently, pursuant to written resolutions of the Shareholders dated October 14, 2013, the Company redesignated its authorized share capital during Tranche II of the Series B Financing such that it became US\$846.2166 divided into 8,462,166 Shares of par value of US\$0.0001 each, comprising (i) 5,703,704 Ordinary Shares, (ii) 321,755 Series A Preferred Shares, and (iii) 2,436,707 Series B Preferred Shares.

5. Series C Financing

On February 6, 2016, the Founders, each of the Founders’ offshore investment vehicles, the Company, Cubic City Investment, Peridot Gem Investment and HangFang Investment entered into a share subscription agreement, pursuant to which (i) Peridot Gem Investment agreed to subscribe for 96,085 Series C Preferred Shares for a consideration of RMB57,500,000 and (ii) HangFang Investment agreed to subscribe for 864,764 Series C Preferred Shares for a consideration of RMB517,500,000 (the “**Series C Financing**”). HangFang Investment is an investment vehicle controlled by AVIC Industry Finance.

On March 24, 2016, the Company allotted and issued (i) Series C Preferred Shares to Peridot Gem Investment, after which Peridot Gem Investment held 52.92% of the Company’s issued share capital, and (ii) Series C Preferred Shares to HangFang Investment, after which AVIC Industry Finance held 18.07% of the Company’s issued share capital through HangFang Investment.

In connection with the Series C Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 8,462,166 Shares of par value of US\$0.0001 each, comprising (i) 4,768,314 Ordinary Shares, (ii) 296,296 Series A Preferred Shares, (iii) 2,436,707 Series B Preferred Shares and (iv) 960,849 Series C Preferred Shares.

6. Founder Transfers to Peridot Gem Investment

On July 20, 2016, Hongmanzhang Holdings Limited, Ms. ZHANG Hongman and Peridot Gem Investment entered into a sale and purchase agreement, whereby Hongmanzhang Holdings Limited agreed to transfer 73,085 Ordinary Shares to Peridot Gem Investment for a consideration of RMB39,362,000 (the “**Hongmanzhang SPA**”). On July 29, 2016, Hongmanzhang Holdings Limited transferred such number of Ordinary Shares to Peridot Gem Investment, after which Hongmanzhang Holdings Limited and Peridot Gem Investment owned 0.42% and 54.44%, respectively, of the Company’s issued share capital (the “**Hongmanzhang Transfer**”).

HISTORY AND CORPORATE STRUCTURE

On March 10, 2017, GGX Holdings Limited, Mr. GE Lan, and Peridot Gem Investment entered into a sale and purchase agreement, whereby GGX Holdings Limited agreed to transfer 37,976 Ordinary Shares to Peridot Gem Investment for a consideration of RMB24,999,601. On March 10, 2017, Peridot Gem Investment also entered into a sale and purchase agreement with Luxin Holdings Limited and Mr. LU Xin, whereby Luxin Holdings Limited agreed to transfer 75,200 Ordinary Shares to Peridot Gem Investment for a consideration of RMB44,999,680.

On April 18, 2017, GGX Holdings Limited and Luxin Holdings Limited each transferred 37,976 and 75,200 Ordinary Shares, respectively, to Peridot Gem Investment (the “**GGX Transfer**” and “**Luxin Transfer**”). Upon completion of the transfers, GGX Holdings Limited, Luxin Holdings Limited and Peridot Gem Investment each held 7.98%, 5.12% and 56.81%, respectively, of the Company’s issued share capital.

7. Share Subdivision

On June 6, 2017, the Company conducted a share subdivision pursuant to which each Share in its then issued and unissued share capital with a par value of US\$0.0001 was subdivided into 100 Shares of the corresponding class with a par value of US\$0.000001 each (the “**Share Subdivision**”). After the Share Subdivision, the Company’s authorized share capital was US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each, comprising (i) 476,831,400 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares and (iv) 96,084,900 Series C Preferred Shares.

8. Series C+ Financing

On April 27, 2018, the Company, Mr. ZHENG Nanyan (our chairman and non-executive Director) and FortuNews Holdings entered into a share subscription agreement (the “**Series C+ Share Subscription Agreement**”), pursuant to which FortuNews Holdings agreed to subscribe for 9,775,600 Series C Preferred Shares (the “**Series C+ FortuNews Shares**”) for a consideration of RMB58,458,088 (the “**Series C+ Financing**”). The Series C+ FortuNews Shares were held by FortuNews Holdings on behalf of a trust in which Mr. ZHENG Nanyan is the settlor and protector. On the same date, the Company, Mr. ZHENG Nanyan and FortuNews Holdings also entered into a loan agreement, pursuant to which the Company loaned a sum denominated in U.S. Dollars in a principal amount equivalent to RMB58,458,088 with an interest rate of 9% *per annum*, solely for paying the subscription price for the Series C+ FortuNews Shares. Immediately following the closing of the Series C+ Financing, the subscription price for the Series C+ FortuNews Shares was deemed paid by FortuNews Holdings and the loan proceeds were deemed duly disbursed by the Company (the “**1st FortuNews Loan**”). On April 27, 2018, the Company allotted and issued 9,775,600 Series C Preferred Shares to FortuNews Holdings, after which Mr. ZHENG Nanyan held 2.00% of the Company’s issued share capital through FortuNews Holdings. FortuNews Holdings subsequently subscribed for additional Series C Preferred Shares and Ordinary Shares, a portion of which were surrendered to and canceled by our Company. For more information, please refer to the paragraphs headed “– 11. Series D+ Financing” and “– 15. Share Cancellations by Our Company” below.

HISTORY AND CORPORATE STRUCTURE

In connection with the Series C+ Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each, comprising (i) 467,055,800 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares and (iv) 105,860,500 Series C Preferred Shares.

9. Transfer of Shares by Luxin Holdings Limited to Peridot Gem Investment (the “Luxin II Transfer”)

On January 23, 2017, GGX Holdings Limited, Mr. GE Lan, Luxin Holdings Limited, Mr. LU Xin, Xuhaiyan Holdings Limited, Ms. XU Haiyan and Peridot Gem Investment entered into a side agreement (the “**2017 Side Agreement**”), whereby the parties agreed that Peridot Gem Investment shall have the right to require Mr. LU Xin and Luxin Holdings Limited to sell and transfer to itself an additional 75,200 Ordinary Shares (the “**Option Shares**”) for a total consideration of RMB44,999,680 (the “**Option Share Price**”) within three months of closing the subsequent equity financing of the Company. The 2017 Side Agreement was entered into after the execution of the Hongmanzhang SPA. For more information on the Hongmanzhang SPA, see “– 6. Founder Transfers to Peridot Gem Investment” above.

Pursuant to the 2017 Side Agreement, Luxin Holdings Limited, Mr. LU Xin and Peridot Gem Investment entered into a sale and purchase agreement on June 26, 2018, whereby Luxin Holdings Limited agreed to transfer the Option Shares to Peridot Gem Investment at the Option Share Price. Luxin Holdings Limited also agreed to transfer, and Peridot Gem Investment agreed to subscribe, for an additional 12,813,881 Ordinary Shares (the “**Additional Shares**”). On June 26, 2018, Luxin Holdings Limited transferred a total of 20,333,881 Ordinary Shares (including the Additional Shares and 7,520,000 Option Shares as adjusted after the Share Subdivision) at a consideration of RMB133,796,937 to Peridot Gem Investment, after which Luxin Holdings Limited and Peridot Gem Investment each held 0.86% and 59.83%, respectively, of the Company’s issued share capital.

10. Series D Financing

On June 26, 2018, the Founders, each of the Founders’ offshore investment vehicles, the Company, Cubic City Investment, DT MF Investment, AVIC Industry Finance, Peridot Gem Investment and CDPQ (Asia) entered into a share subscription agreement, pursuant to which CDPQ (Asia) agreed to subscribe for 102,249,489 Series D Preferred Shares for a consideration of RMB1,000,000,000 (the “**Series D Financing**”).

On July 31, 2018, the Company allotted and issued 102,249,489 Series D Preferred Shares to CDPQ (Asia), after which CDPQ (Asia) held 17.31% of the Company’s issued share capital.

In connection with the Series D Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.0001 each, comprising (i) 364,806,311 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares, (iv) 105,860,500 Series C Preferred Shares and (v) 102,249,489 Series D Preferred Shares.

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11. Series D+ Financing

On July 30, 2018, the Company, Mr. ZHENG Nanyan (our chairman and non-executive Director) and FortuNews Holdings entered into a share subscription agreement (the “**Series D+ Share Subscription Agreement**”), pursuant to which FortuNews Holdings agreed to subscribe for 12,720,948 Series C Preferred Shares for a consideration of RMB83,703,838 (the “**Series D+ Financing**”). On the same date, FortuNews Holdings entered into share purchase agreements with each of GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited and Xuj Limited (collectively, the “**Founder Companies**”) to purchase from each of them 18,444,200, 271,811, 1,658,203 and 2,122,334 Ordinary Shares, respectively, for a consideration of RMB121,362,836, RMB1,788,516, RMB10,910,976 and RMB13,964,958, respectively (the Series C Preferred Shares subscribed for from the Company and the Ordinary Shares purchased from the Founder Companies collectively referred to as the “**Series D+ FortuNews Shares**”, and the Series D+ FortuNews Shares and Series C+ FortuNews Shares collectively referred to as the “**FortuNews Shares**”). All of the Series D+ FortuNews Shares were held by FortuNews Holdings as nominee for the benefit of Ocean Link, which provided the consideration for the total of 22,496,548 Ordinary Shares purchased from the Founder Companies.

On July 30, 2018, the Company, Mr. ZHENG Nanyan and FortuNews Holdings also entered into a loan agreement, pursuant to which the Company loaned a sum denominated in U.S. Dollars in a principal amount equivalent to RMB83,703,838 with an interest rate of 9% *per annum*, solely for paying the subscription price for the 12,720,948 Series C Preferred Shares to be allotted and issued by the Company. Immediately following the closing of the Series D+ Financing, the subscription price for the Series D+ FortuNews Shares was deemed paid by FortuNews Holdings and the loan proceeds were deemed duly disbursed by the Company (the “**2nd FortuNews Loan**”, collectively referred to with the 1st FortuNews Loan as the “**FortuNews Loans**”).

The loan agreements with respect to the 1st FortuNews Loan and 2nd FortuNews Loan are similar to each other, the salient terms of which include:

- a. **Purpose:** The loan proceeds shall be used solely for paying the subscription price for the relevant FortuNews Shares.
- b. **Drawdown:** The subscription price for the relevant FortuNews Shares shall be settled by the loan proceeds payable by the Company to FortuNews Holdings. Upon closing, the subscription price for the relevant FortuNews Shares shall be deemed duly paid by FortuNews Holdings to the Company, and the loan proceeds shall be deemed duly disbursed by the Company to FortuNews Holdings.
- c. **Interest:** The loan will bear interest at a rate of 9% *per annum*, with annual compounding on the outstanding principal amount.
- d. **Interim Repayment:** If, during the period commencing from the drawdown date and ending on the final maturity date, (i) FortuNews Holdings receives any installment of dividend or other distribution in cash from the Company in relation to FortuNews

HISTORY AND CORPORATE STRUCTURE

Holdings’ equity interest in the Company; or (ii) FortuNews Holdings or Mr. ZHENG Nanyan or any of their respective affiliates receive proceeds in cash from directly or indirectly selling any Shares in the Company, then the equivalent amount of the accrued but unpaid interest on the loan shall become immediately due and payable.

- e. **Repayment:** All the outstanding loan principal and the accrued but unpaid interest shall become immediately due and payable upon the occurrence of the earlier of the following events: (i) the Company completes an [REDACTED]; (ii) the Company completes a sale of all or substantially all of its assets and undertakings and FortuNews Holdings has received the distribution amount therefrom; (iii) there occurs a non-qualified [REDACTED] exit sale and FortuNews Holdings has received the distribution amount therefrom; or there occurs a drag-along sale whereby FortuNews Holdings has fully exited its investment in the Company and has received the distribution amount therefrom; (iv) Mr. ZHENG Nanyan or FortuNews Holdings elects to fully exit from his or its equity investment in the Company or its subsidiaries, and has received the transfer proceeds therefrom; and (v) repayment of the loan is required by applicable laws or for achieving an [REDACTED] of the Company.

On August 24, 2018, GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited and Xuj Limited each transferred 18,444,200, 271,811, 1,658,203 and 2,122,334 Ordinary Shares, respectively, to FortuNews Holdings, and the Company allotted and issued 12,720,948 Series C Preferred Shares to FortuNews Holdings. Upon completion of the transfers, the Company redesignated and reclassified the 22,496,548 Ordinary Shares (being the aggregate number of the Shares purchased from the Founder Companies) by FortuNews Holdings into Series C Preferred Shares, such that FortuNews Holdings now owned a total of 44,993,096 Series C Preferred Shares. FortuNews Holdings settled the subscription price for the total of 22,496,548 Ordinary Shares purchased from GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited and Xuj Limited with funds from Ocean Link on November 28, 2018.

At the closing of the Series D+ Financing, GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited, Xuj Limited and FortuNews Holdings each held 3.28%, 0.11%, 0.06%, 0.07% and 7.46%, respectively, of the Company’s share capital. Among the total of 44,993,096 Series C Preferred Shares held by FortuNews Holdings, 9,775,600 Series C Preferred Shares were held on behalf of a trust in which Mr. ZHENG Nanyan is the settlor and protector, and the remaining 35,217,496 were held as nominee for the benefit of Ocean Link.

At the time of granting the FortuNews Loans and since he first joined our Group on April 27, 2018, Mr. ZHENG Nanyan served as a Director and our chairman of the Board. Our Company financed FortuNews Holdings to subscribe for the FortuNews Shares as a form of incentive granted to Mr. ZHENG Nanyan.

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Our Directors are of the view that the commercial rationale and terms of the FortuNews Loans were fair, reasonable, and in the best interests of our Company and our Shareholders as a whole for the following reasons:

- a. As a Shareholder, Mr. ZHENG Nanyan’s interests would be further aligned with those of our Company. He would be furnished with additional incentive to leverage his industry experience and influence to provide strategic development direction to our Group and promote our long-term growth. Granting the FortuNews Loans to FortuNews Holdings allowed Mr. ZHENG Nanyan to indirectly hold Shares without the immediate financial burden of procuring cash for their subscription price;
- b. The arrangements in relation to the FortuNews Loans did not involve any actual fund outflows to FortuNews Holdings. As stipulated in the relevant loan agreements, FortuNews Holdings was to use the loan proceeds solely for paying the subscription price for the relevant FortuNews Shares. The subscription price was deemed to have been duly paid by FortuNews Holdings to the Company and the loan proceeds were deemed to have been duly disbursed by the Company to FortuNews Holdings at the same time; and
- c. Mr. ZHENG Nanyan has not obtained any additional economic benefits from the arrangement. For example, (i) he has not received any actual funds under the arrangements in relation to the FortuNews Loans; (ii) no dividends were paid or declared by the Company while FortuNews Holdings held the FortuNews Shares; and (iii) Mr. ZHENG Nanyan has never pledged or charged the FortuNews Shares to third parties for financing purposes.

In connection with the Series D+ Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each, comprising (i) 329,588,815 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares, (iv) 141,077,996 Series C Preferred Shares and (v) 102,249,489 Series D Preferred Shares.

The 1st FortuNews Loan and the 2nd FortuNews Loan were subsequently repaid through the surrender of certain FortuNews Shares by FortuNews Holdings. For more information, please refer to the paragraph headed “– 15. Share Cancellations by Our Company” below.

12. Subscription of Shares by KWJ Investment

On September 10, 2020, the Company, KWJ Investment and Ms. LIU Jia (our executive Director and chief executive officer) entered into a share subscription agreement, whereby KWJ Investment agreed to subscribe for 4,191,319 Ordinary Shares for a consideration of RMB27,578,879 (the “**KWJ Shares**” and “**KWJ Investment Round**”). KWJ Investment is an investment vehicle controlled by Ms. LIU Jia. On September 24, 2020, the Company allotted and issued such number of Ordinary Shares to KWJ Investment, after which Ms. LIU Jia owned 0.69% of the Company’s issued share capital through KWJ Investment.

HISTORY AND CORPORATE STRUCTURE

On September 10, 2020, the Company, KWJ Investment and Ms. LIU Jia also entered into a loan agreement, pursuant to which the Company loaned a sum denominated in U.S. Dollars in a principal amount equivalent to RMB13,789,439.50, solely for paying 50% of the subscription price for the KWJ Shares. Immediately following the closing of the KWJ Investment Round, 50% of the subscription price for the KWJ Shares was deemed duly paid by KWJ Investment and the loan proceeds were deemed duly disbursed by the Company (the “**KWJ Loan**”). The remaining 50% of the subscription price for the KWJ Shares was fully paid and settled by KWJ Investment on February 24, 2022.

At the time of granting the KWJ Loan and since May 2015, Ms. LIU Jia served as our chief executive officer. Our Company financed KWJ Investment to subscribe for the Company’s Ordinary Shares as a form of incentive granted to Ms. LIU Jia. The purpose of the arrangement was to allow Ms. LIU Jia to hold Shares in our Company without the immediate financial burden of procuring cash for the subscription price of the KWJ Shares. We believe this was beneficial to the long-term business development of our Group, as it incentivized Ms. LIU Jia by aligning her interests as a Director with that of our Company and our Shareholders. Ms. LIU Jia did not obtain any additional economic benefits from the arrangement. The Directors are of the view that the terms of the KWJ Loan were fair, reasonable, and in the best interests of our Company and our Shareholders as a whole.

The KWJ Loan was subsequently settled through the reacquisition of certain KWJ Shares by our Company. For more information, please refer to the paragraph headed “– 15. Share Cancellations by Our Company” below.

13. Series E Financing

On September 11, 2020, the Company, Cubic City Investment, the Founders, each of the Founders’ offshore investment vehicles, Mordenite Gem and CDPQ (Asia) entered into a share subscription agreement, pursuant to which (i) Mordenite Gem agreed to subscribe for 38,420,705 Series E Preferred Shares for a consideration of RMB375,754,494.90 and (ii) CDPQ (Asia) agreed to subscribe for 13,971,165 Series E Preferred Shares for a consideration of RMB136,637,993.70 (the “**Series E Financing**”). Mordenite Gem is controlled by certain investment funds advised or managed by Warburg Pincus.

On September 25, 2020, the Company allotted and issued (i) 38,420,705 Series E Preferred Shares to Mordenite Gem, and (ii) 13,971,165 Series E Preferred Shares to CDPQ (Asia), after which Mordenite Gem and CDPQ (Asia) held 5.82% and 17.61%, respectively, of the Company’s issued share capital. Upon closing of the Series E Financing, Warburg Pincus held 50.10% of the Company’s issued share capital through Mordenite Gem and Peridot Gem Investment.

In connection with the Series E Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each, comprising (i) 277,196,945 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares, (iv) 141,077,996 Series C Preferred Shares, (v) 102,249,489 Series D Preferred Shares, and (vi) 52,391,870 Series E Preferred Shares.

HISTORY AND CORPORATE STRUCTURE

14. Series E+ Financing

On September 9, 2021, the Company, Cubic City Investment, the Founders, each of the Founders’ offshore investment vehicles and Peridot Gem Group entered into a share subscription agreement, pursuant to which Peridot Gem Group agreed to subscribe for 26,380,368 Series E Preferred Shares for a consideration of RMB258,000,000 (the “**Series E+ Financing**”). Peridot Gem Group is controlled by certain investment funds advised or managed by Warburg Pincus.

On September 28, 2021, the Company allotted and issued 26,380,368 Series E Preferred Shares to Peridot Gem Group, after which Peridot Gem Group held 3.84% of the Company’s issued share capital. Upon closing of the Series E+ Financing, Warburg Pincus held 52.02% of the Company’s issued share capital through Mordenite Gem, Peridot Gem Investment and Peridot Gem Group.

In connection with the Series E+ Financing, the Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each, comprising (i) 250,816,577 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares, (iv) 141,077,996 Series C Preferred Shares, (v) 102,249,489 Series D Preferred Shares, and (vi) 78,772,238 Series E Preferred Shares.

15. Share Cancellations by Our Company

Under their respective loan agreements, all the outstanding principal and accrued but unpaid interest on the FortuNews Loans and the KWJ Loan were immediately due and payable upon the [REDACTED] of the Company. However, as our Company financed the FortuNews Loans and the KWJ Loan, there was a risk that the Stock Exchange would consider the subscription price for the Series C+ FortuNews Shares, the 12,720,948 Series C Preferred Shares allotted and issued by our Company to FortuNews Holdings under the Series D+ Financing and the KWJ Shares as not having been irrevocably settled within 28 clear days prior to the date of first submission of the Company’s [REDACTED] (the “**First Submission Date**”) (based on the principles in Guidance Letter HKEx-GL29-12). To reconcile the aforementioned repayment arrangements with the requirements of the Stock Exchange, we agreed on the following arrangements with FortuNews Holdings and KWJ Investment:

- On July 18, 2022, FortuNews Holdings surrendered 22,496,548 Series C Preferred Shares (i.e. being the total number of Series C Preferred Shares that FortuNews Holdings had subscribed for by using the 1st FortuNews Loan and 2nd FortuNews Loan) to the Company, pursuant to which the Company agreed to waive the outstanding principal and accrued interest amounts of the 1st FortuNews Loan and the 2nd FortuNews Loan (the “**FortuNews Holdings Share Surrender**”). Among the surrendered 22,496,548 Series C Preferred Shares, 9,775,600 had been held on behalf of a trust in which Mr. ZHENG Nanyan is the settlor and protector, while 12,720,948 had been held as nominee for the benefit of Ocean Link. The FortuNews

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Loans were deemed fully repaid by FortuNews Holdings upon completion of the FortuNews Holdings Share Surrender. Taking into account (i) the commercial rationale of granting the FortuNews Loans to FortuNews Holdings, namely the furnishing of additional incentive for Mr. ZHENG Nanyan to leverage his industry experience and influence to provide strategic development direction to our Group; (ii) there were no actual fund outflows to or from FortuNews Holdings under the arrangements in relation to the FortuNews Loans, and (iii) Mr. ZHENG Nanyan has not obtained any additional economic benefits from the arrangement, our Directors are of the view that the FortuNews Holdings Share Surrender was a fair and reasonable repayment method. For more information, see “– Our Establishment, Major Shareholding Changes and Development of Our Group – 11. Series D+ Financing”. Upon completion of the FortuNews Holdings Share Surrender, (i) FortuNews Holdings held 22,496,548 Series C Preferred Shares as nominee for the benefit of Ocean Link, representing 3.40% of the total issued share capital of our Company, and (ii) FortuNews Holdings ceased to hold any Shares on behalf of a trust in which Mr. ZHENG Nanyan is the settlor and protector.

- On August 1, 2022, with a view to settling the principal and accrued interest amounts on the KWJ Loan, our Company agreed to reacquire 2,095,660 Ordinary Shares from KWJ Investment at an aggregate purchase price of US Dollars equivalent to RMB14,807,740.5, such that the transaction underlying the KWJ Investment was unwound (the “**KWJ Investment Unwinding**”). Upon completion of the KWJ Investment Unwinding, the principal and accrued interest amounts on the KWJ Loan were deemed settled, and KWJ Investment held 2,095,659 Ordinary Shares, representing 0.30% of the total issued share capital of our Company.

Our Company subsequently canceled the total of 22,496,548 Series C Preferred Shares surrendered by FortuNews Holdings and 2,095,660 Ordinary Shares reacquired from KWJ Investment. Upon completion of such cancelations, our total issued and outstanding Shares decreased from 686,353,994 to 661,761,786. Therefore, as disclosed above, the FortuNews Loans and the KWJ Loan had been settled by virtue of the FortuNews Holdings Share Surrender and the KWJ Investment Unwinding, respectively, as of the First Submission Date. Neither FortuNews Holdings nor KWJ Investment had used cash to settle any part of the FortuNews Loans and the KWJ Loan.

16. The Shanghai Hanmo Share Swap

On December 3, 2021, Cubic City Investment, Ms. DING Min (丁敏), Ms. DING Juan (丁娟) and Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤達投資中心(有限合伙)) (“**Shenzhen Yinda**”), among other parties, entered into an investment agreement whereby Cubic City Investment acquired 59.94% shareholding in Shanghai Hanmo for an aggregate consideration of RMB226.2 million. The consideration was determined with reference to arm’s length negotiations and valuations of Shanghai Hanmo as agreed between the parties. Upon completion of the acquisition, Shanghai Hanmo became owned as to 59.94% by Shanghai Mozhu Enterprise Management Consulting Co., Ltd. (上海茉株企業管理諮詢有限公司)

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(“**Shanghai Mozhu**”, our indirect wholly-owned subsidiary), and became an indirect non-wholly owned subsidiary of our Company. The remaining 40.06% was held as to 26.14% by Ms. DING Min, 1.66% by Ms. DING Juan, 6.49% by Shenzhen Yinda and 5.77% by Shanghai Zhusen Enterprise Management Center (Limited Partnership) (上海築森企業管理中心(有限合伙)) (“**Shanghai Zhusen**”).

Subsequent to our acquisition of Shanghai Hanmo, each of Ms. DING Min, Ms. DING Juan, and Shanghai Zhusen transferred their respective 26.14%, 1.66% and 5.77% shareholding interests in Shanghai Hanmo to Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (“**Shanghai Hanbing**”, a company wholly-owned by Ms. DING Min). Upon completion of the relevant transfers, Shanghai Hanmo became owned as to 59.94% by Shanghai Mozhu, 33.57% by Ms. DING Min through Shanghai Hanbing and 6.49% by Shenzhen Yinda. As of the date of the Share Swap Agreement, (i) Shanghai Hanmo was an “insignificant subsidiary” of our Company within the meaning of Rule 14A.09 of the Listing Rules, although a subsidiary that made a material contribution (i.e. contributed 5% or more to our net profit, assets or revenue in any given period of the Track Record Period) to our results of operations; (ii) Ms. DING Min was a director of Shanghai Hanmo and the holder of 33.57% of the shares in Shanghai Hanmo through Shanghai Hanbing; and (iii) Ms. DING Min was not a director or shareholder (directly or indirectly) of any other subsidiaries of our Group. As such, each of Ms. DING Min, Shanghai Hanbing and Shenzhen Yinda were Independent Third Parties of our Company.

On September 18, 2022, our Company, Shanghai Mozhu, Ms. DING Min, Shanghai Hanbing and Shenzhen Yinda entered into a share swap agreement (the “**Share Swap Agreement**”), whereby (i) Shanghai Hanbing and Shenzhen Yinda agreed to transfer their collective 40.06% shareholding interest in Shanghai Hanmo to Shanghai Mozhu, and (ii) in consideration, our Company agreed to issue 25,037,391 Ordinary Shares to Mindy-Hope Holding Limited, an offshore investment vehicle established and wholly-owned by Ms. DING Min (“**Mindy-Hope**”), and 4,841,485 Ordinary Shares to Regent Capital Asia Ltd., an offshore investment vehicle under common control with Shenzhen Yinda (“**Regent Capital**”). The consideration was determined through arm’s length negotiations with reference to valuations of our Company and Chummy Space as agreed between the parties, taking into account our respective industry positioning and business scale. As of the date of the Share Swap Agreement, (i) Shanghai Hanmo was an “insignificant subsidiary” of our Company within the meaning of Rule 14A.09 of the Listing Rules, although a subsidiary that made a material contribution (i.e. contributed 5% or more to our net profit, assets or revenue in any given period of the Track Record Period) to our results of operations; (ii) Ms. DING Min was a director of Shanghai Hanmo and the holder of 33.57% of the shares in Shanghai Hanmo through Shanghai Hanbing; and (iii) Ms. DING Min was not a director or shareholder (directly or indirectly) of any other subsidiaries of our Group. As such, each of Ms. DING Min, Shanghai Hanbing and Shenzhen Yinda were Independent Third Parties of our Company.

On April 13, 2023, our Company, Shanghai Mozhu, Ms. DING Min, Shanghai Hanbing and Shenzhen Yinda entered into a supplemental agreement (the “**Supplemental Agreement**”) to the Share Swap Agreement. The parties to the Supplemental Agreement agreed to an incentive plan whereby 5,000,000 of the 25,037,391 Ordinary Shares that was to be transferred to Mindy-Hope under the Share Swap Agreement would instead be granted to Ms. DING Min

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as 5,000,000 options under the 2020 Pre-[REDACTED] Share Option Plan (the “**Incentive Options**”). On the [REDACTED], 5,000,000 Ordinary Shares underlying the Incentive Options will be issued to the Trust Holdco as [REDACTED] Exercised Shares, and such Ordinary Shares will vest in Ms. DING Min over time as the apartment communities that she is responsible for achieve certain milestones in financial performance. Prior to entering into the Share Swap Agreement, Ms. DING Min was a director and/or senior manager responsible for managing the business operations of certain apartment communities of the Group (including those under Shanghai Hanmo and its subsidiaries), and is expected to remain in these roles after completion of the Shanghai Hanmo Share Swap. The purpose of this arrangement was to establish a reward mechanism whereby the vesting of Incentive Options to Ms DING Min would be linked to the business and financial performance of her responsible apartment communities, with a view to benefiting the Company and the Shareholders as a whole. The Supplemental Agreement did not change the number of 4,841,485 Ordinary Shares that was to be issued to Regent Capital under the terms of the Share Swap Agreement.

Upon completion of the Shanghai Hanmo Share Swap, our total issued and outstanding Shares will increase from 661,761,786 to 686,640,662. As of the Latest Practicable Date, the Shanghai Hanmo Share Swap was still ongoing and is expected to be completed prior to the [REDACTED] of the [REDACTED]. Upon completion of the Shanghai Hanmo Share Swap and immediately prior to the [REDACTED], Ms. DING Min, through Mindy-Hope, will hold 2.92% of the total issued share capital in our Company, and Shenzhen Yinda, through Regent Capital, will hold 0.71% of the total issued share capital in our Company.

ACQUISITIONS, DISPOSALS AND MERGERS

We conducted the following acquisitions, throughout the Track Record Period and as of the Latest Practicable Date. Each of the transactions below had been properly and legally completed and all applicable regulatory approvals were obtained.

During the Track Record Period, we did not effect any acquisitions, disposals or mergers that constituted major transactions subject to disclosure requirements under Rule 4.05A of the Listing Rules.

Acquisition of the Vlinker Projects

Acquisition of the Phase 1 Interest

Vlinker Creator Space Operations is a company established in the PRC with limited liability on September 1, 2011, principally engaged in the operation of rental apartments. In February 2018 and March 2019, Cubic City Investment entered into agreements with Vlinker Creator Space Operations, among other parties, to subscribe for the registered capital of Vlinker Creator Space Operations through our indirect wholly-owned subsidiary, Shanghai Lifei Enterprise Management Information Co., Ltd. (上海立翊企業管理資訊有限公司) (“**Shanghai Lifei**”) (the “**Phase 1 Interest Agreements**”) for an aggregate consideration of RMB553,200,000. Payment of consideration for acquiring the Phase 1 Interest was settled on March 28, 2019. Each of the counterparties to the Phase 1 Interest Agreements were Independent Third Parties. On completion of the transactions, Vlinker Creator Space Operations became held as to 31.126% by Shanghai Lifei (the “**Phase 1 Interest**”) and held as to 41.915% by the founder of Vlinker Group (微領地集團) and his controlled entities. The

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remaining 26.959% was held by more than 25 individual and corporate shareholders that were primarily early investors and/or senior management officers of Vlinker Creator Space Operations, all of which were Independent Third Parties. The consideration for the Phase 1 Interest was determined after arm’s length negotiations with reference to the historical financial results, the enterprise value to EBITDA valuation method and growth potential of the projects owned and operated by Vlinker Creator Space Operations. In evaluating growth potential, the Company performed a well-rounded evaluation taking into account factors such as geographic presence, the location of rental apartments currently in operation, quality and efficiency of management, customer profile, forecasts of market rental price trend, potential cost reductions and synergies after consolidation, and financial performance. At the time of entry into the March 2019 Phase 1 Interest Agreement, Vlinker Creator Space Operations owned and operated a total of 36 projects. We believed that Vlinker Creator Space Operations was an attractive and strategic investment taking into account its various competitive strengths, including (i) sizeable market share in Shanghai, the location of our headquarters in China and one of our most crucial target markets, and (ii) management know-how in operating large-scale apartment communities.

Disposal of the Phase 1 Interest and Acquisition of the Vlinker Projects

Throughout the time we held the Phase 1 Interest, we were merely an investor and not involved in the management of Vlinker Creator Space Operations. Subsequently, Vlinker Group adjusted its strategies to transition into a business model that primarily operated rental apartments through self-owned and developed properties (the “**Self-owned and developed Model**”), whereas it had only operated rental apartments through the leased-and-operated and manachised and third-party managed models in the past. As we were looking to expand our portfolio of leased-and-operated and manachised and third-party managed model projects at the time, we therefore saw Vlinker Group’s strategy adjustment as an opportunity to acquire their projects, and thereby capitalize on their competitive strengths for ourselves and achieve economies of scale. After arm’s length negotiations, we agreed to dispose of the Phase 1 Interest and acquire projects held by Vlinker Creator Space Operations that we deemed attractive, had growth potential and had a proven track record. Our negotiations were founded on the agreement that the final deal would be mutually beneficial and allow us each to fulfill our business goals and expansion plans.

In January 2021, our Company, Cubic City Investment, Shanghai Lifei, Shanghai Youguan Apartment Management Co., Ltd. (上海友觀公寓管理有限公司) (“**Shanghai Youguan**”) and Mofan (Shanghai) Enterprise Management Information Consulting Co., Ltd. (魔泛(上海)企業管理諮詢有限公司) (“**Mofan Shanghai**”), our indirect wholly-owned subsidiary, entered into an agreement with Vlinker Creator Space Operations and other parties to (i) dispose of the Phase 1 Interest (the “**Disposal**”), and (ii) acquire the interests of certain projects owned by Vlinker Creator Space Operations (the “**Acquisitions**”) (the “**Disposal and Acquisition Agreement**”). All of the counterparties to the Disposal and Acquisition Agreement were Independent Third Parties. At the time of entry into the Disposal and Acquisition Agreement, Shanghai Youguan was a wholly-owned subsidiary of an investment vehicle respectively held as to 85% and 15% by the founder and chairman of the board of Vlinker Creator Space Operations. As such, Shanghai Youguan was an associate of Vlinker Creator Space Operations within the meaning of the Listing Rules.

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Pursuant to the Disposal and Acquisition Agreement, our Company disposed of its entire interest in Vlinker Creator Space Operations to Shanghai Youguan for a total consideration of RMB554,500,000. Payment of consideration for the Disposal was settled on January 27, 2021. The consideration for the Disposal was determined after arm’s length negotiations between the parties, taking into account the original investment amounts in our acquisition of the Phase 1 Interest.

Additionally, through Mofan Shanghai, we acquired (a) the entire equity interest of the 21 Vlinker Project Companies through business combinations (the “**Vlinker Equity Acquisitions**”); and (b) one project in the prime location of Lujiazui, Shanghai through an asset acquisition, for an aggregate consideration of RMB906.0 million (collectively, the Vlinker Project Companies and the project in Lujiazui, Shanghai are referred to as the “**Vlinker Projects**”). Payment of consideration for acquiring all of the Vlinker Projects was settled on July 5, 2021. The consideration for the Acquisitions was determined with reference to the historical financial results, the enterprise value to EBITDA valuation method and growth potential of the projects owned and operated by Vlinker Creator Space Operations. To ensure that the consideration paid would be fair and favorable to the Company and its shareholders as a whole, the Company (i) reviewed operating and financial data on the Vlinker Projects, including occupancy rate and store-level EBITDA; (ii) commissioned a financial due diligence report from an independent accounting firm on the *pro forma* consolidated financial performance of the Vlinker Projects in operation at the time of the Disposal and Acquisitions; and (iii) performed a detailed evaluation of growth potential for the Vlinker Projects that was similar to the analysis conducted at the time of acquiring the Phase 1 Interest. The Company forecasted, among other metrics, future growth rates, monthly rental prices per room, occupancy rates and rental income on a quarterly basis for a period of at least ten years.

At the time of entry into the Disposal and Acquisition Agreement, Vlinker Creator Space Operations owned and operated a total of 25 projects, out of which we selected the 22 Vlinker Projects operated under the leased-and-operated or the manachised and third-party managed models to acquire based on individual financial performance. All of the 22 Vlinker Projects have demonstrated profitability and/or favorable forecast results. Among the three remaining projects that we did not acquire and consolidate into our Group (the “**Excluded Projects**”), Vlinker Creator Space Operations retained one in Shanghai that was key to the business operations and strategic development of Vlinker Group. We did not acquire the remaining two Excluded Projects as they were loss-making based on our assessment of their financial performance. Throughout the time we held the Phase 1 Interest and as of the date of completion of the Disposal and Acquisitions, we regularly monitored the business, financial and legal aspects of Vlinker Creator Space Operations as an investor and had not been made aware of any material non-compliance incidents or regulatory penalties in relation to Vlinker Creator Space Operations, the Vlinker Projects or the Excluded Projects. Furthermore, as advised by our PRC Legal Advisor, since the completion of the Disposal and Acquisitions and as of December 31, 2022, there were no material non-compliance incidents or regulatory penalties in relation to the Vlinker Projects that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on the Group’s business, financial condition and results of operations.

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We believe that acquiring the Vlinker Projects allowed us to expand our project portfolio, grow our customer base and enhance our market presence and operational capabilities in Shanghai. Accordingly, our Directors believe that the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole. To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors were not aware of any non-compliance with applicable PRC laws and regulations with respect to the disposal of the Phase 1 Interest during the Track Record Period and up to the date of disposal from our Group which would have a material adverse effect on our business, operations and financial conditions. Upon completion of the Acquisitions, the Vlinker Projects were consolidated into our Group. For more information on the Vlinker Equity Acquisitions, see Note 38.1(b) to the Accountant’s Report as set out in Appendix I to this document.

The Mohui Transfer

After entering into the Disposal and Acquisition Agreement, we decided to transfer ownership of the Vlinker Projects to Shanghai Mohui Enterprise Management Consulting Co., Ltd. (上海魔慧企業管理諮詢有限公司) (“**Shanghai Mohui**”) to streamline the shareholding structure of the Group (the “**Mohui Transfer**”). In September 2021, our Company, Cubic City Investment, Shanghai Lifei, Shanghai Mofan, Shanghai Youguan and Shanghai Mohui, our indirect wholly-owned subsidiary, entered into an agreement with Vlinker Creator Space Operations and other parties to transfer the rights and obligations under the Disposal and Acquisition Agreement from Shanghai Mofan to Shanghai Mohui. Upon completion of the Mohui Transfer, Shanghai Mohui became the holding company of the Vlinker Projects.

Subscription of a Minority Interest in Guangzhou Wowqu

Guangzhou Wowqu is a company established in the PRC with limited liability on March 23, 2010, principally engaged in the operation of rental apartments. In December 2018, we entered into an agreement with various parties to invest in Guangzhou Wowqu through our indirect wholly-owned subsidiary, Shanghai Xier Enterprise Management Consulting Co., Ltd. (上海熙爾企業管理諮詢有限公司) (“**Shanghai Xier**”) (the “**Guangzhou Wowqu Agreement**”). All of the counterparties to the Guangzhou Wowqu Agreement were Independent Third Parties.

Pursuant to the terms of the Guangzhou Wowqu Agreement, Shanghai Xier subscribed for an increase in the registered capital of Guangzhou Wowqu by RMB6,303,786 for an aggregate consideration of RMB126,000,000 (the “**Wowqu Investment**”). The consideration was based on valuation of Guangzhou Wowqu and its growth prospects within the rental apartment industry in the PRC. Taking into account the impact of an additional financing round conducted subsequent to the Wowqu Investment, Guangzhou Wowqu was held as to 25.5319% by Shanghai Xier as of June 30, 2022. The consideration under the Guangzhou Wowqu Agreement was determined after arm’s length negotiations between the parties, taking into account the growth prospects of Guangzhou Wowqu. Based on the information provided by Guangzhou Wowqu, its apartment portfolio as of June 30, 2022 consisted of over 40,000 apartments under management and contracted for management, ranging from employee dormitories to luxury

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serviced suites. According to an auditors’ report issued by the PRC-based branch of an established accounting firm and prepared based on PRC GAAP, Guangzhou Wowqu’s growth rate of revenue for the year ended December 31, 2021 as compared to the year ended December 31, 2020 was 57.0%. Its growth rate of store-level EBITDA over the same period was 92.7%, reaching RMB22.7 million for the year ended December 31, 2021. As the Wowqu Investment allowed us to enhance our manachised and third-party managed apartment network, our Directors believe that the Wowqu Investment was fair and reasonable and in the interests of the Shareholders as a whole. For more information on the Wowqu Investment, see Note 20 to the Accountant’s Report as set out in Appendix I to this document.

PRE-[REDACTED] INVESTMENTS

Overview

We have conducted multiple rounds of Pre-[REDACTED] Investments, which are summarized below:

Round	Date of initial share subscription agreement	Date on which investment was settled ⁽²⁾	Total number of shares subscribed	Amount of consideration	Post-money valuation ⁽⁶⁾⁽⁸⁾⁽⁹⁾	Cost per share paid (approx.) ⁽⁸⁾	[REDACTED]
1. Series A	June 28, 2012	July 6, 2012	250,000 Series A Preferred Shares	US\$7,500,000	US\$37,500,000.00 (equivalent to HK\$294,363,750.00)	US\$0.300 (equivalent to HK\$2.355) ⁽⁷⁾	[REDACTED]
2. Series B							
<i>Tranche I</i>	December 1, 2012 (as amended on October 14, 2013) ⁽¹⁾	January 25, 2013	739,436 Series B Preferred Shares	RMB189,000,000	RMB544,000,000 (equivalent to HK\$620,540,800.00)	RMB2.556 (equivalent to HK\$2.916) ⁽⁷⁾	[REDACTED]
<i>Tranche II</i>	December 1, 2012 (as amended on October 14, 2013) ⁽¹⁾	October 28, 2013	509,181 Series B Preferred Shares	RMB189,000,000	RMB979,000,000 (equivalent to HK\$1,116,745,300.00)	RMB3.712 (equivalent to HK\$4.234) ⁽⁷⁾	[REDACTED]
<i>Tranche III</i>	December 1, 2012 (as amended on October 14, 2013) ⁽¹⁾	September 9, 2015	678,909 Series B Preferred Shares	RMB252,000,000	RMB1,231,000,000 (equivalent to HK\$1,404,201,700.00)	RMB3.712 (equivalent to HK\$4.234) ⁽⁷⁾	[REDACTED]
<i>Tranche IV</i>	December 1, 2012 (as amended on October 14, 2013) ⁽¹⁾	January 30, 2016	509,181 Series B Preferred Shares	RMB189,000,000	RMB1,420,000,000 (equivalent to HK\$1,619,794,000.00)	RMB3.712 (equivalent to HK\$4.234) ⁽⁷⁾	[REDACTED]

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Round	Date of initial share subscription agreement	Date on which investment was settled ⁽²⁾	Total number of shares subscribed	Amount of consideration	Post-money valuation ⁽⁶⁾⁽⁸⁾⁽⁹⁾	Cost per share paid (approx.) ⁽⁸⁾	[REDACTED]
3. Series C	February 6, 2016	March 24, 2016	960,849 Series C Preferred Shares	RMB575,000,000	RMB2,875,000,000 (equivalent to HK\$3,279,512,500.00)	RMB5.984 (equivalent to HK\$6.826) ⁽⁷⁾	[REDACTED]
4. Hongmanzhang Transfer	July 20, 2016	December 23, 2016	73,085 Ordinary Shares	RMB39,362,000	RMB2,577,875,196.39 (equivalent to HK\$2,940,582,236.52)	RMB5.386 (equivalent to HK\$6.144) ⁽⁷⁾	[REDACTED]
5. GGX Transfer	March 10, 2017	June 16, 2017	37,976 Ordinary Shares	RMB24,999,601	RMB3,150,916,110.41 (equivalent to HK\$3,594,250,007.14)	RMB6.583 (equivalent to HK\$7.509) ⁽⁷⁾	[REDACTED]
6. Luxin Transfer	March 10, 2017	June 16, 2017	75,200 Ordinary Shares	RMB44,999,680	RMB2,864,208,089.60 (equivalent to HK\$3,267,202,167.81)	RMB5.984 (equivalent to HK\$6.826) ⁽⁷⁾	[REDACTED]
<i>(prior to the Share Subdivision)</i>							
<i>(after the Share Subdivision)</i>							
7. Series C+	April 27, 2018	April 27, 2018 ⁽³⁾	9,775,600 Series C Preferred Shares	RMB58,458,088	RMB2,920,751,600.00 (equivalent to HK\$3,331,701,350.12)	RMB5.980 (equivalent to HK\$6.821)	[REDACTED]
8. Luxin II Transfer	June 26, 2018	March 18, 2019	20,333,881 Ordinary Shares	RMB133,796,937	RMB3,213,803,600.48 (equivalent to HK\$3,665,985,767.07)	RMB6.580 (equivalent to HK\$7.506)	[REDACTED]
9. Series D	June 26, 2018	July 31, 2018	102,249,489 Series D Preferred Shares	RMB1,000,000,000	RMB5,776,747,588.44 (equivalent to HK\$6,589,535,974.13)	RMB9.780 (equivalent to HK\$11.156)	[REDACTED]
10. Series D+	July 30, 2018	November 28, 2018 ⁽⁴⁾	12,720,948 Ordinary Shares	RMB83,703,838	RMB3,970,309,083.05 (equivalent to HK\$4,528,931,571.03)	RMB6.580 (equivalent to HK\$7.506)	[REDACTED]
11. KWJ Investment Round	September 10, 2020	February 24, 2022 ⁽⁵⁾	4,191,319 Ordinary Shares	RMB27,578,879	RMB3,997,887,951.58 (equivalent to HK\$4,560,390,786.37)	RMB6.580 (equivalent to HK\$7.506)	[REDACTED]
12. Series E	September 11, 2020	September 25, 2020	52,391,870 Series E Preferred Shares	RMB512,392,488.60	RMB6,454,542,062.28 (equivalent to HK\$7,362,696,130.44)	RMB9.780 (equivalent to HK\$11.156)	[REDACTED]
13. Series E+	September 9, 2021	September 28, 2021	26,380,368 Series E Preferred Shares	RMB258,000,000	RMB6,712,542,086.30 (equivalent to HK\$7,656,996,757.84)	RMB9.780 (equivalent to HK\$11.156)	[REDACTED]

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Notes:

- (1) Refers to the date on which the initial Series B Share Subscription Agreement was executed, whereby Peridot Gem Investment agreed to subscribe for the Series B Preferred Shares under Tranche I and Tranche II. Under the Series B SSA Amendment dated October 14, 2013, Peridot Gem Investment revised the terms of its investment so as to increase its investment amount and disperse it across four tranches. For more information, see “– Our Establishment, Major Shareholding Changes and Development of Our Group – 4. Series B Financing” above.
- (2) Unless otherwise indicated, refers to the date of irrevocable settlement and receipt of funds by the Company or the relevant Shareholder.
- (3) During the Series C+ Financing and pursuant to the terms of the 1st FortuNews Loan, the Company loaned FortuNews Holdings a sum denominated in U.S. Dollars in a principal amount equivalent to RMB58,458,088, solely for paying the subscription price for the Series C+ FortuNews Shares. The Series C+ FortuNews Shares were held by FortuNews Holdings on behalf of a trust in which Mr. ZHENG Nanyan is the settlor and protector. Immediately following the closing of the Series C+ Financing, the subscription price for the Series C+ FortuNews Shares was deemed paid by FortuNews Holdings and the loan proceeds deemed duly disbursed by the Company. The date set forth in the table above refers to the date of executing the 1st FortuNews Loan, executing the Series C+ Share Subscription Agreement and the issuance and allotment of the FortuNews Shares. The 1st FortuNews Loan was subsequently repaid through the FortuNews Holdings Share Surrender. For more information, please refer to “– Our Establishment, Major Shareholding Changes and Development of Our Group – 8. Series C+ Financing” and “– Our Establishment, Major Shareholding Changes and Development of Our Group – 15. Share Cancellations by Our Company.”
- (4) During the Series D+ Financing and pursuant to the terms of the 2nd FortuNews Loan, the Company loaned FortuNews Holdings a sum denominated in U.S. Dollars in a principal amount equivalent to RMB83,703,838, solely for paying the subscription price for the 12,720,948 Series C Preferred Shares to be allotted and issued by the Company. Immediately following the closing of the Series D+ Financing, the subscription price for the 12,720,948 Series C Preferred Shares was deemed paid by FortuNews Holdings and the loan proceeds deemed duly disbursed by the Company. The 2nd FortuNews Loan was subsequently repaid through the FortuNews Holdings Share Surrender.

In addition, as part of the Series D+ Financing, FortuNews Holdings agreed to purchase Ordinary Shares from each of GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited and Xuj Limited (collectively the “**Founder Companies**”). The date set forth in the table above refers to the date of irrevocable settlement and receipt of the subscription price for the Ordinary Shares purchased from each of GGX Holdings Limited, Yinxiaowei Holdings Limited, Hongmanzhang Holdings Limited and Xuj Limited, which is later than the date of executing the Series D+ Share Subscription Agreement and the 2nd FortuNews Loan. The Ordinary Shares purchased by FortuNews Holdings from the Founder Companies were redesignated into Series C Preferred Shares. For more information, please refer to “– Our Establishment, Major Shareholding Changes and Development of Our Group – 11. Series D+ Financing” and “– Our Establishment, Major Shareholding Changes and Development of Our Group – 15. Share Cancellations by Our Company.”

- (5) During the KWJ Investment Round and pursuant to the terms of the KWJ Loan, the Company loaned KWJ Investment a sum denominated in U.S. Dollars in a principal amount equivalent to RMB13,789,439.50, solely for paying 50% of the subscription price for the KWJ Shares. Immediately following the closing of the KWJ Investment Round, 50% of the subscription price for the KWJ Shares was deemed duly paid by KWJ Investment and the loan proceeds were deemed duly disbursed by the Company. The KWJ Loan was subsequently settled through the KWJ Investment Unwinding. The date set forth in the table above refers to the date of irrevocable settlement and receipt of 50% of the subscription price for the KWJ Shares. For more information, please refer to “– Our Establishment, Major Shareholding Changes and Development of Our Group – 12. Subscription of Shares by KWJ Investment” and “– Our Establishment, Major Shareholding Changes and Development of Our Group – 15. Share Cancellations by Our Company.”
- (6) The implied valuation is calculated based on the cost per share paid to the Company and the then enlarged issued share capital of the Company after each round of Pre-[REDACTED] Investment.
- (7) The cost per share paid has been adjusted to reflect the Share Subdivision prior to prior to Series C+.
- (8) Calculated based on the currency conversion rates of HK\$1:RMB[0.8767] and US\$1:HK\$[7.8497]. For more information on the exchange rates adopted throughout this document, please refer to “Information about this Document and the [REDACTED].”
- (9) The [REDACTED] to the [REDACTED] is calculated based on the assumption that the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per Share.

HISTORY AND CORPORATE STRUCTURE

Principal Terms of the Pre-[REDACTED] Investments and the Pre-[REDACTED] Investors’ Rights

Basis of determining the consideration paid	The consideration paid for the Pre-[REDACTED] Investments were determined after arm’s length negotiations between the Company and the respective Pre-[REDACTED] Investors, and taking into account (a) the investment risks commonly assumed by such pre-[REDACTED] investors in investing in an unlisted company, including the lack of liquidity and an open market for [REDACTED] in our Shares prior to the completion of the [REDACTED] and the [REDACTED], and the uncertainty of the timeline of the [REDACTED] process and whether the [REDACTED] will be completed; (b) the growth prospects of our Group and the rental apartment industry in the PRC; and (c) the historical financial performance of our Group and the market value of other comparable companies that operate rental apartments in the PRC.
Lock-up period	The Shares held by the Pre-[REDACTED] Investors are subject to a lock-up for six months from the [REDACTED].
Use of proceeds from the Pre-[REDACTED] Investments	The proceeds received by our Company from the Pre-[REDACTED] Investments were deployed for our operations in accordance with the business plans and budgets as approved by the Board. As of the Latest Practicable Date, the funds raised from the Pre-[REDACTED] Investments have been fully utilized.
Strategic benefits from the Pre-[REDACTED] Investors	At the time of the Pre-[REDACTED] Investments, the Directors were of the view that the Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors’ investments in the Company and their knowledge and experience, including but not limited to the following materialized benefits and/or opportunities: (i) Our Pre-[REDACTED] Investors have provided valuable financing that served as additional working capital for our growth. We have been able to leverage their investment funds to expand our project portfolio, whether by acquiring new projects or leasing more properties in prime locations for new rental apartments;

HISTORY AND CORPORATE STRUCTURE

- (ii) Our Pre-[REDACTED] Investors have provided strategic advice throughout our years of development, allowing us to streamline our capital and management structure. The majority of them are backed by major investment funds, including Warburg Pincus, CDPQ, AVIC Industry Finance, DT Capital and Ocean Link, which are able to contribute their unique perspectives on corporate governance, marketing, branding, financial reporting and operations from their experiences with professionally investing in and managing portfolio companies. Additionally, by bringing in Ms. LIU Jia as a Pre-[REDACTED] Investor, we were able to align her incentives with those of the Group long term while benefiting from her extensive, first-hand knowledge in hotel management and related industries;
- (iii) Our Pre-[REDACTED] Investors have a strong network of contacts both upstream and downstream of the rental apartment industry, which we have accessed to tap into market information as well as opportunities for cooperation and generating business synergies. For example, we have leveraged this network to look for acquisition targets such as the Vlinker Projects, corporate customers, and various supply chain strategic partners; and
- (iv) The Pre-[REDACTED] Investments served as endorsements of our performance, strength and prospects, and enhanced our branding, name recognition and standing in the rental apartment industry.

Special Rights of the Pre-[REDACTED] Investors

(1) Put Option Right Granted to HangFang Investment

On September 11, 2020, the Company, Cubic City Investment, AVIC Trust Co., Ltd. (中航信托股份有限公司) (“**AVIC Trust**”) and HangFang Investment entered into a loan and repurchase agreement (the “**AVIC Loan and Repurchase Agreement**”), pursuant to which the Company granted HangFang Investment a put option right (the “**HangFang Put Option**”) permitting HangFang Investment to request the Company to repurchase 5,112,475 Series C Preferred Shares held by HangFang Investment at a pre-determined repurchase price when certain conditions are satisfied.

The HangFang Put Option has been suspended with effect from March 11, 2022, and will only be exercisable if the [REDACTED] does not take place, otherwise the HangFang Put Option would terminate upon the [REDACTED].

HISTORY AND CORPORATE STRUCTURE

(2) Divestment Rights and Other Special Rights under the Shareholders’ Agreement

All of the Pre-[REDACTED] Investors are currently bound by the terms of the effective memorandum and articles of association of the Company, which will be replaced by the Articles of Association effective from the [REDACTED]. Pursuant to our amended and restated shareholders agreement entered into on September 28, 2021 by, among others, the Company and holders of our ordinary and Preferred Shares (the “Shareholders’ Agreement”), the Pre-[REDACTED] Investors were granted certain special rights.

The divestment rights granted to the Pre-[REDACTED] Investors under the Shareholders’ Agreement were suspended on the day immediately prior to the date of the Company’s first submission of the [REDACTED] to the Stock Exchange (the “**First Submission Date**”) and will terminate upon the [REDACTED]. All other special rights under the Pre-[REDACTED] Investments shall terminate and be of no further force or effect upon the completion of the [REDACTED] in accordance with the Guidance Letter GL43-12, including but not limited to, shareholder participation rights, anti-dilution protection, restriction on sale, contractual rights to veto the applicant’s major corporate actions, nomination and appointment rights, financial compensation to be settled by our Company or linked to the [REDACTED] or [REDACTED] of our Shares, information rights, right to audit and rights of first refusal.

Upon completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), the Shares held by the following Shareholders will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules, as these Shareholders are either controlled by our Directors, are controlled by directors of our subsidiaries or are our substantial shareholders and thus core connected persons of our Company:

- (a) [REDACTED] Shares collectively held by Warburg Pincus through Peridot Gem Investment, Peridot Gem Group and Mordenite Gem;
- (b) [REDACTED] Shares held by CDPQ (Asia) (a substantial Shareholder of our Company);
- (c) [REDACTED] Shares held by the Trust Holdco, which shall follow the instructions of Mr. ZHANG Qiqi (a non-executive Director) in his capacity as the trust administrator;
- (d) [REDACTED] Shares held by FortuNews Holdings, which is in turn indirectly controlled by Ocean Link. The general partner of Ocean Link is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. ZHENG Nanyan (a non-executive Director and the chairman of the Board); and
- (e) [REDACTED] Shares held by KWJ Investment, which is controlled by Ms. LIU Jia (the executive Director and chief executive officer of our Company).

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Save as disclosed above in this section and in the section headed “Substantial Shareholders” in this document, to the best knowledge of our Directors, the remaining Shareholders are not core connected persons of the Company. Accordingly, upon the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), approximately [REDACTED] of the issued share capital of our Company will count towards the [REDACTED].

Lock-up Arrangements

All individuals and entities who were Shareholders of our Company prior to the [REDACTED] will be subject to lock-up arrangements after the [REDACTED], which is set out as follows:

Name	Number of Shares held in the Company subject to the lock-up arrangements upon the [REDACTED]	Percentage of shareholding in the Company subject to the lock-up arrangements upon the [REDACTED] ⁽¹⁾	Lock-up period
Warburg Pincus (<i>through Peridot Gem Investment, Peridot Gem Group and Mordenite Gem</i>)	[REDACTED]	[REDACTED]	
CDPQ (Asia)	[REDACTED]	[REDACTED]	
HangFang Investment	[REDACTED]	[REDACTED]	
Trust Holdco	[REDACTED]	[REDACTED]	
DT MF Investment	[REDACTED]	[REDACTED]	
Mindy-Hope	[REDACTED]	[REDACTED]	
FortuNews Holdings	[REDACTED]	[REDACTED]	Six months
GGX Holdings Limited	[REDACTED]	[REDACTED]	upon the
BLL Holding Limited	[REDACTED]	[REDACTED]	[REDACTED]
Xuhaiyan Holdings Limited	[REDACTED]	[REDACTED]	
Regent Capital	[REDACTED]	[REDACTED]	
Luxin Holdings Limited	[REDACTED]	[REDACTED]	
KWJ Investment	[REDACTED]	[REDACTED]	
Yingyingjun Holdings Limited	[REDACTED]	[REDACTED]	
Yinxiaowei Holdings Limited	[REDACTED]	[REDACTED]	
Xuj Holdings Limited	[REDACTED]	[REDACTED]	
Hongmanzhang Holdings Limited	[REDACTED]	[REDACTED]	
Total	[REDACTED]	[REDACTED]	

Note:

- (1) Assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED].

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Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the settlement of the consideration for the Pre-[REDACTED] Investments was settled 28 clear days prior to the First Submission Date, and (ii) the special rights granted to the Pre-[REDACTED] Investors in respect of our Company have been suspended prior to the First Submission Date and/or will be terminated upon [REDACTED], the Joint Sponsors have confirmed that the Pre-[REDACTED] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 (as updated in March 2017), and the Guidance Letter HKEX-GL43-12 issued in October 2012 (as updated in July 2013 and in March 2017).

Information on the Principal Pre-[REDACTED] Investors

The following sets forth information on each of our Pre-[REDACTED] Investors in accordance with the principles of Guidance Letter HKEx-GL43-12. To the best of our Directors’ knowledge, information and belief having made all reasonable inquiries, save for Ocean Link (investing through FortuNews Holdings) and Ms. LIU Jia (investing through KWJ Investment), each of Warburg Pincus, CDPQ (Asia), HangFang Investment and DT MF Investment were Independent Third Parties at the time of their respective initial Pre-[REDACTED] Investments.

Peridot Gem Investment, Mordenite Gem and Peridot Gem Group

Each of Peridot Gem Investment, Mordenite Gem and Peridot Gem Group is controlled by certain investment funds advised or managed by Warburg Pincus LLC. Peridot Gem Investment, Mordenite Gem and Peridot Gem Group held 44.16%, 5.81% and 3.99%, respectively, of the total issued share capital of our Company as of the Latest Practicable Date. For more information on Warburg Pincus and each of these shareholding vehicles, please refer to the sections headed “Substantial Shareholders” and “Relationship with Warburg Pincus” in this document.

CDPQ (Asia)

CDPQ (Asia) is a wholly-owned subsidiary of CDPQ. CDPQ is a legal person without share capital created by a special act of the Legislature of the Province of Quebec and manages the funds of its depositors, primarily comprising public and para-public pension and insurance plans from the province of Quebec, Canada. As of December 31, 2022, CDPQ managed approximately CA\$401.9 billion in net assets. CDPQ (Asia) held 17.56% of the total issued share capital of our Company as of the Latest Practicable Date.

HangFang Investment

HangFang Investment is a wholly-owned subsidiary of Shanghai Hangdai Investment Management Partnership Enterprise (Limited Partnership) (上海航黛投資管理合夥企業(有限合伙)) (“Shanghai Hangdai”), which is in turn an indirect wholly-owned subsidiary of AVIC

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Industry Finance. For more information on HangFang Investment, one of our substantial shareholders, please refer to the section headed “Substantial Shareholders” in this document. AVIC Industry Finance, a company listed on the Shanghai Stock Exchange, is backed by the state-owned China Air Industry Group Co., Ltd. (中國航空工業集團有限公司) and holds its investments in various industrial, trust management, insurance, and securities trading businesses. HangFang Investment held 13.07% of the total issued share capital of our Company as of the Latest Practicable Date.

DT MF Investment

DT MF Investment is an investment vehicle directly wholly owned by DT Capital. DT Capital is a leading venture capital firm that provides growth capital to early and expansion stage companies in China. DT Capital invests in dynamic businesses that have high growth potential, strong management teams, and demonstrated revenue models in both technology-based and traditional industries. DT Capital manages multiple US dollar and RMB funds. As of December 31, 2022, DT Capital had approximately RMB20 billion in assets under management. DT MF Investment held 4.48% of the total issued share capital of our Company as of the Latest Practicable Date.

FortuNews Holdings

Ocean Link invested in our Company during the Series D+ Financing through FortuNews Holdings, which initially held shares in our Company on behalf of Ocean Link through a nominee arrangement. As of September 16, 2022, FortuNews Holdings has been wholly-owned by Ocean MF Company Limited, which is controlled by Ocean Link. Since completion of the transfer, all of the 22,496,548 Series C Preferred Shares that had been held by FortuNews Holdings as nominee for the benefit of Ocean Link since the Series D+ Financing was settled on November 28, 2018 became Shares held by Ocean Link through FortuNews Holdings as its investment vehicle. The general partner of Ocean Link is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. ZHENG Nanyan. For more information, see “– Our Establishment, Major Shareholding Changes and Development of our Group – 11. Series D+ Financing.” FortuNews Holdings held 3.40% of the total issued share capital of our Company as of the Latest Practicable Date.

Ocean Link is a private equity firm focused on investing in China’s consumer, travel and technology sectors, with teams based in Shanghai, Beijing and Hong Kong. Its limited partners include Chinese and global corporates, financial institutions, sovereign wealth funds and family offices. It currently manages two USD funds and one RMB fund. As of December 31, 2022, Ocean Link had approximately US\$2.0 billion in assets under management.

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KWJ Investment

KWJ Investment is an investment vehicle directly wholly owned by Ms. LIU Jia, our executive Director and chief executive officer. KWJ Investment is principally engaged in investment holding. KWJ Investment held 0.32% of the total issued share capital of our Company as of the Latest Practicable Date. For more information on Ms. LIU Jia, see “Directors and Senior Management – Board of Directors – Executive Director – Ms. LIU Jia.”

PRE-[REDACTED] SHARE OPTION PLANS

Our Company has adopted the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan (collectively, the “**Pre-[REDACTED] Share Option Plans**”), respectively. The purpose of the Pre-[REDACTED] Share Option Plans is to attract, motivate, retain and reward employees, directors, officers and other eligible persons who make a material contribution to the Group.

Pursuant to the Pre-[REDACTED] Share Option Plans, 38,786,487 [REDACTED] Exercised Shares will be allotted and issued pursuant to the Exercised Pre-[REDACTED] Options on the date of the [REDACTED]. In order to facilitate the administration of the Pre-[REDACTED] Share Option Plans, pursuant to the resolutions of the Board dated April 30, 2022, our Company engaged Futu Trustee Limited as the trustee (the “**Trustee**”) to establish a trust (the “**ESOP Trust**”). The Trustee will hold the 38,786,487 [REDACTED] Exercised Shares through a company incorporated under the laws of the BVI which is wholly owned by the ESOP Trust as designated by the Trustee (the “**Trust Holdco**”) and administer the [REDACTED] according to the terms and conditions of the relevant trust deed executed between the Company and the Trustee. Our Board has also appointed Mr. ZHANG Qiqi, a non-executive Director, to serve as the trust administrator (the “**Trust Administrator**”) to administer the ESOP Trust, whom has the authority in his discretion to exercise the powers of the Trust Administrator under the ESOP Trust. The Trustee shall follow the instructions of the Trust Administrator to conduct the relevant actions to assist in administering the Pre-[REDACTED] Share Option Plans. For more information on the shareholding structure of the Company, see “– Capitalization”, “– Corporate Structure Immediately Prior to the [REDACTED]” and “– Corporate Structure Immediately after the [REDACTED]” below.

As of the Latest Practicable Date, other than those granted under the Pre-[REDACTED] Share Option Plans, the Company did not have any outstanding options, warrants or similar rights to subscribe for any shares or such convertible securities. For a summary of the principal terms of the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan and the information about the grantees of options under the Pre-[REDACTED] Share Option Plans, see “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans.”

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PRC REGULATORY REQUIREMENTS

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among others, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that prior CSRC approval under the M&A Rules in relation to this [REDACTED] is not required, primarily because (i) we are not controlled by PRC companies or individuals, and (ii) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this document are subject to M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC government authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor.

SAFE REGISTRATION IN THE PRC

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 75 promulgated by the SAFE on October 21, 2005 and effective on November 1, 2005, a PRC resident shall apply to the local SAFE branch for foreign exchange registration of overseas investment before setting up or taking control of any overseas special purpose vehicle.

The Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37 promulgated by SAFE on July 4, 2014, replaced the Circular 75 but continued to implement registration and administration by the SAFE and its branches in relation to the establishment of special purpose vehicles by PRC residents.

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Pursuant to the ODI Rules, a domestic institution shall undergo registration procedures for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with the relevant authorities prior to its overseas direct investment and obtain the relevant records, approvals, certificates or permits.

Pursuant to the Circular 13, promulgated by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated by local SAFE branches to qualified banks.

As advised by our PRC Legal Advisor, (i) Mr. GE Lan, Mr. LU Xin, Ms. XU Haiyan, Mr. XU Jia, Ms. ZHANG Hongman, Mr. YIN Xiaowei, Ms. BAI Lingling, Ms. YING Yingjun, Mr. ZHENG Nanyan and Ms. LIU Jia, who were the ultimate shareholders of our Company that are PRC residents at the time of the Pre-[REDACTED] Investments, have completed the foreign exchange registrations pursuant to Circular 75, Circular 37 and/or Circular 13 in relation to their offshore investments, and (ii) the ultimate shareholders of the Company that are PRC corporate entities, namely Shanghai Hangdai, has completed the overseas direct investment registration with Administrative Commission of China (Shanghai) Pilot Free Trade Zone in March 2016. As of the Latest Practicable Date, each of Ms. DING Min and Shenzhen Yinda have respectively completed the Circular 37 registration and overseas direct investment registration required for the Shanghai Hanmo Share Swap that is expected to be completed prior to the [REDACTED] of the [REDACTED].

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CAPITALIZATION

The following table sets forth the shareholding structure of the Company (a) as of the date of this document, and (b) immediately upon completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]):

Shareholders	Ordinary Shares	As of the date of this document				Aggregate number of Shares	Aggregate ownership percentage	Immediately upon completion of the [REDACTED]
		Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series E Preferred Shares		
GGX Holdings Limited ⁽¹⁾	19,764,800	-	-	-	-	-	2.88%	[REDACTED]
Luxin Holdings Limited ⁽¹⁾	4,191,319	-	-	-	-	-	0.61%	[REDACTED]
Xuhaiyan Holdings Limited ⁽¹⁾	5,593,400	-	-	-	-	-	0.81%	[REDACTED]
Xuj Holdings Limited ⁽¹⁾	437,466	-	-	-	-	-	0.06%	[REDACTED]
Hongmanzhang Holdings Limited ⁽¹⁾	341,797	-	-	-	-	-	0.05%	[REDACTED]
Yinxiaowei Holdings Limited ⁽¹⁾	659,089	-	-	-	-	-	0.10%	[REDACTED]
BLL Holding Limited ⁽¹⁾	14,814,800	-	-	-	-	-	2.16%	[REDACTED]
Yingyingjun Holdings Limited ⁽¹⁾	2,000,000	-	-	-	-	-	0.29%	[REDACTED]
DT MF Investment ⁽²⁾	-	29,629,600	-	-	-	-	4.32%	[REDACTED]
Warburg Pincus ⁽³⁾	38,959,981	-	243,670,700	9,608,500	-	64,801,073	52.00%	[REDACTED]
Hangfang Investment ⁽⁵⁾	-	-	-	86,476,400	-	-	12.59%	[REDACTED]
FortuNews Holdings ⁽⁶⁾	-	-	-	22,496,548	-	-	3.28%	[REDACTED]
CDPQ (Asia) ⁽⁷⁾	-	-	-	-	102,249,489	13,971,165	16.93%	[REDACTED]
KWJ Investment ⁽⁸⁾	2,095,659	-	-	-	-	-	0.31%	[REDACTED]
Mindy-Hope	20,037,391	-	-	-	-	-	2.92%	[REDACTED]
Regent Capital Trust Holdco ⁽⁹⁾	4,841,485	-	-	-	-	-	0.71%	[REDACTED]
Participants in the [REDACTED]	-	-	-	-	-	-	-	[REDACTED]
TOTAL	83,858,311	29,629,600	243,670,700	118,581,448	102,249,489	78,772,238	100.0%	[REDACTED]
								[100.0%]

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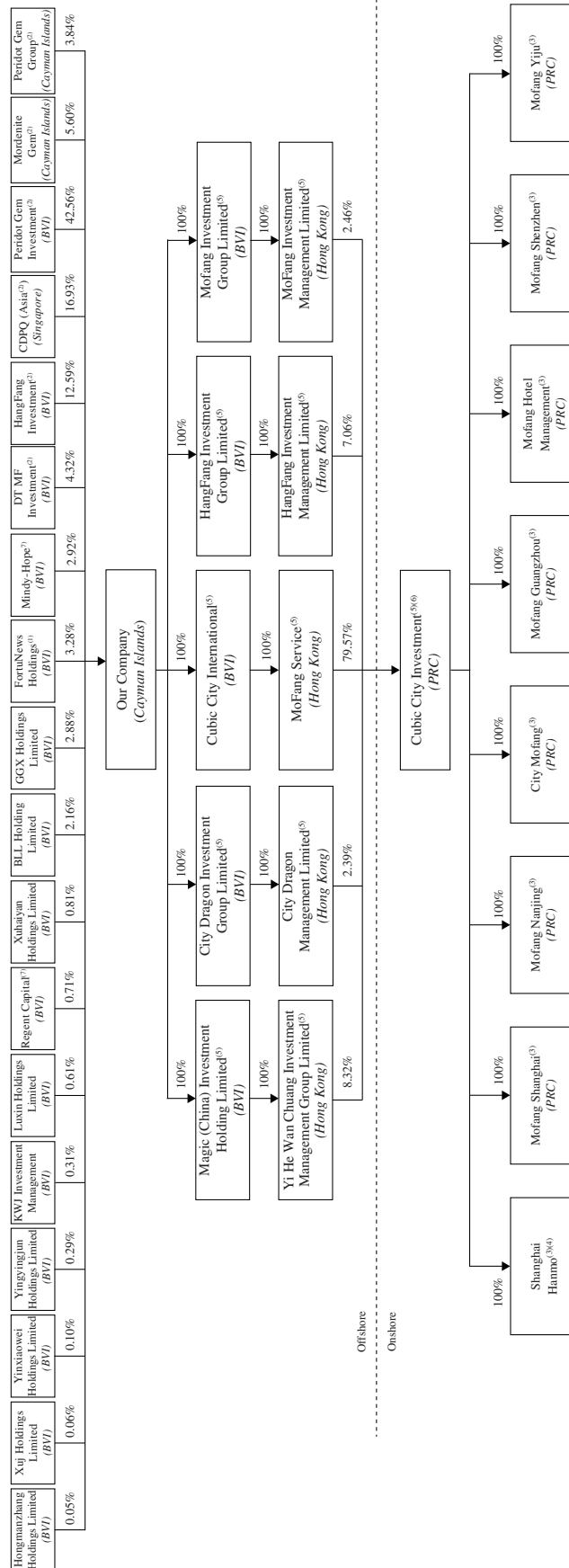
Notes:

- (1) GGX Holdings Limited, Luxin Holdings Limited, Xuhaiyan Holdings Limited, Xuj Holdings Limited, Hongmanzhang Holdings Limited, Yinxiaowei Holdings Limited, BLL Holding Limited and Yingyingjun Holdings Limited are the offshore investment vehicles incorporated by our Founders in the BVI, each of which is wholly owned by Mr. GE Lan, Mr. LU Xin, Ms. XU Haiyan, Mr. XU Jia, Ms. ZHANG Hongman, Mr. YIN Xiaowei, Ms. BAI Lingling and Ms. Yingjun, respectively.
- (2) For details on DT MF Investment, see “– Pre-[REDACTED] Investments – Information on the Principal Pre-[REDACTED] Investors – DT MF Investment”.
- (3) Warburg Pincus holds Shares in our Company through Peridot Gem Investment, Mordenite Gem and Peridot Gem Group. As of the Latest Practicable Date, Warburg Pincus held (i) 38,959,981 Ordinary Shares, 243,670,700 Series B Preferred Shares and 9,608,500 Series C Preferred Shares through Peridot Gem Investment, (ii) 38,420,705 Series E Preferred Shares through Mordenite Gem, and (iii) 26,380,368 Series F Preferred Shares through Peridot Gem Group. The shareholding of Peridot Gem Investment, Mordenite Gem and Peridot Gem Group represented 42.56%, 5.60% and 3.84%, respectively, of the Company’s issued share capital immediately prior to the completion of the [REDACTED].
- (4) Immediately upon the [REDACTED] and assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED], each of Peridot Gem Investment, Mordenite Gem and Peridot Gem Group will hold [REDACTED] Ordinary Shares, respectively, representing [REDACTED] of the Company’s issued share capital, respectively.
- (5) For details on HangFang Investment, see “– Pre-[REDACTED] Investments – Information on the Principal Pre-[REDACTED] Investors – HangFang Investment”.
- (6) For details on FortuNews Holdings and the FortuNews Holdings Share Surrender, see “– Our Establishment, Major Shareholding Changes and Development of our Group – 8. Series C+ Financing”, “– Our Establishment, Major Shareholding Changes and Development of our Group – 11. Series D+ Financing” and “– Our Establishment, Major Shareholding Changes and Development of our Group – 15. Share Cancellations by our Company”.
- (7) For details on CDPQ (Asia), see “– Pre-[REDACTED] Investments – Information on the Principal Pre-[REDACTED] Investors – CDPQ (Asia)”.
- (8) For details on KWJ Investment and the KWJ Investment Unwinding, see “– Our Establishment, Major Shareholding Changes and Development of our Group – 12. Subscription of Shares by KWJ Investment” and “– Our Establishment, Major Shareholding Changes and Development of our Group – 15. Share Cancellations by Our Company”.
- (9) For details on the Trust Holdco and the shareholding arrangements in relation to our Pre-[REDACTED] Share Option Plans, see “– Pre-[REDACTED] Share Option Plans” below.

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CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following diagram illustrates our simplified shareholding structure, including major operating subsidiaries and holding companies, immediately prior to the [REDACTED]:



Notes:

- (1) Since its establishment and throughout the Track Record Period, FortuNews Holdings had been indirectly controlled by a trust in which Mr. ZHENG Nanyan is the settlor and protector. On September 16, 2022, the entire share capital of FortuNews Holdings was transferred to Ocean MF Company Limited, which is controlled by Ocean Link. Consequently, since completion of the transfer, all of the 22,496,548 Series C Preferred Shares that had been held by FortuNews Holdings as nominee for the benefit of Ocean Link since the Series D+ Financing was settled on November 28, 2018 became Shares held by Ocean Link through FortuNews Holdings as its investment vehicle.
- (2) For details on such Shareholders, see “– Pre-[REDACTED] Investments – Information on the Principal Pre-[REDACTED] Investors” above.

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- (3) For information on the major subsidiaries of the Company, including Mofang Shanghai, Mofang Nanjing, City Mofang, Mofang Guangzhou, Mofang Hotel Management, Mofang Shenzhen, Mofang Yiju and Shanghai Hanmo, see “– Our Major Subsidiaries”.
- (4) As of the Latest Practicable Date and prior to the completion of the Shanghai Hanmo Share Swap, Shanghai Hanmo was indirectly held as to 59.94% by Cubic City Investment, with the remaining shareholding held as to 33.58% by Shanghai Hanbing and 6.49% by Shenzhen Yinda.
- (5) In May 2019, the Company entered into an agreement with Bank of China Limited Macau Branch (“**BOC Macau**”), pursuant to which BOC Macau agreed to grant a loan facility to the Company in the amount of US\$45.0 million (the “**2019 Facility Agreement**”). Pursuant to the 2019 Facility Agreement, the Company charged all the share capital of all of the Company’s ten offshore subsidiaries (the “**Collateral**”) in favor of BOC Macau via a debenture dated May 14, 2019. BOC Macau agreed to increase the aggregate principal amount of the loan facility under the 2019 Facility Agreement by US\$80.0 million in June 2021. In June 2022, BOC Macau agreed to extend the repayment date for the loan facility, in consideration for which the Company charged the Collateral again in favor of BOC Macau.
- As of December 31, 2022, in addition to the 2019 Facility Agreement, the Group has entered into 34 secured loan facility agreements with various PRC financial institutions (including Shanghai Branch of Industrial Bank Co., Ltd. (興業銀行股份有限公司上海分行), AVIC Trust, Shanghai Baoshan Branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司上海寶山支行), Shanghai Branch of Ping An Bank Co., Ltd. (平安銀行股份有限公司上海分行), and CCB International China Limited (建銀國際(中國)有限公司)) in its ordinary course of business. Its obligations under such loan facility agreements are secured by charges or pledges of the share capital of 32 PRC-incorporated subsidiaries in favor of these financial institutions. Save for Cubic City Investment, 49.92% of whose equity interest has been pledged to AVIC Trust, none of the other aforementioned PRC-incorporated subsidiaries had made a material contribution to our results of operations during the Track Record Period. For more information on the material subsidiaries of our Company, see “– Our Major Subsidiaries”. For more information on our bank borrowings and compliance with financial covenants, see “Financial Information – Indebtedness”.
- (6) The remaining shareholding of 0.2% in Cubic City Investment is held as to 0.04% each by Nanjing Yi Teng Investment Management Consulting Co., Ltd. (南京億騰投資管理諮詢有限公司), Nanjing Meiting Information Consulting Co., Ltd. (南京美汀信息諮詢有限公司), Nanjing Bei Ji Information Consulting Co., Ltd. (南京貝吉信息諮詢有限公司), Nanjing Yan Wei Information Consulting Co., Ltd. (南京言偉信息諮詢有限公司) and Nanjing Start Home Information Consulting Co., Ltd. (南京開始家信息諮詢有限公司), each of which is an indirect wholly-owned subsidiary of our Company.
- (7) On September 18, 2022 and April 13, 2023, our Company, Shanghai Mozhu Enterprise Management Consulting Co., Ltd. (上海某株企業管理諮詢有限公司) (an indirect wholly-owned subsidiary of our Company) (“**Shanghai Mozhu**”), Ms. DING Min, Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (“**Shanghai Hanbing**”) and Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤燧投資中心(有限合伙)) (“**Shenzhen Yinda**”) entered into a share swap agreement and supplemental agreement, respectively, whereby Shanghai Hanbing and Shenzhen Yinda agreed to transfer their collective 40.06% shareholding interest in Shanghai Hanmo (a non-wholly-owned subsidiary of our Company) to Shanghai Mozhu, and in consideration, our Company agreed to (i) issue to each of the investment vehicles of Ms. DING Min and Shenzhen Yinda 20,037,391 and 4,841,485 Ordinary Shares of our Company, respectively, and (ii) grant Ms. DING Min 5,000,000 options under the 2020 Pre-[REDACTED] Share Option Plan (the “**Incentive Options**”). On the [REDACTED], 5,000,000 Ordinary Shares underlying the Incentive Options will be issued to the Trust Holdco as [REDACTED] Exercised Shares, and such Ordinary Shares will vest in Mindy-Hope over time as the apartment communities that she is responsible for achieve certain milestones in financial performance (the “**Shanghai Hanmo Share Swap**”). As of the Latest Practicable Date, our Company had yet to allot and issue the aforesaid Ordinary Shares to the investment vehicles of Ms. DING Min and Shenzhen Yinda, and it is expected that the aforementioned allotment and issuance will be completed prior to the [REDACTED] of the [REDACTED]. Upon completion of the Shanghai Hanmo Share Swap, the total issued and outstanding Shares of our Company will increase from 661,761,786 to 686,640,662.

The following diagram illustrates our simplified shareholding structure, including major operating subsidiaries and holding companies, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]):



- (1) Since its establishment and throughout the Track Record Period, FortuNews Holdings had been indirectly controlled by a trust in which Mr. ZHENG Nanyan is the settlor and protector. On September 16, 2022, the entire share capital of FortuNews Holdings was transferred to Ocean MF Company Limited, which is controlled by Ocean Link. Consequently, since completion of the transfer, all of the 22,496,548 Series C Preferred Shares that had been held by FortuNews Holdings as nominee for the benefit of Ocean Link since the Series D+ Financing was settled on November 28, 2018 became Shares held by Ocean Link through FortuNews Holdings as its investment vehicle.
- (2) For details on such Shareholders, see “– Pre-[REDACTED] Investments – Information on the Principal Pre-[REDACTED] Investors” above.

HISTORY AND CORPORATE STRUCTURE

- (3) For information on the major subsidiaries of the Company, including Mofang Shanghai, Mofang Nanjing, City Mofang, Mofang Guangzhou, Mofang Hotel Management, Mofang Shenzhen, Mofang Yiju and Shanghai Hanmo, see “– Our Major Subsidiaries”.
- (4) As of the Latest Practicable Date and prior to the completion of the Shanghai Hanmo Share Swap, Shanghai Hanmo was held as to 59.94% by Cubic City Investment, with the remaining shareholding held as to 33.58% by Shanghai Hanbing and 6.49% by Shenzhen Yinda.
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- (6) The remaining shareholding of 0.2% in Cubic City Investment is held as to 0.04% each by Nanjing Yi Teng Investment Management Consulting Co., Ltd. (南京億騰投資管理諮詢有限公司), Nanjing Meiting Information Consulting Co., Ltd. (南京美汀信息諮詢有限公司), Nanjing Bei Ji Information Consulting Co., Ltd. (南京貝吉信息諮詢有限公司), Nanjing Yan Wei Information Consulting Co., Ltd. (南京言偉信息諮詢有限公司) and Nanjing Start Home Information Consulting Co., Ltd. (南京開始家信息諮詢有限公司), each of which is an indirect wholly-owned subsidiary of our Company.
- (7) On September 18, 2022 and April 13, 2023, our Company, Shanghai Mozhu Enterprise Management Consulting Co., Ltd. (上海萊株企業管理諮詢有限公司) (an indirect wholly-owned subsidiary of our Company) (“**Shanghai Mozhu**”), Ms. DING Min, Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (“**Shanghai Hanbing**”) and Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤達投資中心(有限合伙)) (“**Shenzhen Yinda**”) entered into a share swap agreement and supplemental agreement, respectively, whereby Shanghai Hanbing and Shenzhen Yinda agreed to transfer their collective 40.06% shareholding interest in Shanghai Hanmo (a non-wholly-owned subsidiary of our Company) to Shanghai Mozhu, and in consideration, our Company agreed to (i) issue to each of the investment vehicles of Ms. DING Min and Shenzhen Yinda 20,037,391 and 4,841,485 Ordinary Shares of our Company, respectively, and (ii) grant Ms. DING Min 5,000,000 options under the 2020 Pre-[REDACTED] Share Option Plan (the “**Incentive Options**”). On the [REDACTED], 5,000,000 Ordinary Shares underlying the Incentive Options will be issued to the Trust Holdco as [REDACTED] Exercised Shares, and such Ordinary Shares will vest in Mindy-Hope over time as the apartment communities that she is responsible for achieve certain milestones in financial performance (the “**Shanghai Hanmo Share Swap**”). As of the Latest Practicable Date, our Company had yet to allot and issue the aforesaid Ordinary Shares to the investment vehicles of Ms. DING Min and Shenzhen Yinda, and it is expected that the aforementioned allotment and issuance will be completed prior to the [REDACTED] of the Listing Committee. Upon completion of the Shanghai Hanmo Share Swap, the total issued and outstanding Shares of our Company will increase from 661,761,786 to 686,640,662.

BUSINESS

OUR MISSION

Our mission is to foster an inclusive community of residents with quality rental solutions, and facilitate the improvement of the urban living environment.

OVERVIEW

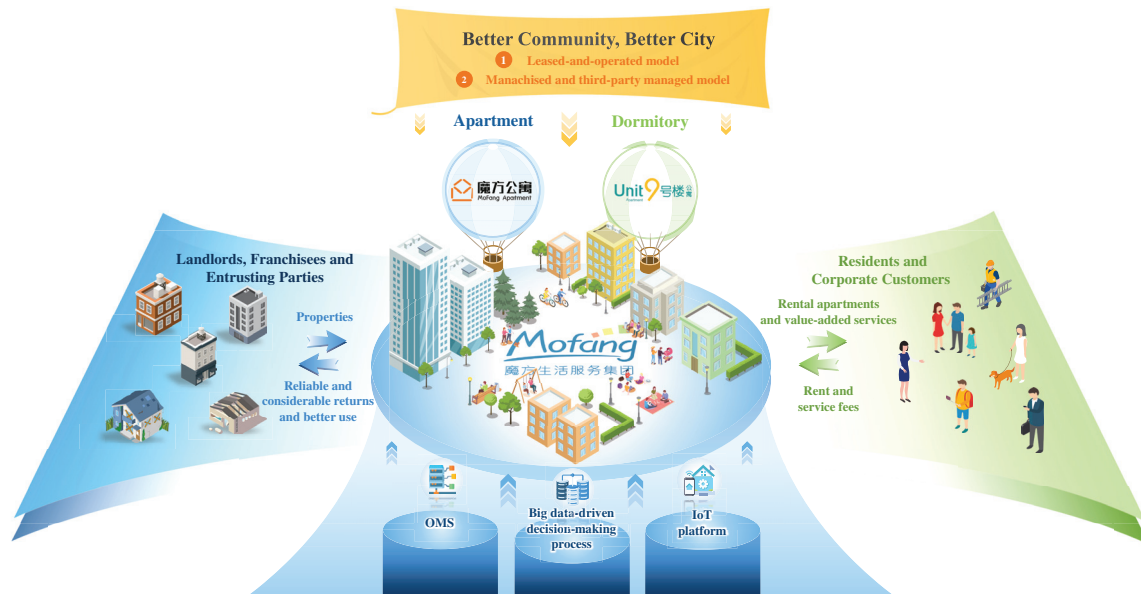
We are one of the leading and fast-growing rental apartment services platforms and pioneered the centralized rental apartment model in China. We provide conveniently located rental apartments at affordable prices in centrally managed buildings with modern facilities. Our offerings address the evolving demands of a wide array of urban residents. As of December 31, 2022, we had built an inclusive resident community nationwide with 76,245 apartments in operation across 388 locations in 25 cities. According to Frost & Sullivan, we ranked first among independent centralized rental apartment operators, in terms of the number of apartments in operation as of December 31, 2022.

We operate rental apartments under two models: (i) the leased-and-operated model, under which we enter into en bloc leases or leases for part of buildings, and manage and operate such leased properties, and (ii) the manachised and third-party managed model, under which we manage and operate franchised apartments either under our own brands or under the brands of the relevant entrusting parties. Our ability to manage apartment communities under different models enables us to satisfy various demands of residents, landlords, franchisees and entrusting parties, empowers us to adjust our expansion strategies in different tier cities and strengthens our overall business resilience.

Our brand underlies our historical success and future growth. We launched our flagship brands: (i) Mofang Apartment (魔方公寓) targeting white-collar workers pursuing quality rental life, in 2009, and (ii) Unit 9 Apartment (9號樓公寓), providing dormitory living solutions to blue-collar workers, in 2016, each of which became the most recognized brand in their respective submarkets, according to Frost & Sullivan. Our multi-brand strategy formally launched in 2016 has effectively boosted our development in the centralized rental apartment industry in China by diversifying our product lines to compete for customers with diverging demands and preferences for rental solutions.

Maintaining mutually beneficial and sustainable relationships with participants on our platform empowers us to thrive. We provide unique value to residents and landlords, foster an inclusive community and facilitate continual improvement of the urban living environment.

BUSINESS



- Residents and Corporate Customers: leveraging our centralized model, we provide residents quality, safe, comfortable, standardized and affordable accommodation options in convenient locations, which address typical pain points in the traditional rental housing market. Our platform also facilitates a variety of value-added services to further enhance the living experience of our residents, such as diversified social activities, professional training, community based group purchase, online-offline retail and room cleaning service. Apart from accommodating our blue-collar residents with quality rental solutions, we also facilitate the efforts of our corporate customers in staff training and employee benefits.
- Landlords, Franchisees and Entrusting Parties: leveraging our industry leading operational capabilities, we generate reliable and attractive returns on investment for landlords, franchisees and entrusting parties with whom we cooperate. Landlords receive stable and recurring cash flow without bearing the burden of daily operations and regular maintenance. At the same time, by upgrading the overall conditions of leased properties and addressing the rental needs of urban population with such properties, we also help our landlords improve the utilization rate of their unused or inefficiently used properties to a large extent. In addition, franchisees and entrusting parties greatly benefit from our enlarged customer base, particularly the sizeable membership base of our Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), as well as our expertise in apartment management.
- Community and City: a strong sense of community among our residents is fostered through various online and offline social activities. The quality rental options and the affordable rental lifestyle that we provide to younger generations also address a number of broader issues relating to rapid urbanization and city development, such as surging home prices and the scarcity of suitable accommodations for China’s floating population. Over the years, our continuous investments in the rental apartment industry increase the overall supply of quality rental solutions, which is critical for the smooth functioning of cities in the process of urban development. In addition, our efforts of upgrading the leased properties greatly enhance the utilization efficiency of idle or under-used properties.

BUSINESS

Technology is the backbone of our continued growth. We utilize a comprehensive suite of advanced technology and infrastructure to digitize every key step of our operations, covering a whole process of site identification, pricing determination, daily operations and product innovations. The digitalization of our daily operations drives our business with big data insights and allows us to enhance resident experience and achieve industry leading operational efficiency. We are one of the pioneers in our industry in developing a new generation of cloud-based, centrally managed operation management system (OMS). Our OMS enables us to automatically adjust prices for each apartment and dormitory in real time. It also empowers us to efficiently manage our apartment communities nationwide and address a wide range of operation scenarios, from running small-sized projects to managing mega communities with more than one thousand apartments, and from providing white-collar apartments to blue-collar dormitories supported by our unique capability of dorm bed management. It also allows us to smoothly integrate acquired businesses of different sizes within a short period of time and achieve rapid post-acquisition performance improvements.

During the Track Record Period, we realized rapid growth while maintaining healthy financial performance. Our revenue increased by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. The growth of our revenue in 2021 was mainly from acquisitions, and to a lesser extent, from organic growth. This growth in revenue was also facilitated by our fast recovery from the negative impact from the COVID-19 pandemic on our operations. Correspondingly, while we recorded a net loss of RMB230.3 million in 2020, we achieved a net profit of RMB301.9 million in 2021. In 2022, faced with renewed pressure imposed by the COVID-19 pandemic and the responsive measures introduced by public authorities in China, our financial performance managed to show a measurable level of resilience with our revenue amounting to RMB1,714.1 million in 2022, which represents an increase of 16.5% from that in 2021.

We expect our fast growth to also benefit from our industry’s strong potential. China’s rental apartment industry has grown significantly to RMB1.7 trillion by the end of 2022 and is expected to further expand to RMB2.6 trillion by the end of 2027, representing a CAGR of 8.7%, according to Frost & Sullivan. The centralized rental apartment market in China is expected to grow even faster, from RMB51.1 billion in 2022 to RMB136.6 billion in 2027, achieving a CAGR of 21.7%, according to Frost & Sullivan.

BUSINESS

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors.

Largest and fast-growing independent centralized rental apartment services platform in China

We ranked as the largest independent centralized rental apartment services platform in China in terms of the number of apartments in operation as of December 31, 2022, according to Frost & Sullivan. As of December 31, 2022, we had 76,245 apartments in operation across 388 locations in 25 cities in China. Our large scale enables us to manage and operate the most sought-after properties at popular locations across China. We are therefore able to provide residents a wider range of rental options that are close to their workplace, based on which we become their preferred choice for rentals. We have developed a vast base of engaged customers, including a sizeable membership base of our Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), and fostered a strong sense of community among our residents, which in turn attracts more landlords, franchisees and entrusting parties to join our platform. This self-reinforcing growth cycle made us the fastest growing platform among the top five centralized rental apartment services platform in China from 2020 to 2022, according to Frost & Sullivan, with our apartments in operation increasing by approximately 95.3% from 39,030 as of December 31, 2020 to 76,245 as of December 31, 2022.

Our large scale of operation also enables us to command stronger pricing power and enjoy benefits of economies of scale, which are evidenced by a decrease of our management expense ratio from 16.9% in 2020 to 13.2% in 2021, and further to 10.8% in 2022. In addition, our leading market position empowers us to fully capture the huge growth potential of China’s rental apartment market and maintain our high growth in the future. According to Frost & Sullivan, China’s centralized rental apartment market is expected to grow by 167.3% from 2022 to 2027, reaching RMB136.6 billion by 2027, which results from general consumption upgrade trends and a preference shift towards the “rental lifestyle” among younger generations.

Leading consolidator with proven post-acquisition integration capabilities

While the centralized rental apartment market has been growing rapidly, it remains fragmented, with the top five players only having 15.0% market share in 2022 in terms of the number of apartments in operation while small and medium sized operators managing a relatively large number of apartments. From residents’ perspective, particularly younger generations, quality living experiences have become a core element when they compare different rental options. Residents become more inclined to choose a trustworthy and reliable platform that provides rental solutions addressing quality, safety, comfort, convenience and social needs, which those small and medium sized operators can hardly offer. From small and medium sized operators’ perspective, they observe our capability to generate higher returns on the same projects with our brand awareness, network effects and operational efficiency, which creates opportunities for us to acquire or manachise small and medium sized operators’ projects. Since limited business scale often indicates less capacity to resist market risks occurring at times, government policies for the rental apartment industry are often tilted in favor of leading players like us. This further boosts our leading position as a consolidator in the industry.

BUSINESS

Leveraging our high brand awareness, superior operational efficiency and extensive apartment network, we successfully seized such consolidation opportunities and have become a leading consolidator in the centralized rental apartment market. Since 2020, we have been one of the most active acquirers in our industry according to Frost & Sullivan and have completed 12 acquisitions with a total value of over RMB1.4 billion. These transactions have allowed us to expand our brand portfolio, enlarge our apartment network and increase our total market share. We have also achieved strong post-acquisition integration results. Our acquired businesses realized an average of 4.1% revenue increase within six months after acquisition. Our substantial acquisition and integration experience positions us well for future market consolidation opportunities that could further fuel the growth of our business.

Brand of choice for residents, corporate customers and industry participants

Our residents recognize us as a trustworthy platform providing rental solutions that address safety, comfort, convenience and social needs of younger generations. We strive to build a brand that is a synonym for cozy and homelike living environment amid the hustle and bustle of cities. With frequent online and offline social activities that we organize for our residents, we have successfully grown their sense of belonging and strengthened bonding within our community. With stringent security systems, innovative smart home initiatives and convenient locations of our apartment communities, we provide residents a delightful and reassuring living experience with us. Leveraging our strength to offer comfortable residential options, we are well-positioned to assist our corporate customers with providing suitable accommodation solutions for their employees, delivering customized services, such as shuttle bus and professional training programs, and ultimately helping them optimize employee management and increase operational efficiency.

Residents’ recognition of our brand provides us a brand premium and benefits our operation and business development, which include, but not limited to, the following aspects:

- Residents: brand recognition enables us to attract residents and further enlarge our customer base, including the membership base of our Mofang Magic Club (魔力會), in a cost-efficient manner. We are able to effectively leverage a considerable number of walk-in customers and word-of-mouth referral marketing.
- Corporate customers: brand awareness empowers us to further develop and deepen relationships with existing and potential corporate customers, who in return bring along a stable source of residents and contribute to the continuous expansion of our community. As of December 31, 2022, we cumulatively served 2,444 corporate customers. In addition, as of December 31, 2022, we cumulatively established business connections with 6,762 enterprises and successfully built a vast membership base of our Qi Shi Hui (企仕薈).
- Landlords: our sizeable customer base attracts landlords to join our platform. Landlords deem our platform reliable and trustworthy, and enter into long-term leases with us for stable and recurring cash flow without bearing the burden of daily operation and regular maintenance. We therefore enjoy a significant advantage in terms of apartment community sourcing and are able to secure highly popular apartment communities at convenient locations.

BUSINESS

- Franchisees and entrusting parties: the enlarged customer base, including a vast membership base of our Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), resulting from high brand awareness further hones our operational capability. It in turn entices more franchisees and entrusting parties to join our network and appoint us to manage their apartment communities, which empower us to continually scale up through the franchised and third-party managed model.
- Community and city: our commitment to provide quality rental solutions to urban population effectively addresses a number of broader issues relating to city development, and contributes to the overall improvement of urban living environment.
- Government and industry: our efforts in promoting city development are well recognized by policy-makers and industry associations. We have been frequently invited to advise on policy formulation. We are part of the steering committee of 16 industry associations and our CEO, Ms. LIU Jia, is the Vice President of China Hospitality Association, the most influential industry association in the rental apartment industry.

Superior living experiences driven by standardized and innovative product and service offerings

Continual product innovation has been at the core of our operation. Leveraging our sizeable and engaged customer base, we are able to collect and analyze a large amount of real-time feedback on our apartments and services. Our highly experienced design team consistently reviews our offerings and frequently makes upgrades and iterations that appeal to residents, such as trendy designs and smart home applications. We require each of our product lines to be upgraded every 36 months and have set up a clear step-by-step plan to guide the whole process. Our Mofang Apartment is currently in its 4.0 version and our Unit 9 Apartment is in its 2.0 version. This well-rounded product upgrade and innovation mechanism helps ensure that we are leading industry trends and that our product offerings can timely respond to the evolving demands of our residents, in particular younger generations.



BUSINESS

Our operation process, products and services are highly standardized, which have enabled us to expand and scale up quickly and efficiently, and allowed us to deliver high-quality products and comprehensive services with consistency. We maintain a number of deliberate standard operating procedure (SOP) manuals for our operations, spanning from site selection and renovation to apartment operation and staff management. For example, each newly renovated apartment or dormitory needs to pass 245 internal acceptance criteria before opening. We also operate a centralized sourcing and procurement system for construction materials, sanitary ware, furniture, and electronic appliances, as well as maintain a standard renovation period of 120 days, which help us maintain efficient quality control while we expand rapidly. The centralized sourcing and procurement system also empowers us to obtain better bargaining power with suppliers and reduce operating costs. In terms of services that we offer, we have adopted comprehensive written guidance and detailed breakdowns of daily work plans for all onsite staff. Through our Mofang Academy, we offered over 220 training courses to our staff as of December 31, 2022 to help ensure that they are well trained before interacting with our residents and are able to provide consistent and superior services.

As a result of our high degree of standardization and continual innovation, our products and services have been very well received by our residents. Our leading operational efficiency underpinned by our ability to standardize and innovate is also noted in the industry, particularly among potential franchisees and entrusting parties, which lays the foundation for us to further scale up through the manachised and third-party managed model.

Market leading operational efficiency powered by advanced technology capability

We have achieved and maintained market-leading operational efficiency. According to Frost & Sullivan, our revenue per available apartment has consistently been the highest among top 5 centralized rental apartment operators in China during the Track Record Period. At the same time, our management expense ratio decreased from 16.9% in 2020 to 13.2% in 2021, and further to 10.8% in 2022. As a result of our operational efficiency, we have been able to achieve a staff to room ratio of 1:116 in 2022, which is one of the most optimized in the industry, according to Frost & Sullivan.

BUSINESS

Our superior operational efficiency is facilitated by certain key technological infrastructure and capabilities.

- OMS: we are one of the earliest in our industry to self-develop a new generation of cloud-based, centrally managed OMS. The OMS connects to and centrally manages all of our project properties, automatically adjusting price for each room, standardizing operation process and providing real-time operational data to enable informed decisions. We have continually upgraded our OMS so that it can capture the widest range of operation scenarios, from running small-sized projects to managing mega communities with more than one thousand apartments and from providing standardized rental options to offering tailor-made living solutions for our corporate customers to meet their demands of providing suitable accommodation to employees.
- Big data-driven decision-making process: we leverage big data in every major step of our decision-making process. For example, we make our site selection decisions based on our proprietary “7-Dimension” model, which factors in market data collected from approximately 50 cities. We have also developed a GIS simulation system to single out the optimal areas for launching our new apartment communities, which greatly supports our key business decision-making with inputs provided by macro and micro data, such as local population, rental market and consumption power. Every key step from site identification to final approval is processed and completed online and digitally.
- IoT platform: we have been continually facilitating home automation and are cultivating an integrated IoT platform that different kinds of intelligent devices can be interconnected. Various technology-enabled initiatives help our manpower optimization, enhance living experience of our residents, improve the degree of standardization of our services and ultimately increase our operational efficiency. Meanwhile, our deployment of intelligent devices also strengthens the security system at our apartment communities, providing essential support for our efforts in safeguarding the health and safety of our residents and frontline staff.

Our market-leading operational efficiency is also evidenced by our success of effectively coping with the challenges posed by the COVID-19 pandemic amidst the unfavorable external environment. Our advanced technology infrastructure empowers our well-trained workforce to effectively manage our apartment communities, thus helping ensure that our continuous operations were not interrupted by the recurring COVID-19 outbreaks and our ability to provide residents with comfortable and safe living experience was not severely compromised. Our smart access system at our apartment communities recognizes our residents and authorized visitors even with their masks on, and our proprietary mini-app allows our residents to upload their rapid antigen test results and report personal health status. All of these innovations and tools have played an important role in our work to prevent the spread of virus across our apartment network, monitor the health status of our staff and residents and provide timely help for our residents with ailments and diseases.

BUSINESS

Experienced management team supported by a well-trained workforce

Our experienced management team has a deep bench of pioneers of China’s lodging industry, affording us with a competitive edge in leading industry development and capitalizing on important market opportunities. Our Chairman, ZHENG Nanyan, is an outstanding serial entrepreneur who founded 7 Days Inn, a leading economy hotel chain in China, and Plateno group, a fast-growing hotel chain operator in China. Our CEO, Ms. LIU Jia, participated in the establishment of Home Inns, a well-known economy hotel brand in China. Ms. LIU Jia also participated in the establishment of Hi Inn Hotel, an economy hotel brand of Huazhu launched in 2008. Our senior management team comprises leaders from Fortune 500 companies, world-leading professional institutions and leading technology giants in China such as Alibaba, IKEA, PwC and McKinsey.

We have also established Mofang Academy to train our staff and cultivate our next generation of leaders, which we believe solidifies our foundation for sustainable growth. As of December 31, 2022, Mofang Academy offered over 220 courses designed for management trainees, mid-to-senior level employees and on-site staff in charge of daily operation of our apartment communities. Over the years, our Mofang Academy has provided trainings to all of our employees. From 2020 to 2022, each employee on average received over 29 hours of training from Mofang Academy every year. In addition, our large number of apartment communities provide unique on-the-job training opportunities to our employees, through which they quickly pick up essential skills that are needed for daily operation and expeditiously become qualified operators to support our rapid expansion.

OUR STRATEGIES

We endeavor to achieve sustainable growth in our business and create long-term value for our shareholders by implementing the following strategies.

Expand geographical coverage and deepen penetration in core cities

We intend to continue to increase our market share and solidify our leading position in Tier 1 cities in China. Our rental options have been proven to be competitive and appealing in these developed markets. Tier 1 cities are expected to remain as economic powerhouses in China and the population of Tier 1 cities is expected to continue to expand at a high growth rate in the future. In anticipation of a consistently buoyant demand for rental apartments in Tier 1 cities, we regard these cities as markets with long-term strategic importance for us. Leveraging our exceptional brand awareness and established networks in Tier 1 cities and the economies of scale realized over the years, we are well-positioned to seize additional opportunities in these highly growing markets.

BUSINESS

We also intend to grow our apartment portfolio in other core cities that exhibit strong growth potential due to the substantial market size and the scarcity of quality rental options, especially in those cities as part of or surrounding major city clusters in China, such as the Beijing-Tianjin-Hebei Region, the Yangtze River Delta Area, the Greater Bay Area and the Sichuan-Chongqing Circle. We believe that the flexibility of our operating models and the strong recognition of our brands, coupled with our leading operational capabilities, allow us to deepen market penetration and enter new markets quickly and efficiently.

We also have a proven track record of rapid growth based on successful acquisitions and smooth integrations. As the centralized rental apartment market in China remains fragmented, we plan to continue evaluating acquisition opportunities in a highly disciplined manner to bolster our current market position, strengthen our platform and complement our organic growth initiatives.

Develop the manachised and third-party managed model

We plan to expand our manachised and third-party managed model to further scale up our platform and drive high-margin growth. Over the years, we have been approached by potential franchisees and entrusting parties as well as other business partners that seek to tap into our expertise in providing standardized products and services and managing apartment communities efficiently. The manachised and third-party managed model provides franchisees and entrusting parties attractive returns without the burden of daily operation. This model also enables us to rapidly grow our apartment portfolio, expand our geographic coverage and generate more recurring cash flows. In the meantime, by partnering with widespread industry participants, we are able to grow our nationwide platform and reach out to an even wider resident base across the country.

Enabled by our sterling reputation and strong presence in the centralized rental apartment market, we are a go-to operator for franchisees and entrusting parties in need of external apartment management expertise. For example, we entered into cooperation with a business partner at the beginning of 2021, through which we were engaged to operate approximately 20,000 apartments. It was the largest-scale cooperative agreement within the rental apartment industry at the time according to Frost & Sullivan. Since the initiation of our business, we have accumulated a wealth of experience in rental apartment operation and our operating capabilities have proven to be ahead of the game, which position us on a sound footing to expand by entering into collaboration with additional franchisees and entrusting parties.

Increase brand awareness and strengthen brand portfolio

We provide residents a full spectrum of rental options that could satisfy the varying demands of different demographics. We intend to continue to focus on our flagship brands, Mofang Apartment and Unit 9 Apartment. In the meantime, we plan to cultivate other brands in our portfolio in order to realize the full potential of our platform.

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To enhance our brand recognition, we plan to continue investing in sales and marketing efforts, including promotions through various social media channels and collaboration with influential business partners. In addition, we plan to further strengthen our membership programs, Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈) and increase our regular engagement with customers.

Continue product innovation and enrich value-added service offerings

We plan to continue our deliberate strategy of constant product innovation. Alongside other initiatives envisioned in our blueprint, we plan to further the ongoing construction of IoT across the board, which is intended to make our apartments more digitally-enabled and technologically-driven and transform the life of our residents towards a high level of automation and modernization. Meanwhile, we plan to further integrate the conception of low-carbon economy into our product innovation, fulfilling our social responsibility and reducing overhead costs.

In addition, along with our expansion, we are continually seeking opportunities to enrich our service offerings for different stakeholders across our platform. According to Frost & Sullivan, the market size of the value-added services related to the rental apartment industry is estimated to achieve robust growth, reaching RMB10.5 billion in 2027. We plan to provide services that tap into the daily life needs of our residents, such as group purchases, pet care, car rental, moving help and recruitment assistance for corporate customers. In addition, we are well-positioned to provide our corporate customers one-stop service in connection with employee recruitment, accommodation provision and professional training. Furthermore, we will further develop our supply chain and continuously empower our franchisees and entrusting parties.

Improve technology infrastructure and enhance digitalization level

We plan to further invest in our technology infrastructure and enhance our digitalization capabilities, and ultimately become a digital-driven company. We intend to establish a digitalized supply chain management system to further optimize our supply chain efficiency and empower our franchisees and entrusting parties. We will continually upgrade our OMS to further improve our operational efficiency as our apartment network expands. We also intend to further develop our business intelligence system to better generate valuable business insights, adjust resource allocation and optimize our overall business planning.

In addition, we intend to further develop our data analytics capabilities, which will help us better understand the needs of our residents and upgrade our products and services continually and innovatively. We also plan to expand the application of smart home technologies in our apartments and continually enhance our IoT platform to provide more personalized and comfortable living experience to our residents.

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OUR APARTMENT NETWORK

We started the centralized rental apartment business in Nanjing in 2009. Thereafter, leveraging years of experience and know-how accrued in rental apartment management and operation, we expanded into other cities across China, including Shanghai and Guangzhou in 2013, Beijing and Shenzhen in 2014, and Hangzhou in 2016. As of December 31, 2022, we had 76,245 apartments in operation across 388 locations in 25 cities.

The following table sets forth a breakdown of the total number of apartments under our operation by business model and city tier as of the dates indicated:

	As of December 31,								
	2020			2021			2022		
	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total	Tier 1 cities ⁽¹⁾	Other cities ⁽²⁾	Total
Leased-and-operated apartments	21,610	10,271	31,881	38,579	11,495	50,074	39,048	11,785	50,833
Manachised and third-party managed apartments	2,717	4,432	7,149	10,500	15,313	25,813	10,739	14,673	25,412
Total	24,327	14,703	39,030	49,079	26,808	75,887	49,787	26,458	76,245

Notes:

- (1) Tier 1 cities include Beijing, Shanghai, Guangzhou and Shenzhen.
- (2) Other cities include Nanjing, Chengdu, Hangzhou, Wuhan, Xi'an, Zhengzhou, Changsha, Dongguan, Tianjin, Xiamen, Suzhou, Qingdao, Wuxi, Kunshan, Hefei, Nantong, Ningbo, Foshan, Nanchang, Wenzhou, Quanzhou, Huizhou, Zhenjiang and Quzhou. Based on the presence of our apartment operation business, the scope of other cities may vary from time to time.

As of December 31, 2021, the total number of apartments under our operation reached 75,887, representing a significant increase of 94.4% as compared to the number of apartments as of December 31, 2020. Specifically, the total number of our leased-and-operated apartments increased by 57.1% from 31,881 as of December 31, 2020 to 50,074 as of December 31, 2021, which was primarily driven by the facts that (i) we implemented our strategy to further expand our apartment network through organic growth and (ii) we, as a leading consolidator, implemented several strategic acquisitions during the year to strengthen our leading position in the centralized rental apartment market. The total number of our manachised and third-party managed apartments increased by 261.1% from 7,149 as of December 31, 2020 to 25,813 as of December 31, 2021. This is primarily because we were engaged in January 2021 pursuant to a cooperative agreement to operate approximately 20,000 apartments through the manachised and third-party managed model, which was the largest-scale cooperative

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agreement within the rental apartment industry at the time according to Frost & Sullivan. The total number of apartments under our operation increased slightly from 75,887 as of December 31, 2021 to 76,245 as of December 31, 2022, primarily because our expansion plan was disrupted by the recurrent COVID-19 outbreaks in major Chinese cities in 2022.

During the Track Record Period, we provided two types of apartments, white-collar apartments and blue-collar dormitories, which we believe fulfill the varying demands of different types of customers, including individual customers and corporate customers. The following table sets forth a breakdown of our revenue by customer type and city tier, both in an absolute amount and as a percentage of our total revenue, for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Individual customers	610,226	64.3%	969,381	65.9%	966,826	56.4%
Corporate customers	338,762	35.7%	501,709	34.1%	747,313	43.6%
Total	948,988	100.0%	1,471,090	100.0%	1,714,139	100.0%
Tier 1 cities ⁽¹⁾	725,829	76.5%	1,191,977	81.0%	1,434,681	83.7%
Other cities ⁽²⁾	223,159	23.5%	279,113	19.0%	279,458	16.3%
Total	948,988	100.0%	1,471,090	100.0%	1,714,139	100.0%

Notes:

- (1) Tier 1 cities include Beijing, Shanghai, Guangzhou and Shenzhen.
- (2) Other cities include Nanjing, Chengdu, Hangzhou, Wuhan, Xi'an, Zhengzhou, Changsha, Dongguan, Tianjin, Xiamen, Suzhou, Qingdao, Wuxi, Kunshan, Hefei, Nantong, Ningbo, Foshan, Nanchang, Wenzhou, Quanzhou, Huizhou, Zhenjiang and Quzhou. Based on the presence of our apartment operation business, the scope of other cities may vary from time to time.

The revenue contribution of our corporate customers decreased from 35.7% in 2020 to 34.1% in 2021, primarily because a large majority of the revenue generated by the Vlinker Project Companies in 2021 was contributed by individual customers in the wake of the Vlinker Equity Acquisitions. The revenue contribution of our corporate customers increased from 34.1% in 2021 to 43.6% in 2022, primarily because we consolidated several industry players into our Group in December 2021 and a majority of revenue generated by those acquired businesses was contributed by corporate customers. During the Track Record Period, the changes in the revenue contribution of Tier 1 cities and other cities were generally consistent with the changes in the proportions of our apartments located in such tiers of cities among our total apartments.

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During the Track Record Period, we maintained the stable growth of our apartment operation business in selected Chinese cities, which we believe demonstrate robust demand for quality rental solutions. As of December 31, 2020, 2021 and 2022, we conducted our business in 22, 27 and 25 Chinese cities, respectively. The following table sets forth the number of cities where we conducted our apartment operation business under the leased-and-operated model and the manachised and third-party managed model as of the dates indicated, respectively:

	As of December 31,		
	2020	2021	2022
Cities with apartment operations⁽¹⁾	22	27	25
Leased-and-operated model	14	15	14
Manachised and third-party managed model	15	24	22

Note:

- (1) During the Track Record Period, we conducted our apartment operation business in certain cities under both the leased-and-operated model and the manachised and third-party managed model.

During the Track Record Period, we had enhanced our business presence in both Tier 1 cities and other major cities, which enabled us to establish a wide network of rental apartments across China. As of December 31, 2020, 2021 and 2022, our rental apartments located in Tier 1 cities amounted to 24,327, 49,079 and 49,787, respectively. As of December 31, 2020, 2021 and 2022, our rental apartments located in other cities amounted to 14,703, 26,808 and 26,458, respectively. Our business layout in major cities in China had been the backbone of our business operations during the Track Record Period. The following table sets forth the number of our apartments operated under both the leased-and-operated model and the manachised and third-party managed model in those major cities as of the dates indicated:

	As of December 31,								
	2020			2021			2022		
	Manachised and Leased-and-operated			Manachised and Leased-and-operated			Manachised and Leased-and-operated		
	third-party managed	Total		third-party managed	Total		third-party managed	Total	
Beijing	4,696	604	5,300	4,785	914	5,699	4,758	914	5,672
Shanghai	7,289	1,433	8,722	25,596	3,788	29,384	26,116	3,937	30,053
Guangzhou	3,996	655	4,651	3,758	5,292	9,050	3,738	5,382	9,120
Shenzhen	5,629	25	5,654	4,440	506	4,946	4,436	506	4,942
Nanjing	2,960	487	3,447	2,861	598	3,459	3,168	598	3,766
Hangzhou	2,860	174	3,034	3,440	3,465	6,905	3,855	3,512	7,367

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During the Track Record Period, we expanded our apartment operation business under both the leased-and-operated model and the manachised and third-party managed model in a generally stable manner. In Shanghai, the number of our leased-and-operated apartments increased significantly from 7,289 as of December 31, 2020 to 25,596 as of December 31, 2021, primarily because of our acquisition of the Vlinker Project Companies and Chummy Space (築夢居). The number of our apartments operated under the manachised and third-party managed model in Guangzhou increased significantly from 655 as of December 31, 2020 to 5,292 as of December 31, 2021, primarily because we were engaged in January 2021 pursuant to a cooperative agreement to operate a large number of apartments through the manachised and third-party managed model, some of which are located in Guangzhou. Due to the implementation of the same cooperative agreement, the number of our apartments operated under the manachised and third-party managed model in Hangzhou increased significantly from 174 as of December 31, 2020 to 3,465 as of December 31, 2021.

During the Track Record Period, we relied on store level operating profit as a critical metric to measure our performance at the apartment community level. We define store level operating profit as revenue deducting cost of sales and services and rental costs based on lease agreements incurred at the apartment community level. Our store level operating profit increased from RMB163.6 million in 2020 to RMB426.2 million in 2021, primarily because (i) we managed to expand our rental apartment network and (ii) the negative impact of the COVID-19 pandemic on our operations was largely alleviated in 2021. Our store level operating profit increased from RMB426.2 million in 2021 to RMB452.4 million in 2022, primarily driven by our increased revenue in 2022 despite the recurring COVID-19 outbreaks in major Chinese cities.

OUR BUSINESS MODELS

Our apartments are primarily operated under two models: the leased-and-operated model and the manachised and third-party managed model.

Leased-and-Operated Model

Under the leased-and-operated model, we enter into en bloc leases or leases for part of buildings with property owners or sublessors of the target apartment properties. While the specific terms of these leases vary depending on the dynamics of business negotiations, we summarize the typical principal terms of our leases with property owners or sublessors as follows:

- *Lease term:* we usually enter into long-term leases for such apartment properties with an initial lease term generally ranging from 10 to 15 years. As of December 31, 2022, the average lease period with our landlords and the weighted average lease expiry of our leases with landlords were 13.5 years and 8.3 years, respectively.

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- *Deposit:* we typically pay a deposit in an amount that equals one to three times of monthly rent to our landlords. Our landlords may deduct damages from the deposit should we commit breaches of the lease.
- *Price adjustment:* the rent is typically fixed for the first two or three years of the lease term. We are thereafter typically subject to a 5%-6% increase every two or three years. We generally enjoy an initial rent-free period, ranging from two to six months.
- *Payment:* we pay rent to our landlords mostly on a quarterly basis.
- *Renewal:* such leases usually allow for extensions by mutual agreement.
- *Cancellation:* the lease may be cancelled by (i) the non-breaching party upon the breaching party’s failure to remedy any breach within a specified period of time, or (ii) mutual consent of both parties thereto.
- *Penalties:* the breaching party shall bear the loss of deposit or equal amount, a fixed amount of overdue fines and liquidated damages, and compensate the non-breaching party for all losses incurred.

Our leased-and-operated apartments are all situated on leased properties, the details of which are set out in “– Properties – Leased Properties” in this section. After renovating and furnishing the leased properties following consistent standards, we provide such rental apartments to residents together with our comprehensive suite of quality services. The residents typically enter into a lease of one year with us, which is renewable by mutual agreement, and pay rents either on a quarterly basis or a monthly basis. We manage and operate these apartments and bear the accompanying expenses. We are responsible for recruiting, training and supervising the managers and other staff of each apartment community, paying for leases of the apartment communities and costs associated with renovation and furniture, and purchasing all supplies and other required equipment.

During the Track Record Period, we generated revenue of RMB912.7 million, RMB1,389.5 million and RMB1,626.0 million from the leased-and-operated model for the years ended December 31, 2020, 2021 and 2022, respectively, which accounted for 96.2%, 94.5% and 94.9% of our total revenue over the same period and represented a CAGR of 33.5%.

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Average Rental Rate and Occupancy Rate

The following table sets forth average monthly rental rate per apartment by apartment types and city tiers, average monthly rental rate per square meter by apartment types and city tiers, average occupancy rate by apartment types and city tiers, and average occupancy rate by brands of our apartments operated under the leased-and-operated model for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Average monthly rental rate per apartment (RMB) by apartment types⁽¹⁾			
White-collar apartments	2,964	3,025	2,922
Blue-collar dormitories	3,425	3,629	3,710
	3,086	3,164	3,137
Average monthly rental rate per apartment (RMB) by city tiers⁽²⁾			
Tier 1 cities	3,446	3,389	3,386
Other cities	2,328	2,468	2,290
	3,086	3,164	3,137
Average monthly rental rate per square meter (RMB) by apartment types⁽³⁾			
White-collar apartments	75.2	88.1	84.0
Blue-collar dormitories	71.2	89.4	93.1
	74.0	88.4	86.7
Average monthly rental rate per square meter (RMB) by city tiers⁽⁴⁾			
Tier 1 cities	80.1	95.3	94.4
Other cities	59.8	67.7	61.5
	74.0	88.4	86.7

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	For the Year Ended December 31,		
	2020	2021	2022
Average occupancy rate by apartment types⁽⁵⁾			
White-collar apartments	83.6%	87.0%	85.1%
Blue-collar dormitories	72.1%	85.0%	84.4%
	80.2%	86.5%	84.9%
Average occupancy rate by city tiers⁽⁶⁾			
Tier 1 cities	80.2%	87.2%	84.4%
Other cities	80.2%	84.6%	86.7%
Total	80.2%	86.5%	84.9%
Average occupancy rate by brands⁽⁷⁾			
Mofang Apartment	85.6%	88.9%	85.6%
MORE Apartment	70.6%	81.4%	79.2%
WE Apartment	76.7%	89.0%	85.7%
Unit 9 Apartment	73.3%	86.4%	87.2%
Hui House	86.3%	92.0%	89.8%
Chummy Space	—	—	76.2%

Notes:

- (1) Average monthly rental rate for a given year equals the total rental income (excl. VAT) in a given year divided by the aggregate number of apartments that have been successfully rented out in the same year.
- (2) Average monthly rental rate per apartment in a tier of cities for a given year equals the total rental income (excl. VAT) in a given year generated from the tier of cities divided by the aggregate number of apartments that have been successfully rented out in the same year in the tier of cities.
- (3) Average monthly rental rate per square meter of a certain type of apartments for a given year equals the total rental income (excl. VAT) generated from such type of apartments in a given year divided by the gross floor area of rental apartments of such type that have been successfully rented out in the same year.
- (4) Average monthly rental rate per square meter for a tier of cities in a given year equals the total rental income (excl. VAT) generated from such tier of cities in a given year divided by the gross floor area of rental apartments in such tier of cities that have been successfully rented out in the same year.
- (5) Average occupancy rate of each year equals the combined number of apartments that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental on each calendar day over the same year.
- (6) Average occupancy rate for a tier of cities in a given year equals the combined number of apartments in a tier of cities that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental in such tier of cities on each calendar day over the same year.
- (7) Average occupancy rate for each brand in a given year equals the combined number of apartments under a certain brand that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that are available for rental under such brand on each calendar day over the same year.

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In 2020, the COVID-19 pandemic dealt a heavy blow to the rental apartment industry in China and negatively impacted our business operations. However, as the Chinese economy strongly rebounded from the sluggishness caused by the pandemic, our operational performance achieved all-rounded progress in 2021. As for both of our white-collar apartments and blue-collar dormitories, several key metrics, including average monthly rental rate per apartment, average monthly rental rate per square meter and average occupancy rate, each demonstrated a notable increase in 2021 compared to 2020. Meanwhile, as for both our apartments located in Tier 1 cities and other cities, average monthly rental per square meter and average occupancy rate also increased in 2021 compared to the previous year. In addition, we managed to increase the average occupancy rate of our apartments under all core brands in 2021, primarily driven by the recovery of our apartment operation business from COVID-19.

In 2022, the average monthly rental rate per apartment, average monthly rental rate per square meter and average occupancy rate for our white-collar apartments witnessed decreases compared against the numbers in 2021, respectively, primarily because of the negative impact of the COVID-19 pandemic on the rental apartment industry and our apartment operation business. In 2022, in response to the outbreaks of the COVID-19 pandemic, the central government and local governments in China introduced a wide range of measures, including a series of mobility restrictions which made migration within the country more difficult than usual, and in turn lowered the overall demand for apartment rental solutions. Faced with the adverse changes imposed by the COVID-19 pandemic on the overall market, we swiftly adopted and implemented responsive measures, such as adjusting the prices set for our apartments, in order to maintain our occupancy levels. Consequently, the average monthly rental rate per apartment, the average monthly rental rate per square meter and the average occupancy rate for our white-collar apartments were negatively impacted. For more details on the impact of COVID-19 on our operations and performance, please refer to “Financial Information – The COVID-19 Pandemic: Its Impact and Our Responses – Impact on Our Business Operations and Financial Performance.”

Despite the negative impact of COVID-19 pandemic, the average monthly rental rate per apartment for our blue-collar dormitories increased from RMB3,629 in 2021 to RMB3,710 in 2022 and the average monthly rental rate per square meter for our blue-collar dormitories increased from RMB89.4 in 2021 to RMB93.1 in 2022, primarily because we acquired blue-collar dormitories under Chummy Space (築夢居) at the end of 2021, which are mostly located in Tier 1 cities and had a relatively high average monthly rental rate per square meter, mitigating the negative impacts brought about by the COVID-19 pandemic on the operation of our blue-collar dormitories. The operation of both our white-collar apartments and blue-collar dormitories was negatively impacted by the recurring COVID-19 outbreaks in 2022. However, since our blue-collar dormitories mostly serve corporate customers that generally need more time than individuals to make decisions in response to the disruptions caused by the pandemic, the negative impact on our operation of blue-collar dormitories was deferred. Partially due to the disruptions caused by the pandemic to the macro-economy, the average occupancy rate of our blue-collar dormitories slightly decreased to 84.4% in 2022 from 85.0% in 2021.

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The recurring outbreaks of COVID-19 caused the average occupancy rate for our apartments located in Tier 1 cities to decrease from 87.2% in 2021 to 84.4% in 2022. For the same reason, the average monthly rental rate per apartment and average monthly rental rate per square meter for our apartments located in Tier 1 cities both experienced a decrease in 2022 compared to the previous year. The average monthly rental rate per apartment of our apartments located in Tier 1 cities decreased from RMB3,446 in 2020 to RMB3,389 in 2021, primarily because the apartments consolidated into our apartment network through the Vlinker Equity Acquisitions generally had a lower average monthly rental rate per apartment. Nonetheless, such apartments are generally characterized by comparatively limited gross floor area, which means their average monthly rental rate per square meter was relatively high. Therefore, the average monthly rental rate per square meter for our apartments in Tier 1 cities increased from RMB80.1 in 2020 to RMB95.3 in 2021.

Owing to the challenges posed by the recurring outbreaks of COVID-19 in 2022, the average monthly rental rate per apartment for our apartments located in other cities decreased from RMB2,468 in 2021 to RMB2,290 in 2022 and the average monthly rental rate per square meter for these apartments decreased from RMB67.7 in 2021 to RMB61.5 in 2022. Despite the aforementioned negative impacts by the pandemic, the average occupancy rate for our apartments located in other cities increased from 84.6% in 2021 to 86.7% in 2022, primarily due to (i) the positive results of our price adjustments in 2022 in the face of the negative impact of COVID-19, (ii) the rather high average occupancy rate of certain apartment communities in Kunshan which were consolidated into our apartment network at the end of 2021 and (iii) the closure of an apartment community located in Tianjin in 2022 which recorded a rather low average occupancy rate in the previous year.

Our Group’s contribution margin, which is defined as the difference between average monthly rental rate per apartment and average monthly rental cost per apartment divided by average monthly rental rate per apartment, reached 40.6% in 2020, 43.1% in 2021 and 43.0% in 2022. According to Frost & Sullivan, the industry-wide contribution margin of the centralized rental apartment market was typically between 30.0% and 45.0% in 2022.

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Other Key Operating Metrics

Leveraging our rich experience acquired from our continued operations in China’s centralized rental apartment market, we have expanded our apartment operation business under the leased-and-operated model in target markets in China over the years. The following table sets forth the number of residents, number of landlords, average lease period with residents, renewal rate of residents, average renovation cost per apartment, and average operating cost per apartment in relation to our business under the leased-and-operated model as of the dates or for the years indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Number of residents	45,614	63,746	60,073
Number of landlords	184	269	267
Average lease period with residents (month) ⁽¹⁾	10.5	11.1	11.7
Renewal rate of residents ⁽²⁾	45.0%	41.4%	45.7%
Average renovation cost per apartment (RMB) ⁽³⁾	48,457	46,024	44,001
Average operating cost per apartment (RMB) ⁽⁴⁾	383	322	307

Notes:

- (1) Average lease period with residents in a given year equals the sum of the rental period specified in each rental contract multiplied by the number of rental apartments covered therein and by the number of rental days in such year divided by the sum of the number of rental apartments covered by each rental contract multiplied by the number of rental days in such year.
- (2) Renewal rate of residents in a given year equals the number of apartments for which the rental contracts are renewed in the given year divided by the number of apartments for which the rental contracts expire (excluding the number of apartments for which the rental contracts are terminated because of contractual breaches) during the year. Sometimes we enter into new rental contracts with existing residents for new apartments. These rental contracts are not included in our calculation of renewal rate of residents.
- (3) Average renovation cost per apartment in a given year equals the total initial renovation costs paid by our Company in the given year divided by the total number of apartments launched in the year. In 2021, we launched an apartment community for which we were entrusted by the lessor to conduct renovation and decoration. While the renovation cost was ultimately borne by the lessor, we counted such apartment community in when we calculated our average renovation cost per apartment in 2021 because we believe such renovation project, like other renovation projects, also reflects our general ability in benefiting from economies of scale and achieving cost efficiency.
- (4) Average operating cost per apartment in a given year equals the total operating costs in the given year divided by the total number of apartments available for rent during the year.

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The number of our residents increased by 39.8% from 45,614 as of December 31, 2020 to 63,746 as of December 31, 2021, primarily because we expanded our apartment network in 2021. The number of our residents decreased by 5.8% from 63,746 as of December 31, 2021 to 60,073 as of December 31, 2022, primarily because of the negative impact on the occupancy rate by (i) the surge in the number of COVID-19 infections in major Chinese cities at the end of 2022 and (ii) seasonal fluctuations related to the earlier arrival of the Chinese New Year in 2023 than usual years. The number of our landlords increased by 46.2% from 184 as of December 31, 2020 to 269 as of December 31, 2021, because we expanded our apartment network under the leased-and-operated model. The number of our landlords decreased from 269 as of December 31, 2021 to 267 as of December 31, 2022, primarily because the number of our leased-and-operated apartment communities slightly decreased from 275 as of December 31, 2021 to 273 as December 31, 2022, which largely resulted from the recurring COVID-19 outbreaks in major Chinese cities.

The average lease period with our residents gradually grew during the Track Record Period, primarily because our brand recognition improved over the years, which was supported by our diverse apartment offerings and quality ancillary services. The renewal rate of our residents decreased from 45.0% in 2020 to 41.4% in 2021, primarily because we applied our own pricing strategies to apartments integrated into our apartment network through strategic acquisitions in 2021. As part of our standard practices post strategic acquisitions, we upgraded our apartment products offered and services provided at relevant apartment communities to be on par with our other apartment communities. Meanwhile, we also increased the prices of these apartment products leveraging our advanced pricing strategies which are supported by our GIS algorithmic dynamic pricing system. Our price adjustments at these apartment communities, which we believe reflected the improved quality of our apartment products and ancillary services, caused a temporary impact on the willingness of residents to renew the rental contracts with us. The renewal rate of our residents increased from 41.4% in 2021 to 45.7% in 2022, primarily because we recovered from the temporary impact of pricing adjustments for apartments consolidated into our network through strategic acquisitions after the upgrade of apartment quality post acquisitions and had an improved ability to attract and retain residents as we continued to provide quality living experience for our residents.

During the Track Record Period, the average renovation cost per apartment for our apartments operated under the leased-and-operated model amounted to RMB48,457 in 2020, RMB46,024 in 2021 and RMB44,001 in 2022. Our average renovation cost per apartment of each year is primarily impacted by (i) the cities in which relevant apartment communities were launched and (ii) the renovation status of relevant apartment properties when they were handed over to us. For instance, our average renovation cost per apartment decreased by 4.4% from RMB46,024 in 2021 to RMB44,001 in 2022, largely because we launched an apartment community in Shanghai at the end of 2022 for which we did not incur renovation cost as the property was handed from the lessor to us in a condition that was almost fully ready for rental. The average operating cost per apartment for our apartments operated under the leased-and-operated model gradually decreased during the Track Record Period, primarily due to our increased operational efficiency supported by continued accumulation of experience in running the apartment operation business and our continual improvement of standard operating procedures and technology infrastructure.

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Mature Apartment Communities and Mature Apartments

When we open a new apartment community under the leased-and-operated model, it usually takes three to six months for such newly-opened apartment communities to ramp up before they generate normal and stable revenues and can be categorized as mature apartment communities. We define mature apartment communities as those that have been in operation for more than six months as of the first day of each year or period, and each apartment in a mature apartment community is a mature apartment. Taking into consideration that (i) our newly launched apartment communities usually need around six months to reach the initial target occupancy rate based on our operating experience over the years and (ii) the average breakeven period for our leased-and-operated apartment communities launched during the Track Record Period is approximately 4.3 months, we believe it is reasonable to define our apartment communities in this way as those apartment communities conforming to the definition can be expected to enter the period of stable operation. In 2020, 2021 and 2022, the percentage of our mature apartment communities to our entire portfolio of apartment communities was 88.1%, 63.6% and 78.0%, respectively. The following table sets forth the number of apartments, the number of apartment communities, average monthly rental rate and average occupancy rate for our mature apartment communities under the leased-and-operated model during the Track Record Period:

	For the Year Ended December 31,		
	2020	2021	2022
Number of mature apartment communities ⁽¹⁾	171	175	213
Number of mature apartments ⁽²⁾	26,520	27,313	40,250
Average monthly rental rate (RMB) ⁽³⁾	3,127	3,274	3,115
Average occupancy rate ⁽⁴⁾	84.6%	88.5%	86.3%

Notes:

- (1) Number of mature apartment communities of each year equals the total number of apartment communities that had been in operation by Mofang for more than six months as of the first day of each year.
- (2) Number of mature apartments of each year refers to the total number of apartments located in our mature apartment communities in the respective year.
- (3) Average monthly rental rate for a given year equals the total rental income (excl. VAT) generated from mature apartment communities in a given year divided by the aggregate number of mature apartments that have been successfully rented out in the same year.
- (4) Average occupancy rate of each year equals the combined number of apartments that have been successfully rented out on each calendar day during such year divided by the combined number of apartments that were available for rental on each calendar day during the same year.

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Store Level Profitability

During the Track Record Period, we primarily relied on store level operating profit, which is defined as revenue deducting cost of sales and services and rental costs based on lease agreements incurred at the apartment community level, to monitor the financial performance of our apartment communities in operation. We regarded apartment communities that recorded a negative amount of store level operating profit during a specific year as loss-making apartment communities in such year. The following table sets forth the number of our apartment communities that recorded a negative amount of store level operating profit, the corresponding number of rental apartments within such apartment communities, and our total store level operating profit for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Number of loss-making apartment communities	48	15	50
Number of apartments within loss-making apartment communities	9,176	2,523	8,003
Total store level operating profit of our leased-and-operated apartment communities (RMB in millions)	163.6	426.2	452.4

For the Year Ended December 31, 2020

In 2020, 48 apartment communities (out of 194 leased-and-operated apartment communities as of December 31, 2020) recorded a negative amount of store level operating profit, corresponding to 9,176 rental apartments in total. Among these 48 apartment communities:

- 12 of them were newly launched either at the end of 2019 or in 2020 and thus were going through the ramp-up stage, during which the occupancy rate had not yet reached the targeted level established by us; and
- 36 other apartment communities recorded a negative amount of store level operating profit primarily due to the negative impact of the COVID-19 pandemic. Since the business operations of our entire portfolio of apartment communities were challenged, these apartment communities experienced a decrease in occupancy rate and a decline in rental rate.

Notably, among all these 48 apartment communities, 33 reversed loss-making status in 2021 while the others also significantly improved in such year. Six of these 48 apartment communities were closed by us at the end of 2020 or in 2021 upon comprehensive evaluation and strategic decision-making.

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For the Year Ended December 31, 2021

In 2021, 15 apartment communities (out of 275 leased-and-operated apartment communities as of December 31, 2021) recorded a negative amount of store level operating profit, corresponding to 2,523 rental apartments in total. Among these 15 apartment communities:

- two of them were newly launched in the second half of 2020 and 2021, respectively, and thus were going through the ramp-up stage, during which the occupancy rate had not yet reached the targeted level;
- two apartment communities were acquired in mid-2021 and necessary work had to be done during the integration process that followed the completion of strategic acquisitions, such as cost structure improvement and operating system switchover; and
- 11 other apartment communities were loss-making in 2021, primarily because of operational difficulties, such as in elevating the occupancy rate and in maintaining the rental rate.

Overall, our business operations strongly rebounded from the difficulties caused by COVID-19 in 2020. In addition, six of the 15 loss-making apartment communities in 2021 were no longer loss-making in 2022 and another one of them was closed by us at the end of 2022 upon comprehensive evaluation and strategic decision-making.

For the Year Ended December 31, 2022

In 2022, the recurring COVID-19 outbreaks in major cities in China posed significant challenges to our apartment operation business, particularly the citywide lockdown in Shanghai that ensued from a surge of infections in the spring. Against such background, the number of our loss-making apartment communities increased to 50 (out of 273 leased-and-operated apartment communities as of December 31, 2022), corresponding to 8,003 rental apartments in total. Among these 50 apartment communities:

- 14 of them were acquired at the end of 2021 and thus were going through the consolidation and integration process, which required considerable time and costs for us to finish necessary staff replacement, cost structure improvement and operating system switchover, especially amidst the negative impact of the COVID-19 pandemic;
- two of them were newly launched at the end of 2022 and thus were going through the ramp-up stage, during which the occupancy rate had not yet reached the targeted level;

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- three of them were acquired by us in the fourth quarter of 2022, after which a new wave of COVID-19 infections swept across China, causing a delay in our integration and consolidation of such apartment communities; and
- 31 other apartment communities were adversely impacted by the disruptions caused by the COVID-19 pandemic, which had a negative impact on the occupancy rate and rental rate across the rental apartment industry.

Notably, upon further assessment and evaluation, among all the 50 loss-making apartment communities in 2022, we decided to close five apartment communities while the others demonstrated positive signals in terms of operational performance and store level profitability.

Overall, during the Track Record Period, the profitability of our apartment communities was significantly impacted by the disruptions caused by the COVID-19 pandemic. If the rental apartment industry in China fully rebounds from the negative impact of COVID-19 in the future, the negative impact imposed by the pandemic on the profitability of our apartment communities is also expected to gradually lift.

Turnaround Strategies

To ensure the overall profitability of our apartment operation business, we track and monitor the financial performance of our apartment communities on a regular basis. For apartment communities that recorded a negative amount of store level operating profit, we have adopted a series of turnaround strategies to improve their operational performance, primarily including the following aspects:

- For those loss-making apartment communities running into grave challenges, a dedicated response team would be established and stationed to such apartment communities. Typical measures that would be adopted by the response team and frontline staff to facilitate the transactions with customers include: (i) conducting advertising and marketing activities on social or e-commerce platforms well received by our target customers, (ii) incentivizing existing residents to bring in new residents by providing gift bags and/or coupons, and (iii) providing gifts to walk-in customers and new residents.
- We would enhance sales and marketing efforts as to these loss-making apartment communities on well-known rental platforms in China to increase the exposure of relevant apartment communities and rental apartments and attract more interest and attention from potential customers.
- We would keep a close rapport with existing residents living in these loss-making apartment communities and frontload communications with respect to the renewal of rental contracts with such residents to avoid any deterioration in occupancy rate.

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- We would conduct a comprehensive and complete assessment of all the major aspects of the business operations of loss-making apartment communities to identify and resolve any loopholes or deficiencies in daily management and to improve the overall customer satisfaction rate.
- For those loss-making apartment communities which were integrated through strategic acquisitions, we have a well-established consolidation and integration process in place. Such apartment communities would be operated and managed according to our SOP manuals to reduce operating costs and achieve cost efficiency, including efficiency in terms of staff to room ratio.

Our Directors believe that the abovementioned turnaround strategies are effective in improving the profitability of apartment communities as they are conducive to (i) increasing the exposure of the relevant rental apartments to potential customers, (2) ensuring and further improving the quality of our apartment products and ancillary services at the relevant apartment communities, and (3) streamlining the daily operations at the relevant apartment communities, which in turn is expected to help increase the occupancy rate and reduce operating costs at our loss-making apartment communities.

Based on our accumulated experience in the rental apartment industry in China and integrating apartment communities through strategic acquisitions, the implementation of these turnaround strategies would usually come to fruition and lift relevant apartment communities out of loss-making status. However, for those apartment communities that recorded a negative amount of store level operating profit consistently and demonstrated a bleak outlook for improvement in the future, we would make a thorough evaluation to decide whether such loss-making apartment communities should be closed permanently.

Manachised and Third-party Managed Model

Under the manachised and third-party managed model, we enter into manachise agreements with franchisees and management agreements with entrusting parties. The operating models under the manachise agreements and the management agreements are generally identical except that the manachise agreements authorize franchisees to use our brand and logo. Pursuant to our standard manachise agreements or management agreements, the franchisees or the entrusting parties own or lease relevant apartment communities and typically bear the costs of developing and operating the apartments, including expenses related to construction and renovation, and regular maintenance and repair costs. For the manachised and third-party managed model, an apartment community is defined as the whole of, or a portion of, a building structure in which the rental apartments of our franchisees and entrusting parties are located. These apartment communities constitute common residential space for residents and a main site for our apartment operation business under such model. We do not lease any properties or any part thereof under the manachised and third-party managed model. We typically provide operation and management services without bearing any loss incurred or sharing any profit realized by our franchisees or entrusting parties.

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While the specific terms of the manachise agreements or management agreements vary, below is the summary of the key terms that we typically use:

- *Scope of service:* we undertake the management of manachised and third-party managed apartments by providing technology system coverage and support, assistance in sales and marketing, and appointing qualified managers to supervise daily operations of manachised and third-party managed apartments. While franchisees and entrusting parties are responsible for hiring on-site staff members for relevant apartment communities, supervising managers appointed by us take lead in interviewing and selecting candidates. We authorize the use of our brand names or logos by the manachised apartments, whereas the third-party managed apartments are not allowed to use our brand names, logos or trademarks.
- *Fees collected:* we are entitled to a non-refundable initial one-off fee, which is generally less than RMB350,000. The exact amount, however, depends on the negotiations between franchisees/entrusting parties and us. We do not receive the initial one-off fee upon renewal of manachise agreements or management agreements. We typically earn ongoing royalties based on a percentage of gross revenues of manachised and third-party managed apartments, payable once a month. Such percentage typically ranges from 3% to 6%. In addition, we also collect (i) fees for ancillary services that we provide, such as consulting fees for the technical advice and guidance that we provide for apartment construction and renovation; (ii) IT fees for installation and use of our technology infrastructure and other ancillary IT services; and (iii) a monthly fee for the managers we appoint to supervise the operation of manachised and third-party managed apartments.
- *Term of service:* the weighted average term of manachise agreements and management agreements is 8.1 years. The range of the term of manachise agreements and management agreements is between 2 and 15 years. The manachise agreements and management agreements may be extended upon mutual agreement.
- *Termination:* the agreement may be terminated by (i) the non-breaching party upon the breaching party’s failure to remedy any breach within a specified period of time, or (ii) mutual consent of both parties thereto. If we terminate the agreement without cause, we shall fully refund the initial one-off fee and deposit with compensation for the counterparty’s actual loss.

Largely due to our strong brand reputation, a sizeable membership base of Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), and industry-leading operational efficiency, we are able to help our partners achieve growth under the manachised and third-party managed model. Soon after we entered into cooperation with a business partner at the beginning of 2021, we were able to smoothly integrate the relevant apartment communities into our network. In 2021, such business partner’s operating performance achieved notable growth and its financial performance was healthy. As of December 31, 2021, a total number of 83 apartment communities and 16,724 apartments within such business partner’s network were operated and

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managed by us under the brand of Mofang Apartment. On the back of our proven ability in helping our business partners stand up to the fierce competition in the industry, the operations of the abovementioned apartments within such partner’s network achieved noticeable improvements. While the average occupancy rate of these apartments increased from 81.2% in 2020 to 88.9% in 2021, the average monthly rental rate thereof increased from RMB1,783 to RMB1,802 in the same period. Based on a special purpose financial report prepared by a PRC-based accounting firm in accordance with PRC GAAP, such business partner generated a total revenue of around RMB393.0 million in 2021 with its store level EBITDA reaching RMB47.3 million in the same year, thus demonstrating a strong level of financial robustness. Leveraging the self-reinforcing cycle underpinned by our leading operating capacities, our strong brand image in the market and our mutually beneficial in-depth partnership with franchisees and entrusting parties, the success story along the lines of the aforementioned business partner is expected to continue as we further develop the manachised and third-party managed model.

During the Track Record Period, the franchisees and entrusting parties with which we primarily partnered were corporates rather than individuals. The following table sets forth a breakdown of the number of our franchisees and entrusting parties by corporate and individual as of the dates as indicated:

	As of December 31,		
	2020	2021	2022
Franchisees			
Corporates	20	24	27
Individuals	—	—	—
Subtotal	20	24	27
Entrusting Parties			
Corporates	10	10	8
Individuals	3	—	—
Subtotal	13	10	8
Franchisees and Entrusting Parties			
Corporates	30	34	35
Individuals	3	—	—
Total	33	34	35

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The following table sets forth the movement in the number of our franchisees and entrusting parties during the Track Record Period:

	For the Year Ended December 31,								
	2020			2021			2022		
	Entrusting			Entrusting			Entrusting		
	Franchisees	parties	Total	Franchisees	parties	Total	Franchisees	parties	Total
Number at the beginning of the period	11	14	25	20	13	33	24	10	34
Number of newly added partners	11	3	14	9	1	10	6	–	6
Number of reduced partners	-2	-4	-6	-5	-4	-9	-3	-2	-5
Number at the end of the period	20	13	33	24	10	34	27	8	35

Over the years, an increasing number of franchisees and entrusting parties appointed us to manage their rental apartments, which demonstrates our strong ability to continue our apartment operation business under the franchised and third-party managed model. We believe our franchisees and entrusting parties chose us for a host of compelling reasons, including but limited to (i) we are a reliable and reputable rental apartment operator with deep knowledge of and extensive experience in apartment management and operation, (ii) we have demonstrated much stronger management capacities and much higher operational efficiency than many other rental apartment operators, and (iii) our enlarged customer base, including a vast membership base of our Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), enhances our ability to create benefits for our business partners. During the Track Record Period, we also ended cooperation with certain franchisees and entrusting parties, primarily for the following reasons: (i) our franchisees and entrusting parties made changes to their business plan with respect to the relevant apartment properties, and (ii) our franchisees/entrusting parties and us decided not to extend our cooperation upon mutual agreement based on commercial considerations.

During the Track Record Period, a dominant majority of franchisees and entrusting parties that we partnered with are from or based in Tier 1 cities. We also had some franchisees and entrusting parties from other major Chinese cities, such as Nanjing, Hangzhou, Wenzhou and Ningbo. These franchisees and entrusting parties are mostly rooted in the real estate market, prominently including the property development industry, the property management industry and the hospitality industry. We established business relationships with our franchisees and entrusting parties primarily through our own business development efforts tender process or business referral from other customers. While an overwhelming majority of these franchisees and entrusting parties were Independent Third Parties, certain franchisees and entrusting parties are our invested companies. With that said, we conducted business with these invested companies at arm’s length and strove for our respective best interest throughout business cooperation.

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During the Track Record Period, we generated revenue of RMB18.7 million, RMB37.8 million and RMB41.6 million from the manachised and third-party managed model for the years ended December 31, 2020, 2021 and 2022, respectively, which accounted for 2.0%, 2.6% and 2.4% of our total revenue generated over the same period and represented a CAGR of 49.3%.

Comparison of Our Business Models

The table below sets forth the key differences between the leased-and-operated model and the manachised and third-party managed model:

	<u>Leased-and-operated model</u>	<u>Manachised and third-party managed model</u>
Sources of properties	We enter into en bloc leases and leases for part of buildings with property owners or sublessors, which include (i) corporate and institutional landlords and (ii) individual landlords.	We enter into manachise agreements with franchisees and management agreements with entrusting parties. Whereas some of these franchisees and entrusting parties own the properties, others are sublessors rather than property owners.
Nature of revenue and costs	Our revenue mainly comprises (i) rents paid by residents and (ii) apartment management fees for ancillary services that we provide to residents. Our costs primarily include rental costs, human costs, cleaning costs, energy expenses, maintenance costs, property management fees and broadband charges. Our costs also include system maintenance costs and headquarters costs.	Our revenue mainly comprises (i) the initial one-off fees that we collect from franchisees and entrusting parties and (ii) ongoing royalties based on a percentage of gross revenues of manachised and third-party managed apartments. Our costs primarily include the compensation payment to managers appointed by us to supervise the daily operations of relevant apartment communities. Our costs also include system maintenance costs and headquarters costs.

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	Leased-and-operated model	Manachised and third-party managed model
Control of operations	We have full control over the operations of our leased-and-operated apartments. Over the years, we have established a set of standard operating procedures, which cover all the major aspects of our apartment operation business, such as cleaning, security, maintenance and repairs. Our staff are required to strictly follow these standard operating procedures so that we can consistently provide our residents with modernized and high-quality living experiences.	Under the manachised and third-party managed model, we undertake the management of relevant apartment communities. We thus have substantial discretion over the daily operations of manachised and third-party managed apartments. Our standard operating procedures have been equally applied to the operations of these apartments. We regularly survey the satisfaction level of our franchisees and entrusting parties as to the services that we provide, the results of which provide beneficial guidance for our operation of manachised and third-party managed apartment communities.
Brand names	The sales, marketing and operation of our leased-and-operated apartments are all supported by our strong brand matrix, which primarily includes Mofang Apartment (魔方公寓), MORE Apartment (魔爾公寓), WE Apartment (V客青年公寓), Unit 9 Apartment (9號樓公寓), Chummy Space (築夢居) and Hui House (輝展閣).	While manachised apartments are authorized to use our brand names and/or logos, third-party managed apartments are not allowed to use our brand names, logos or trademarks. Therefore, those third-party managed apartments are generally operated under the brand names owned by respective entrusting parties.

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	<u>Leased-and-operated model</u>	<u>Manachised and third-party managed model</u>
Liability for any potential accidents	According to the PRC Civil Code, the business operators or managers of business premises who fail to perform safety assurance obligations and cause damage to others shall bear tortious liability. Therefore, if any accidents occur in these leased properties, our liability mainly depends on whether we have performed safety assurance obligations towards the accidents, and such decision will be made by the competent court. If the accident causes loss to any residents and the court determines that we have failed to fully discharge our safety assurance obligations, we may need to compensate for such loss.	In addition to the determination of whether the business operators or managers of business premises have properly discharged the safety assurance obligations, assumption of liability depends on who shall be regarded as the business operators or managers of business premises. In deciding whether we, the franchisees or the entrusting parties should be liable for losses caused by potential accidents, a court normally takes into account a number of factors, including which party assumes the responsibility of managing and operating the premises in actuality and how the relevant business agreement allocates responsibility among relevant parties. If the court determines that both we and the franchisees/entrusting parties have participated in the management and operation of the relevant premises, the court may hold that all such relevant parties shall assume the liability jointly.

During the Track Record Period and up to the Latest Practicable Date, there were no disputes between us and our franchisees, entrusting parties or landlords that would cause material and adverse impact on our business, results of operations and growth prospects.

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OUR APARTMENTS

Apartment Brands

White-collar Apartment

Our white-collar apartments are primarily operated and managed under our flagship brand, *Mofang Apartment*. Our Mofang Apartment provides one-bedroom apartments and two-bedroom apartments, which are generally offered at a price range of RMB3,000 to RMB6,000 per month in Beijing and Shanghai, or RMB2,000 to RMB4,000 per month in other cities. Mofang Apartment has been our flagship brand since the inception of our business, which provides fully furnished apartments that we believe strike an ideal balance among cost, comfort and convenience. Each Mofang Apartment generally ranges from 25 to 45 square meters in terms of size, with en-suite kitchen and bathroom.



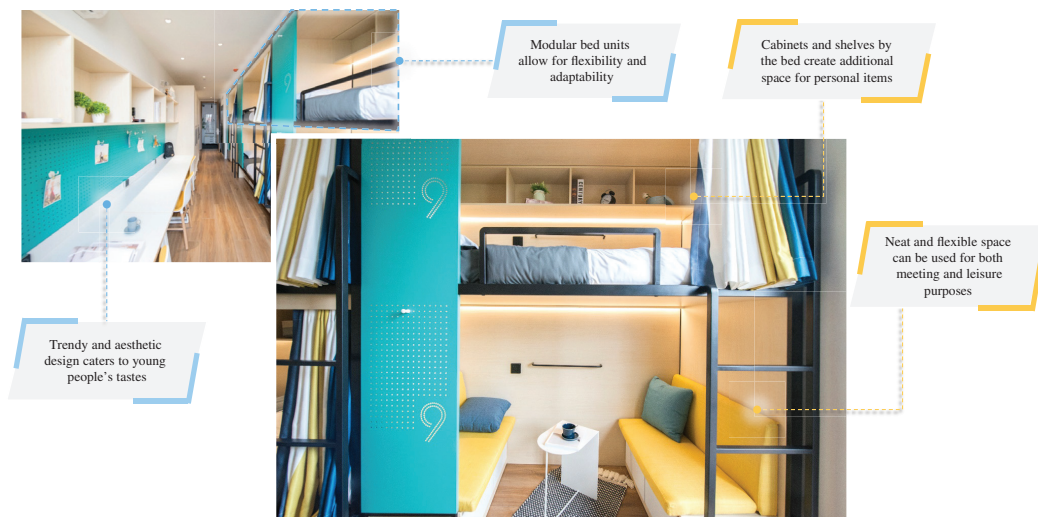
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We also operate white-collar apartments under other brands that complement Mofang Apartment, primarily including:

- MORE Apartment (魔爾公寓): upscale one-bedroom apartments that target white-collar customers who have more disposable income, which are generally offered at a price range of RMB4,200 to RMB14,000 per month.
- WE Apartment (V客青年公寓): budget one-bedroom apartments that cater to fresh graduates who are often budget-sensitive, which are generally offered at a price range of RMB1,300 to RMB3,900 per month.

Blue-collar Dormitories

Our blue-collar dormitories are dormitory-type apartments targeting blue-collar workers and are operated mainly under the *Unit 9 Apartment* brand. We opened the first Unit 9 Apartment in 2016. Unit 9 Apartment provides well-renovated and fully-furnished dormitory-style apartments with multiple beds per room. Each Unit 9 apartment typically has two to eight beds per room, and is generally offered at a price of between RMB500 to RMB1,000 per bed per month.



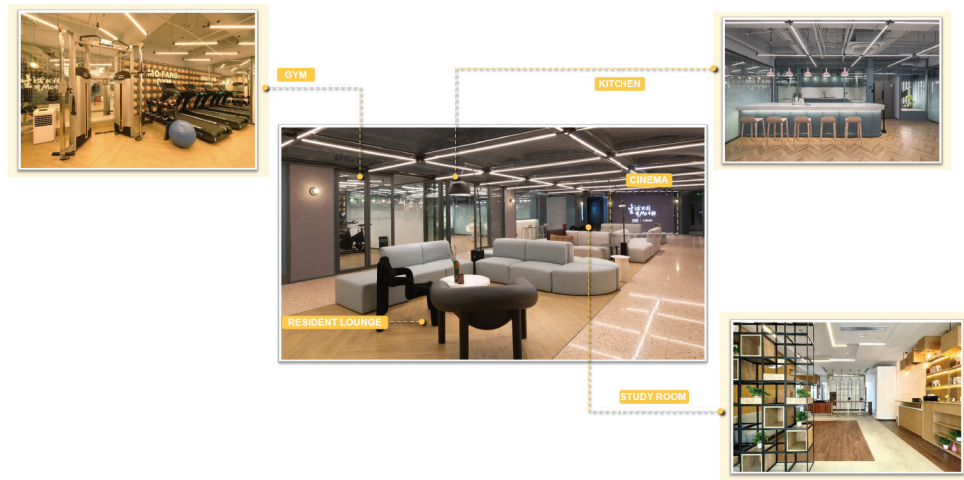
In addition, we operate other primary blue-collar dormitory brands to complement our brand portfolio, primarily including:

- Chummy Space (築夢居): dormitory-type apartments situated in smaller buildings, targeting primarily small and medium-sized enterprises that demand accommodation solutions for their employees.
- Hui House (輝展閣): dormitory-type apartments that are strategically located in close proximity to the established industrial parks in Beijing and Suzhou.

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Differentiated and Elevated Living Experience

Instead of simply offering a normal accommodation option, we are committed to providing a real community to our residents, and improving their overall quality of life. In this regard, in addition to the nicely-designed and well-equipped apartment offerings, we provide our residents with spacious common space where they can relax and socialize with one another.



We follow a resident-centric approach to provide elevated living experiences to our residents.

- *Resident orientation.* When a new resident moves in, the manager of the respective apartment community usually conducts an in-person move-in orientation with a deep focus on creating a friendly environment in which the residents feel welcomed, respected and supported. We also provide our residents with a free move-in gift box of daily necessities, most of which are designed by ourselves.
- *Safety.* Ensuring the safety of the life and property of our residents and frontline employees is an overriding priority for our everyday operations. It is for this reason that we staff most of our apartment communities with on-site security guards and maintain a smart access system at the gateways of all of our apartment communities to prevent unauthorized entry. Our apartments are equipped with smart locks, which are exclusively designed for us and are connected directly to our OMS system and residents' cellphones.
- *Intuitive Mofang Life APP.* We have developed a user-friendly Mofang Life APP for our residents, through which apartment searching, viewing and contract signing can take place all online. After move-in, our residents can also take care of most of the rental-related matters at their fingertips through Mofang Life APP, including requesting and scheduling repair services, making rental and bill payments, and receiving payment reminders.

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- *Repair request and service evaluation.* Residents could easily submit repair and maintenance requests on Mofang Life APP. Upon receiving the request, our service center will generally schedule appointments with residents within 24-48 hours based on the urgency of such requests.
- *Free access to a wide variety of facilities and amenities.* We provide residents a wide range of supporting facilities, such as vending machines, parking lot, package lockers, on-site laundrettes and dryers, to satisfy their daily needs. We also offer a full slate of recreational facilities woven into the fabric of our inclusive community, such as lounge with pool tables and free snacks, outdoor barbeque facilities, and gyms that offer stylish, expansive nooks for our residents to meet and relax with friends and fellow residents.
- *Social events.* We intend to create a community that brings residents together. We organize various social activities online and offline, which cater to greater demands of younger generations for social life, foster a strong sense of community among our residents, and ultimately enhance our customers’ brand loyalty.
- *Value-added services.* We collaborate with various third-party service vendors nationwide to offer a wide variety of value-added services to our residents, such as diversified social activities, professional training, community based group purchase, online-offline retail and room cleaning service.

APARTMENT SOURCING

We develop and maintain a sophisticated process with respect to the planning and execution of new projects. We weigh each investment proposal deliberately to help ensure that we expand our geographical coverage and maintain high growth and profitability at the same time.

Leased-and-Operated Apartment

We strategically focus on core cities in China, as such cities exhibit strong economic growth, which attracts large inflow of floating population, strong economic prospects, abundant job opportunities and high home purchase costs.

We utilize a 7-dimension site selection methodology to help ensure a robust selection process for leased-and-operated apartment projects, which incorporates comprehensive market data, including demographic data of target customers, competition, traffic conditions, rental rates of traditional housing options, availability of similar accommodation options in the vicinity, local amenities, and urban planning. After identifying a targeted location, we actively source the available apartment communities at such location through our in-house business development department. When we source leased-and-operated projects in our target markets, we tend to consider a broad scope of property candidates, including vacant or unused properties, newly completed buildings and apartment properties in operation. Our business development team at the regional level has extensive local market experience, covering core cities in China, which enables us to target specific neighborhoods, streets or buildings that meet our criteria.

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Given the continually increasing market demand for quality rental solutions in urban areas and the rather low penetration rate of centralized rental apartments in China, we believe that we do not face any significant risk of cannibalization at the current stage of our business. Leveraging our accumulated knowledge of the centralized rental apartment market, data insights on the market information of target geographic locations, and rigorous investment decision-making procedures, we have been able to develop and execute our business expansion plans across the country in an orderly fashion. In addition, the following business and site-selection strategies would further reduce any potential cannibalization risks among our apartment communities located in the same city: (i) we have developed a diverse portfolio of apartment products, including white-collar apartments and blue-collar dormitories as well as apartment offerings of different price levels, which address the rental needs of different customer types; (ii) despite the existence of certain mega projects as outliers, the size of our single apartment community is usually modest, with around 200 apartments in operation; (iii) we target apartment properties located in city districts where customer demand for rental solutions is high, such as neighborhoods around prominent office building clusters or critical transportation junctions; and (iv) we determine the physical distance amongst our new apartment communities and existing ones based on market analyses, taking into consideration the overall demand for our apartment offerings in the local market and the performance of our local or surrounding apartment communities (if any).

Not only do we lease apartment properties from property owners, but we also lease from sublessors. By doing so, we increase the likelihood of successfully sourcing apartment properties at our target locations. As advised by our PRC Legal Advisors, pursuant to Article 716 of the PRC Civil Code, the lessee may sublease the leased property to a third party, subject to the consent of the lessor. During the Track Record Period, a dominant majority of our sublessors were corporates rather than individuals. With regard to the apartment properties that we lease from sublessors, our sublessors typically lease the relevant apartment properties from property owners or are entrusted by such owners to operate and manage the relevant apartment properties. The following table sets forth a breakdown of our apartment communities under the leased-and-operated model by whether the landlord is a property owner or a sublessor and their carrying value as of the dates indicated:

As of December 31,						
2020		2021		2022		
Number of apartment communities	Carrying value (RMB in millions)	Number of apartment communities	Carrying value (RMB in millions)	Number of apartment communities	Carrying value (RMB in millions)	
Property owners	64	2,253.6	95	5,372.8	94	5,205.6
Sublessors	130	4,547.2	180	6,263.8	179	6,865.7
Total	194	6,800.8	275	11,636.6	273	12,071.3

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During the Track Record Period, we tracked and monitored the business operations and financial performance of our rental apartments leased from property owners and sublessors by relying on several key operating metrics. The following table sets forth the average occupancy rate, average monthly rental rate per apartment, average monthly operation cost per apartment and average monthly rental cost per apartment for our rental apartments leased from property owners and sublessors, respectively, for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	Property owners	Sublessors	Property owners	Sublessors	Property owners	Sublessors
Average occupancy rate	84.6%	78.2%	88.5%	84.9%	85.7%	84.2%
Average monthly rental rate per apartment (RMB)	2,851	3,202	2,890	3,410	2,964	3,269
Average monthly operation cost per apartment (RMB)	345	401	296	345	307	307
Average monthly rental cost per apartment (RMB)	1,514	1,981	1,498	2,066	1,568	1,954

We believe the operational performance of our leased-and-operated apartment communities is significantly impacted by a number of factors, such as the cities where they are located, their brand association, their specific locations within a city, the status of surrounding infrastructure and transportation, and the renovation status of the underlying properties when they were handed over to us, regardless of whether they are leased from property owners or sublessors. Based on our evaluation and analysis, during the Track Record Period, the average occupancy rate of our rental apartments leased from property owners was consistently higher than that of our rental apartments leased from sublessors, primarily because of the discrepancies in brand association, development stage and location among relevant apartment communities. For example, in Beijing, Hui House, which was leased from property owners, features prominently in our business under the leased-and-operated model and our apartments under Hui House achieved relatively higher occupancy rate during the Track Record Period. In Hangzhou, we launched three apartment communities, which were leased from sublessors, at the end of 2019. These three apartment communities went through the ramp-up stage during most part of 2020 and thus dragged down the average occupancy rate of our apartment communities leased from sublessors in 2020. During the Track Record Period, the average monthly rental rate per apartment, average monthly operation cost per apartment and average monthly rental cost per apartment of our rental apartments leased from property owners were generally lower than those of our rental apartments leased from sublessors, primarily because (i) overall, a majority of our rental apartments located in Tier 1 cities were leased from sublessors and (ii) in certain cities, such as Beijing, our rental apartments leased from sublessors are generally better located than those leased from property owners.

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With respect to our apartment properties leased from property owners, we need to collect valid evidence of title or relevant proof documents of title for the leased properties to minimize potential risks related to our leasehold interests. As for our apartment properties leased from sublessors, to safeguard our leasehold interests, we also need to obtain the relevant consent letters from the property owners to authorize the sublessors to lease the apartment properties to us. For further details, please refer to “– Properties – Leased Properties”.

We developed diversified channels to source apartment properties under the leased-and-operated model. We have cultivated stable relationships with many of our business partners, including property owners and sublessors from whom we leased apartment properties. Such relationships have facilitated daily referrals of available apartment properties that conform to our business needs. Moreover, because of our leading position in the centralized rental apartment industry, state-owned-enterprises and property developers also at times approach us for collaboration when there are available apartment properties ready for direct leasing. In addition, more apartment properties are brought to our attention as we participate in multiple industry associations and actively take part in public bidding processes. In recent years, with our brand awareness continuing to expand, our work on sourcing desirable apartment properties also benefits from an increasing number of inquiries for cooperation that we received from potential landlords. We also collaborate with local real estate brokers and leverage their relationships to source off-market apartment properties. Our approach of developing and maintaining multiple fronts for sourcing apartment properties allows us to screen property candidates broadly and identify suitable properties precisely.

Once we identify an ideal property, we conduct thorough due diligence and negotiate the leases concurrently with the landlords. All leases and development plans of leased-and-operated projects are subject to a rigorous internal investment approval process that has been developed over the decade. Over the course of our internal approval process, we utilize a data-driven investment projection model to assess each potential project. We have set forth a set of parameters for our investment decisions, including internal rate of return, payback period, net profit margin and compliance with relevant laws or regulations, and will only choose leased-and-operated projects that meet such criteria. Each potential leased-and-operated project needs to be approved by our investment committee consisting of our CEO, CFO, vice president of business development department and some other members of senior management team. During the process of lease signing, we also have an established set of procedures in place to regulate the entire process. Our internal departments, such as business development department, construction department, in-house legal department and finance department, have to co-initiate a process of cross-departmental review of the proposed leases. The designated responsible persons from these departments have to sign off the proposed leases before they may be submitted to the designated vice president, our CFO and our CEO for their respective approval. The purpose of this rigorous process is to ensure the potential apartment properties that we sign for are well-positioned to serve our strategic expansion goals in a target market and avoid any futile efforts in expanding our business presence.

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Under the leased-and-operated model, we enter into en bloc leases or leases for part of buildings with property owners or sublessors of the target apartment properties. With respect to our leased-and-operated apartment communities (excluding those consolidated through strategic acquisitions) in operation as of December 31, 2022, the average payback period is roughly four years among those apartment communities that have already achieved investment payback. For our leased-and-operated apartment communities launched during the Track Record Period, the average breakeven period is 4.3 months. The following table sets forth a breakdown of the total number of apartments under the leased-and-operated model by the type of leases that we entered into with our landlords as of the dates indicated and the percentages by which each type of leases contributed to the total revenue generated from the leased-and-operated model for the years indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Number of Apartments			
En bloc leases	17,127	30,043	30,991
Leases for part of buildings	14,754	20,031	19,842
Total of leased-and-operated apartments	31,881	50,074	50,833
Percentage of Revenue			
En bloc leases	49.9%	57.9%	58.6%
Leases for part of buildings	50.1%	42.1%	41.4%
Total of leased-and-operated apartments	100.0%	100.0%	100.0%

We source apartment properties from a broad spectrum of property owners and sublessors, including (i) corporate and institutional landlords and (ii) individual landlords. The following table sets forth a breakdown of our total number of apartments in operation under the leased-and-operated model by the source of apartment properties as of the dates indicated and the percentages that each source of apartment properties contributed to the total revenue generated from the leased-and-operated model for the years indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Number of apartments			
Corporate and institutional landlords ⁽¹⁾	28,471	46,071	46,756
Individual landlords	3,410	4,003	4,077
Total of leased-and-operated apartments	31,881	50,074	50,833

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	As of/For the Year Ended December 31,		
	2020	2021	2022
Percentage of Revenue			
Corporate and institutional landlords ⁽¹⁾	89.9%	92.8%	93.7%
Individual landlords	10.1%	7.2%	6.3%
Total of leased-and-operated apartments	100.0%	100.0%	100.0%

Note:

- (1) During the Track Record Period, we had two apartment properties leased from public institutions that are classified as institutional landlords.

Manachised and Third-Party Managed Apartment

We typically source potential manachised and third-party managed projects through our in-house business development department. We also source projects through public bidding process and referrals from industry associations or existing customers. Attracted by our strong brand awareness, interested apartment operators also approach us for potential opportunities of cooperation from time to time.

We follow a selective approach to evaluate potential manachised and third-party managed opportunities. We hold manachised and third-party managed apartments to the same standards as our leased-and-operated apartments in terms of quality, safety and functionality. We also assess the potential franchisees or entrusting parties based on their credentials and reputation. Each potential manachised and third-party managed project needs to be finally approved by our investment committee.

APARTMENT RENOVATION

Leased-and-Operated Apartment

Our proprietary SOP refines our renovation process to the finest details, allowing us to create and execute design plans in an orderly and efficient manner at lower costs. Our SOP stipulates details such as the size of apartments, layout of air conditioners and design of common space. With our SOP, we are able to efficiently manage the renovation process and set the standard renovation period as 120 days.

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We maintain an extensive network of renovation contractors across all cities in which we operate. We usually outsource renovation related work, such as measurement, construction and installation, to such qualified contractors. We also establish an in-house construction center consisting of dedicated personnel who oversee the entire apartment renovation process, through which we are able to ensure quality and increase cost efficiency.

- *Assessment & Budgeting.* After a lease is signed, our in-house construction center conducts on-site measurements of the property size and structure, generates a floor plan, and assesses repairs and improvements needed. The construction center prepares a detailed budget and work plan according to our renovation standards, which has to be approved before the renovation and construction begins. This budget and work plan is closely followed and monitored throughout the renovation process. Our disciplined process of evaluating, setting and monitoring realistic budgets and work plans enables us to prudently control our costs.
- *Design.* Our design capability is the foundation of our unified and highly identifiable brand image. Our apartments feature innovative design with a balanced combination of aesthetics, efficiency and functionality. We have ten self-designed standard room types that suit different properties and can be applied to various types of properties. We regularly collect residents’ feedback on our interior and exterior designs, through which we better understand and deliver features that our residents appreciate, and remove construction elements that they do not value.
- *Supplier management:* We maintain a pre-approved supplier list. We assess and select suppliers and construction contractors based on multiple factors, such as quality, responsiveness, costs and existence of safety management systems. The approved supplier list is reviewed annually and each approved supplier and contractor is evaluated based on its performance during the year.
- *Sourcing & procurement.* We operate a centralized sourcing and procurement system for construction materials, sanitary ware, furniture, and electronic appliances. Certain low-cost and heavy construction materials, such as cement, are sourced directly by our construction contractors. Leveraging our scale and standardized design, we are able to bulk purchase directly from suppliers at competitive prices. We exert stringent control over the materials used in the renovation and construction process to help ensure that our rental apartments comply with all relevant safety and environmental standards.

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- *Construction.* Construction involves demolition, reconstruction of water supply and sanitation system, electrical installation, plastering, wood-working, painting and installation of furniture and electronic appliances. We outsource the entire construction process to qualified third parties and supervise their work process through project management systems. During the construction process, we stick to the use of quality materials to pre-emptively minimize the recurrence of maintenance requests.
- *Inspection and Review.* Immediately following the completion of the construction and installation, staff from our construction center, operation center and management team of apartment communities will conduct three-round on-site inspections following our 245 acceptance criteria.

We rely on the average time of completing the transactions to monitor our efficiency in launching apartment communities. The average time of completing the transactions in a given year represents the simple average of the time needed from leasing the property from the landlord to the launch of the apartment community as to all the apartment communities the renovation of which has been finished in such given year. In 2020, 2021 and 2022, our average time of completing the transactions was 117 days, 149 days and 240 days, respectively. The average time of completing the transactions in a given year is primarily impacted by the following factors: (i) the renovation status of the underlying properties when they were handed to us, (ii) the number of apartments to be offered within the underlying properties and (iii) whether the renovation of apartment properties is disrupted by extraordinary factors, such as the COVID-19 pandemic. Our average time of completing the transactions increased from 149 days in 2021 to 240 days in 2022, primarily because the renovation of our apartment properties was significantly disrupted by the recurring COVID-19 outbreaks. For instance, in Shanghai, there was a citywide lock-down of around three months during the spring, which caused disruptions to renovation of apartment communities. With respect to apartment communities that have an unusually longer time of completing the transactions, we would usually be able to secure an extended rent-free period from our lessors.

Manachised and Third-party Managed Apartment

Our franchisees or entrusting parties are typically responsible for the design, renovation and construction of their properties. We hold manachised and third-party managed apartments to the same standards as our leased-and-operated apartments in terms of quality, safety and functionality. To assist franchisees and entrusting parties in meeting our standards, we provide technical advice and guidance regarding apartment design, blueprint drawing, construction, installation and inspections. We also recommend pre-selected qualified suppliers as needed.

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APARTMENT LEASING

Various Technology Initiatives

We adopt various technology initiatives to fuel our apartment leasing process, including our OMS for real-time sales monitoring and analysis, GIS algorithmic dynamic pricing system for fair and transparent rental rates, and intuitive Mofang Life APP for hassle-free move-in process. We also strive to enhance our customers’ rental apartment searching experience through a knowledgeable and engaged salesforce.

- *Dynamic Pricing System.* We determine the rental rates of our apartments through our self-developed GIS algorithmic dynamic pricing system, which takes into account various data points, including occupancy rate, lease term and targeted customers’ preference.
- *Real-time Sales Monitoring and Analytics.* Our robust technology infrastructure fuels real-time monitoring and analytics of our entire sales process, from the initial inquiry by a prospective customer, the follow-ups by our sales representative, site visits to apartments, to the signing of the lease agreement. The visibility and transparency of the sales process provide our sales team with accurate and timely data, which further supports our data-driven decision-making process. In addition, through our OMS system, we are able to monitor each apartment’s occupancy status on a real-time basis, which allows us to flexibly adjust the rental rates and sales efforts.
- *Intuitive Mofang Life APP for hassle-free move-in process.* Before a prospective resident moves into our apartment, he or she may submit an application, sign the lease agreements, upload required documents and make all payments through our Mofang Life APP. Each step from apartment search to move-in is digitalized and could be completed conveniently through our app.
- *Highly Trained and Competent Salesforce.* We utilize a highly-trained salesforce. Each member receives approximately 45 hours of training through Mofang Academy every year. Leveraging our OMS system that centralizes information from different sales channels and collects feedback from existing and prospective customers, our sales team is able to adjust marketing campaigns rapidly, personalize sales strategy effectively and promote various value-added services efficiently.

Pricing Different Rental Apartments

Our Group determines the rental rates for our diverse range of apartment products through the GIS algorithmic dynamic pricing system, which we believe is able to generate prices for our apartments in a fair and transparent manner. Apart from the basic conditions of rental apartments, such as their sizes, the system dynamically sets the prices for our apartments internalizing a number of factors about a specific location, including but not limited to the surrounding apartment rental market, the supply of competing apartment products, access to office premises and development status of public transportation. Meanwhile, with the aim of achieving an optimal balance between maintaining our price premium and improving the

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overall occupancy rate, the system takes into account our operating performance at the project level, distinct demands from different consumer groups, and the interaction between apartment supply and product pricing. We maintain transparency in setting the prices for our rental apartments and rent our apartment products to customers at the expressly marked price. Our GIS algorithmic dynamic pricing system is able to automatically generate prices for different apartment products reflecting the characteristics thereof, the details of which are set forth below:

- *White-collar apartments and blue-collar dormitories.* Our pricing system recognizes white-collar apartments and blue-collar dormitories as two different product lines which demonstrate substantial differences in product positioning, such as apartment types, target customers and services provided. Since these two product lines address different rental demands and preferences of our customers and diverge in the average lease period with customers, our white-collar apartments and blue-collar dormitories are offered at different prices. Moreover, since our blue-collar dormitories provide multiple beds inside a room, our pricing system generates prices on a per bed basis instead of a per room basis for such dormitory-style apartments.
- *Apartments operated under different brands.* Under our multi-brand development strategy, our brand matrix is intended to address different needs from our consumers for rental solutions. In other words, our apartment products operated under different brands aim to provide different apartment products, serve different consumer groups and deliver different services. These differences are internalized by our dynamic pricing system, which generates appropriate prices for our apartment products that align with their respective brand association. For instance, unlike the more affordable price range of our Mofang Apartment, our MORE Apartment provides upscale one-bedroom apartments that are generally offered at a price range of RMB4,200 to RMB14,000 per month.
- *Apartments located in different places of a city.* For our apartments with similar characteristics located in different places within the same city, the primary factor that affects their pricing is the locality of such apartments. Overall speaking, apartment products seated at a location with robust demand for rental solutions and easy access to office buildings and public transport facilities are generally charged at a higher rental price, and vice versa. Our dynamic pricing system is able to account for such data inputs and generate fair prices for our apartments located in different places of a city.
- *Apartments located in different cities.* While the cities in which our apartments are located would impact the prices of our apartment products, a primary factor affecting the pricing of our apartments with similar characteristics offered in different cities is also the locality. For instance, if an apartment is located at a superior place within a less developed city, its rental price is not necessarily lower than a comparable apartment product offered by us in a more developed city. When determining the rental prices for our apartment products offered in different cities, our dynamic pricing system generates prices that reveal the characteristics of such products and the overall market conditions.

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APARTMENT MAINTENANCE

We have developed a number of policies and programs designed to improve the efficiency of our property maintenance practices and maximize resident satisfaction. When new residents move in, we provide each resident with a Move-in Manual that outlines the detailed processes to safely and properly operate the apartment’s systems and appliances. We also conduct post move-in maintenance visits (with the consent of the residents), during which our property maintenance personnel check the major systems of the apartment and address any repairs or maintenance requests the residents may have. Our highly responsive customer service team also stands ready to offer our residents timely help with our policy stating that each reporting problem generally needs to be answered within 24 hours and resolved within 48 hours.

We conduct repairs and property maintenance on a regular basis. The manager of each apartment community visits our apartments on a daily basis, paying close attention to potential safety hazards as well as potential causes of damages that could result in maintenance costs if left unaddressed. In addition, we have qualified third-party inspectors conduct on-site visits every year, during which the inspectors assess and document interior and exterior condition of the properties, and inspect the major systems or fixtures.

QUALITY ASSURANCE

Our entire company shares a common goal: a relentless focus on being recognized as the most trusted rental apartment brand in China. To ensure the quality of services, we have also established standard operating procedures that detail major aspects of apartment operation, including work flow, quality control, maintenance and safety. We also require all of our on-site staff to adhere to standard operation manual to ensure the consistency and quality of resident experience. We conduct annual internal quality checks of our apartments to help ensure that our operating policies and procedures are closely followed. We also engage “mystery guests” from time to time to help ensure that our on-site staff are providing consistent quality services. Furthermore, we regularly solicit residents’ feedback by conducting outbound call surveys and monitoring the comments posted on our website, third-party websites or social media. Our rigorous quality assurance process allows us to deliver consistent and high-quality services to our residents.

MOFANG COMMUNITY

Since the beginning of our business, we have strived to foster an inclusive community. Over the years, with our residents and corporate customers consistently standing at the center of our business operations, we have been committed to optimizing their experience with Mofang community by continually upgrading our products and services.

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Our Residents

Residents of white-collar apartments

Our residents living in white-collar apartments constitute a young and vibrant group of people mostly with relatively good educational background and stable income sources. As of December 31, 2022, based on the information we collected from our residents, 60.2% of these residents were between 20 and 30 years-old and 25.7% of them were between 30 and 40 years-old. According to a survey that we conducted in the fourth quarter of 2021, while 49.8% of these residents hold a bachelor degree, 16.8% of them hold a master or an even higher degree. In terms of the income level, based on the previously mentioned survey, those who had an average monthly income between RMB5,001 to RMB10,000 and between RMB10,001 to RMB20,000, respectively, accounted for 38.7% and 32.2% of these residents, whilst those who earned an average monthly income of more than RMB20,000 constituted 12.4% of them. Our residents living in white-collar apartments are more inclined to commit financial resources in exchange for a comfortable, convenient and relaxing lifestyle. Driven by the spirit of living the life to its full potential, they prefer spacious residential space, graceful interior design and modernized living experience. Their focus on life quality also requires the provision of a large portfolio of value-added products and services.

We, in response to such specific preferences, keep iterating our offering of products and services in the hope to adequately meet the expectations of these residents and constantly enhance our ability to attract like-minded individuals. The strong spending power of this portion of residents, combined with the full-spectrum daily life consumption scenarios that we are able to utilize, enables reasonable expectations of a promising and valuable market for the constant roll-out of innovative apartment products and value-added services provided by us. While our residents of white-collar apartments enjoy ample freedom and liberty in their exclusive living area, we endeavor to create an interactive and engaging community for our residents to expand interpersonal bonds. Our residents are routinely invited to join outdoor activities, group dining and themed parties, which would not only enrich the life experience of our residents but also bolster our enduring attractiveness to current and potential residents.

Residents of blue-collar dormitories

Our residents living in blue-collar dormitory-style apartments are also a young and dynamic group of people. As of December 31, 2022, 59.2% of these residents were between 20 and 30, 15.5% of them were between 30 and 40, and 9.4% of them aged above 40. Moreover, the majority of these residents are blue-collar workers, who are often new to the cities and prepared to work and live in a new environment. As of December 31, 2022, around 21.4% of our residents living in blue-collar dormitories worked in the catering industry, around 16.2% of them worked in the hotel and lodging industry, and around 14.8% of them worked in the express delivery industry. They usually have unique expertise and specialization in a particular job field and work for companies, factories and other types of business that are essential to the smooth functioning of our society. Such residents constitute a large reserve of skilled labor that

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is eagerly needed for the long-term prosperity of the country and their great contribution to urban construction and development goes beyond doubt. By providing affordable rental options to these residents, we contribute to addressing the housing shortage for floating population in cities.

Like our residents living in white-collar apartments, we equally attach great importance to the maintenance of a close rapport with the residents of blue-collar dormitories by providing considerate butler service and various facilities and amenities. Although some of our residents from blue-collar dormitories may be financially under-resourced at their early career, they together constitute an enormous source of consumption power. This, in turn, provides us with business opportunities in developing compatible commercial initiatives.

We have been consistently capable of providing our residents living in both white-collar apartments and blue-collar apartments with satisfactory living experience. During the Track Record Period, our resident complaint rate was consistently below 0.1%.

Our Corporate Customers

Our corporate customers are often rooted in labor-intensive economic sectors, such as the logistics, hotel and restaurant industries. Many of them were badgered by the difficulty of providing accommodation solutions for their numerous employees in a cost-efficient manner and our blue-collar dormitory-style apartment products squarely addressed their demands for employee accommodation. As of December 31, 2022, we cumulatively served 2,444 corporate customers. In addition, as of December 31, 2022, we cumulatively established business connections with 6,762 enterprises, which are also corporate members of Qi Shi Hui (企仕薈). Among all these corporate members, 20 are listed in the Fortune Global 500. By entering into lease contracts directly with our corporate customers, we commit ourselves to providing their employees with comfortable residential options. Our corporate customers, in return, bring along a stable source of residents for our blue-collar dormitories and contribute to the expansion of our Mofang community. We are capable of providing customized services at the request of our corporate customers, such as shuttle bus. We keep close contact with human resource staff and iterate our rental solutions responding to any specific demands.

While the specific terms of leases with residents and corporate customers vary, the following table sets forth the typical principal terms:

	<u>Residents</u>	<u>Corporate customers</u>
<i>Lease term</i>	The lease term is generally between three months and one year and the lease is renewable upon mutual consent.	The lease term is generally one year or less and the lease is renewable upon mutual consent.

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	<u>Residents</u>	<u>Corporate customers</u>
<i>Payment</i>	Residents are typically required to pay rent on a quarterly or monthly basis. They also have to pay deposits in advance and service fees on a regular basis.	Corporate customers are typically required to pay rent on a quarterly or monthly basis. They also have to pay deposits in advance and service fees on a regular basis.
<i>Renewal</i>	Residents shall notify us 15 days before the expiration of the lease term, and sign a new lease upon mutual agreement.	Corporate customers shall notify us one month before the expiration of the lease term, and sign a new lease upon mutual agreement.
<i>Cancellation</i>	We are entitled to cancel the lease if residents fail to remedy any breach within a specified period of time.	We are entitled to cancel the lease if corporate customers fail to remedy any breach within a specified period of time. Corporate customers are entitled to cancel the lease if the apartment provided by us does not meet the agreed requirements, or we fail to fulfill the obligation to repair the apartment which seriously affects the living experience.
<i>Early termination</i>	Residents shall vacate and return the apartment on the day when the lease is terminated. We are entitled to deduct the deposit as liquidated damages if the remaining lease term exceeds one month. If the remaining lease term is less than one month, the resident forfeits the rest of the rent and service fee.	Corporate customers shall vacate and return the apartment on the day when the lease is terminated. We are entitled to liquidated damages in accordance with the standards set out in each specific agreement.

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	<u>Residents</u>	<u>Corporate customers</u>
<i>Deposits</i>	Residents pay a deposit typically in an amount equal to the monthly rent paid to us as a guarantee to perform the agreement in a complete and proper manner. We are entitled to deduct damages that residents should pay for any breach of the lease from the deposit.	Corporate customers pay deposits typically in an amount equal to the monthly rent to us as a guarantee to perform the agreement in a complete and proper manner. We are entitled to deduct damages that corporate customers should pay for breach of agreement from the deposit.
<i>Sublease</i>	Sublease of rental apartments by residents to third parties is not allowed.	Sublease of rental apartments by residents or corporate customers to third parties is not allowed.
<i>Penalties</i>	Residents shall pay liquidated damages at RMB100 per day for overdue payments or delays in moving out.	Corporate customers shall pay liquidated damages at 5% of service fees per day or other standards for overdue payments or delays in moving out.

OTHER PRODUCTS AND SERVICES

Along with the rental solutions that we offer, we also provide the following ancillary products and services to capitalize on our expertise in and knowledge of the rental apartment industry. We believe such products and services benefit our residents, as well as diversify our revenue streams.

- **Commercial sublease.** We rent out lower floors of certain apartment community buildings to third party merchants for commercial activities, which mainly include convenience stores, restaurants and hair salons. Such commercial sublease benefits our residents through meeting their demands of everyday life.
- **Value-added services.** We provide value-added services both to our tenants and business partners, such as offering of parking lots, placement of vending machines, deployment of advertising and group purchase. We consistently explore and develop additional value-added services for which our tenants indicate interest or in which we identify growth potential.

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- **Consulting services.** We offer various consulting services, including analysis of market competitive landscape, survey of target customers, viability of potential apartment projects, onsite inspection services, advice in terms of construction and design of apartments, and recommendation of quality suppliers, to state-owned enterprises, property owners, and private enterprises. We are committed to promoting the overall healthy development of the whole industry, and aim to increase our influence and brand awareness among market players.
- **Sale of products.** We sell customized operation and management systems and IoT devices, such as our proprietary smart locks and smart electric meters, primarily to other apartment operators. We plan to develop ancillary products associated with our brand based on our residents’ evolving preferences.

The following table sets forth a breakdown of our revenue by customer type, both in absolute amounts and as a percentage of our total revenue, for the years indicated:

For the Year Ended December 31,						
	2020		2021		2022	
<i>(RMB'000, except percentages)</i>						
Leased-and-operated model						
Individual residents	573,893	60.5%	887,746	60.4%	931,635	54.4%
Corporate customers	338,762	35.7%	501,709	34.1%	694,362	40.5%
<i>Subtotal</i>	<i>912,655</i>	<i>96.2%</i>	<i>1,389,455</i>	<i>94.5%</i>	<i>1,625,997</i>	<i>94.9%</i>
Manachised and third-party managed model						
Franchisees	5,345	0.6%	19,615	1.3%	23,353	1.3%
Entrusting parties	13,336	1.4%	18,234	1.2%	18,277	1.1%
<i>Subtotal</i>	<i>18,681</i>	<i>2.0%</i>	<i>37,849</i>	<i>2.5%</i>	<i>41,630</i>	<i>2.4%</i>
Others						
Commercial tenants	5,621	0.6%	21,691	1.5%	23,818	1.4%
Value-added services	9,432	1.0%	10,769	0.7%	13,362	0.8%
Consulting services	1,309	0.1%	8,131	0.6%	6,830	0.4%
Sale of products	1,290	0.1%	3,195	0.2%	2,502	0.1%
<i>Subtotal</i>	<i>17,652</i>	<i>1.8%</i>	<i>43,786</i>	<i>3.0%</i>	<i>46,512</i>	<i>2.7%</i>
Total	948,988	100.0%	1,471,090	100.0%	1,714,139	100.0%

BUSINESS

MOFANG LIFE APP

To introduce our offerings of diverse apartments to urban population with rental needs and facilitate the everyday lives of our current residents, we have launched our Mofang Life App with a user-friendly operation interface and a range of practical functions and features. Our Mofang Life App is available on both Android and iOS operating systems and compatible with all the mainstream smartphones and other mobile devices, making it a crucial pillar for our industry-leading customer acquisition capabilities. In addition to Mofang Life App, our Wechat mini-program also directs users to an interface that is similar to Mofang Life App in terms of appearance and functionality. By courtesy of the clear guidance and functional design embedded in Mofang Life App, both prospective customers and current residents are granted ready access to a broad spectrum of information, assistance and services. Meanwhile, leveraging the ever-increasing popularity of Mofang Life App, we are able to digitalize many aspects of our operations, including but not limited to lease management and delivery of bills, and correspondingly boost our operational efficiency.

Mofang Life App provides assistance to our prospective customers and current residents primarily from the following aspects.

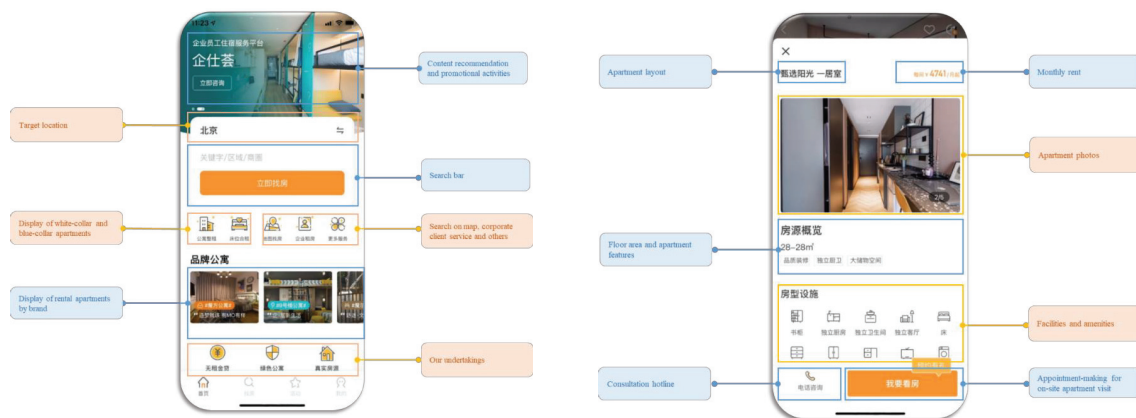
- **Apartment search.** For those who are interested in renting a comfortable apartment from us, Mofang Life App makes the search journey no longer excruciating or time-consuming. We list our available rental apartments on Mofang Life App and update the information page in a timely manner. Our prospective customers can look for apartments in any city where we conduct operations, be it the city where he/she currently stays or any other city to which he/she plans to move. Recognizing the shared need to expedite the process of searching for the most suitable apartments, our Mofang Life App enables the function of filtering out less appropriate apartments by a number of criteria, including administrative division, commercial district, metro station and rent price. Prospective customers may also search apartments on a built-in map, promptly identifying available apartments around the target neighborhood or office building.
- **Virtual apartment tour.** To facilitate the decision-making process of our prospective customers, we provide complete information for apartments listed on our Mofang Life App. Since we insist on taking photos for our rental apartments on-site by our staff, the pictures shown on Mofang Life App faithfully reveal the true conditions and layout of our apartments. This means a virtual tour of our apartments already provides substantial information for prospective customers, sparing them from the trouble of criss-cross journeys among multiple apartments to verify the information received. As an operator of centralized rental apartments, we attract prospective customers by underscoring the distinct features of our apartment communities, such as convenient location, developed public transport, considerate butler service, spacious public area and modern supplemental facilities. We also fully disclose the specific information as to rental apartments on Mofang Life App, including floor area, interior layout, room style, equipment and furniture. Once

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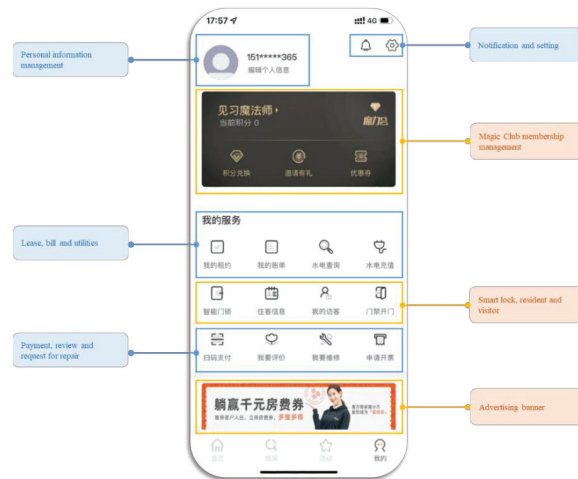
prospective customers are captivated by our rental apartments, they may easily contact our online service representatives and make an appointment for a site visit with the company of our frontline staff.

- Convenient functions.** Our potent Mofang Life App aims to provide one-stop services for our residents, improving their urban living experience during their stay with us by bringing convenience to their daily lives. Through the lease portal on our interface, the process of signing lease contracts with our residents has been digitalized, which is not only beneficial for our contract management but also environmental protection. The Mofang Magic Club (魔力會) channel is smoothly integrated into Mofang Life App, enabling our members to manage their personal profiles and claim exclusive benefits at the touch of a button. Through our dedicated lease portal, our residents can sign rental leases with us online and manage the leases on a constant basis. Our residents can also conveniently top up prepayments for public utilities and change settings for smart locks via Mofang Life App. With the understanding that our residents may encounter unexpected difficulties or system failures in their daily life, we collect the requests for help from our residents on Mofang Life App and respond to their needs within the shortest period of time to the extent practicable.

The following screenshots illustrate the user interface and functional design of our Mofang Life App:



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As advised by our PRC legal Advisors, we are not required by the applicable PRC laws and regulations to obtain an ICP license for the operation of the Mofang Life APP and WeChat mini program (i.e. Mofang Rental), on the basis of the following:

- (a) The operation of the Mofang Life APP and WeChat mini program does not fall into any specific sub-categories of Information Services (as defined below) and therefore, are not required by PRC laws and regulations to obtain the ICP License.

Under the Classification of Telecommunication Services (amended in 2019) (《電信業務分類目錄(2019年修訂)》), it is provided that:

- (i) ICP license refers to the license for Type B25 (“Information Services”) value-added telecommunication services, i.e. the provision of information services to the users through public communication network or the Internet by collecting, developing and processing information, and constructing information platforms. Type B25 mainly comprises five sub-categories, including (i) information release platform and transmission services, (ii) information search and inquiry services, (iii) information community platform services, (iv) instant information interaction services, and (v) information protection and processing services.
- (ii) “Information release platform and delivery services” refer to the activities of constructing information platforms and providing platform services to other businesses or individual users for the publication of text, images, audio and video, application software and other information. In other words, if the platform is not utilized by other third party to publish text, images, audio and video, application software and other information, and only to release self-created content and information (e.g. information about self-operated apartments in Mofang Life APP and WeChat mini program), such platform shall not be considered as providing value-added telecommunication services.

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- (iii) “Information search and inquiry services” refer to the services provided for users to search and inquire the webpage information, texts, pictures, audio and videos, and other information through the public communication network of the Internet, by means of information collection and retrieval, data organization and storage, classified index, sorting and sequencing. A typical example of “information search and inquiry services” is online search engine, through which users can search the relevant content by key words. Providing users the function of search and view self-created content and information (e.g. information about self-operated apartments in Mofang Life APP and WeChat mini program) does not fall into this sub-category.
 - (iv) “Information community platform services” refer to the information interaction platform provided for registered or cluster users to carry out synchronous or asynchronous text, picture, audio and video exchanges online, by establishing a network activity platform with socialized characteristics on the public communication network or the Internet. Mofang Life APP and WeChat mini program do not provide such service.
 - (v) “Instant information interaction services” refer to the services of instant sending and receiving of information (including texts, pictures, audio and videos), documents and other materials provided for users by utilizing the public communication network or the Internet and operating the client software and browsers, on the computers or intelligent terminals. Instant information interaction services include instant messaging, interactive voice-response services and end-to-end two-way real-time voice services (including video voice services). A typical example of “instant information interaction services” is instant communication software; Mofang Life APP and WeChat mini program do not provide such service.
 - (vi) “Information protection and processing services” refer to the services of terminal virus inquiry and deletion, terminal information protection and processing, spam interception and no disturbance provided for users through the public communication network or the internet, by establishing a public service platform and operating the client software on the computers or intelligent terminals. Mofang Life APP and WeChat mini program do not provide such service.
- (b) In addition, a further enquiry over the phone was made on February 28, 2023 with the Shanghai Communications Administration (上海市通信管理局), the competent regulatory authority for regulating the value-added telecommunications business in Shanghai. According to the response from the Shanghai Communications Administration, the operations of Mofang Life APP and WeChat mini program of the Company do not require an ICP license.

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TECHNOLOGY INFRASTRUCTURE

Since our inception, we have been pursuing operational efficiency and scalability through building and optimizing our proprietary technology infrastructure. Our technology infrastructure is designed to enable us to streamline apartment management and operations, lower operating costs, increase revenues, and support data-driven decision-making, while providing a differentiated, elevated living experience for residents. Set out below is a list of important technology systems and platform that are used in our daily operation and management.

Operation Management System (OMS)

We are committed to operational excellence and one of the ways in which we deliver this is through our OMS. We have digitalized each critical step of our operations and centralized our key operating functions in OMS. Our OMS is a robust integrated enterprise resources planning and management system, designed to drive safety, reliability, efficiency, cost-effectiveness and the continual improvement of our operational performance. It provides a consistent framework for the design, development, and implementation of a comprehensive suite of policies, programs, procedures, standards and tools that guide, govern and drive operating activities. OMS is comprised of a number of individual programs covering each major step of our business operations, including sales and marketing, apartment daily operation, customer billing, order dispatch, asset management, membership program and contract management. Each of the individual program outlines protocols for and improves the efficiency of how we expand and operate our apartments.



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Business Intelligence System

We have built a business intelligence system that provides leading reporting and analytics capabilities with a view to achieving informed decision-making in our daily operations. Our business intelligence system collects and processes data from multiple separate sources, enabling our management team to analyze and make informed decisions based on transparent data, in real time. Our business intelligence system comprises various self-developed tools, and is currently able to generate 189 types of reports covering financial reporting, operation, sales and marketing, revenue management, and IT. Our business intelligence system paves the way for a quick-to-market, efficient and high-quality execution strategy, and also aligns with our pursuit of a transparent, trustworthy and data-driven culture.

Internet of Things (IoT) Platform

Through years of research and development, we have put in place a proprietary IoT platform that connects various intelligent devices in our apartments to our OMS. With our IoT platform, our residents are able to remotely control smart locks, which provide them an easy, convenient and safe access to their apartments. They can also adjust room temperature, grant room access to visitors, and track water and electricity meter with the help of our IoT platform, which provides residents smart living experiences and helps us improve our operational efficiency. We are in the process of expanding the breadth of our IoT platform to facilitate inter-connectivity, automation and access to more real-time data.

PRIVACY AND DATA SECURITY

Recognizing that privacy and data security are crucial to our daily operations, we are committed to addressing personal information and data under our control with the utmost care. As a guiding principle for our data collection practices, we only collect personal information to the extent that it is necessary for the provision of our services and make the owners of information fully informed when collecting and utilizing such information. Users of Mofang Life App, our WeChat mini program and our official website are required to read our privacy policy (《隱私政策》) which details, among others, the types of information that we collect, the ways in which we plan to use the personal information and the ways in which users can manage their personal information, before they can sign up to unlock more services offered by us. Meanwhile, we collect personal information of our residents only on an as-needed basis, such as making appointments for an in-person tour of our apartments, signing lease contracts and moving out from our apartments. We process the sensitive personal information of users by way of encryption and de-identification in the whole data processing cycle. The personal information that we collect as to our residents typically consists of names, ID numbers and photos, mobile numbers, addresses, emergency contacts and gender, all of which are used for signing lease contracts and daily management purposes. The data is stored in the RDS-MYSQL database of a leading cloud service provider within the territory of the PRC. The above user information can be mainly divided into two categories: (i) personal information of users who only register on our online platform and have not carried out any transactions with us (“General Users”); (ii) residents or consumers who have purchased services provided by us (“Consumers”).

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With regard to the personal information of General Users, once a General User requires us to delete his/her personal information or cancel his/her online platform account, we will promptly delete the relevant personal information of such users on the same day. With regard to the personal information of Consumers, we store and delete such information in accordance with the following principles: (x) the information related to the purchase of products or services by Consumers will be stored for 3 years in accordance with the requirements of the PRC E-Commerce Law; (y) the information belonging to our internal accounting archives (e.g. transaction information of Consumers) will be stored for 5-10 years in accordance with the Measures for the Management of Accounting Archives, and will not be used for any other purpose; and (z) personal information not belonging to the above items (x) and (y) will be deleted upon request, in the same manner as the processing of personal information of General Users. We will delete relevant personal information when it is no longer used, and if there is any need for continued storage according to applicable law or regulatory requirements, we will continue to store relevant information to the extent permitted by applicable laws, and will not use such information for any other commercial purpose.

For the proper treatment of the personal information that we collect and the various data generated from the ordinary course of our business, we have adopted rigorous data protection policies to help ensure data security and integrity, including Mofang Data Management Policy (《魔方IT數據管理制度》) and Mofang Information Management Policy (《魔方IT系統個人資訊管理制度》), and we regularly update the privacy policy to disclose our personal information processing and protection practices to users. We have established a dedicated information security team that takes overall responsibility for personal information protection, monitors the implementation of our data protection policies and advises on the improvement of our practices related to personal information protection. The access to our collected personal information is strictly restricted to authorized staff, whose use of personal information is subject to internal supervision and on-going surveillance. We have formulated and implemented a series of internal data protection and cybersecurity protection systems, such as personal information protection system, information security incident management, emergency response system, and IT system backup and recovery management system. Moreover, our use of personal information is confined to the parameters of pre-approved purposes as communicated to our customers. Any disclosure or sharing of personal information without proper authorization is strictly prohibited. To minimize the risk of data loss, we conduct regular data backup and data recovery tests. In terms of our practices on data analysis, our customer data analytics is based on grouped data and no access is allowed to any individual customer data. We not only include the data security-related knowledge and policies in the onboarding training to new employees, but also provide related trainings to our employees on a regular basis. In addition, we actively participate in the cybersecurity training programs.

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Further to our stringent data compliance protocols, we have also established reasonably developed technology infrastructure to protect the data with which we are entrusted. All the personal information and data are encrypted and desensitized in network transmission and in backend storage to help ensure confidentiality, through encryption technologies such as security socket layer and anonymization. The keys for the decryption are stored separately from these information and data. We leverage the services provided by a leading third-party cloud service provider to securely store our information and data, minimizing the likelihood of security breach. For this purpose, we have also put in place firewalls and other security-related solutions to prevent unauthorized access, attack, loss, or leak of customer data. At the same time, we work with third-party cybersecurity service providers to enhance our data security system by, among others, performing security checks as to our main IT systems and repairing security vulnerabilities as detected. In addition, we conduct periodic reviews of our technology infrastructure, identifying and mitigating problems that may undermine our system security. We obtained the Level 3 Information Security Protection Certification issued by Shanghai Municipal Public Security Bureau in December 2021, which evidenced our technology ability in safeguarding information security.

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, we had complied with the applicable laws and regulations regarding user privacy and data security in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to, and were not aware of any threat of, any legal, arbitral or administrative proceedings in relation to privacy and data security, which, in our opinion, would likely have a material and adverse effect on our business, financial condition or results or operations. For discussions about the risks of any data non-compliance, please see “Risk Factors – Risks Related to Our Business and Industry – Failure to comply with cybersecurity and data protection laws or maintain the integrity of internal or customer data could result in harm to our reputation or subject us to costs, liabilities, fines or lawsuits.”

Further, pursuant to the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective on February 15, 2022, internet platform operators possessing personal information of more than one million users who are applying for overseas listing are subject to cybersecurity review by the Office of Cybersecurity Review. On November 14, 2021, the CAC published the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (“**Draft Data Security Regulations**”). The Draft Data Security Regulations not only reiterates that a data processor which processes personal information of more than one million persons and is applying for listing abroad should apply for the cybersecurity review, but also specifically requires that if the listing in Hong Kong by a data processor affects or may affect national security, the data processor shall apply for cybersecurity review in accordance with the relevant PRC laws and regulations. The number of users for whom we processed personal information as of the Latest Practicable Date was fewer than “one million” and as advised by our PRC Legal Advisors, Hong Kong does not fall within the definition of “abroad” in the provision. There have been no clarifications from the authorities as to the standards for determining such activities that “affects or may affect national security”. Although we believe that our [REDACTED] will not affect national security, due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether a proposed [REDACTED] by a company like us in Hong Kong affects or may affect national security or not. The PRC government authorities may

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have wide discretion in the interpretation and enforcement of these measures and regulations. The Draft Regulations were released for public comment only and their operative provisions and the anticipated adoption or effective dates may be subject to change with substantial uncertainty. It also remains uncertain whether future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the Measures and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

On March 21, 2022 and March 8, 2023, our PRC Legal Advisors conducted phone consultations with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心, the “CCRC”), an institution authorized by CAC to conduct cybersecurity review. Our PRC Legal Advisors informed CCRC of the proposed [REDACTED] and inquired as to whether it is necessary for us to apply for cybersecurity review. CCRC has confirmed that (i) Hong Kong [REDACTED] do not constitute “[REDACTED] abroad” and are not subject to the cybersecurity review requirement under Article 7 of the Cybersecurity Review Measures; and (ii) there are no specific and clear standards on the determination of the circumstances which affect or may affect national security.

As to the risks that “affect or may affect national security”, Article 10 of the Cybersecurity Review Measures outlines the security risks which should be taken into consideration when the cybersecurity review assesses the potential national security risks, which mainly include the following seven factors: (i) the risk that the use of products and services could bring about the illegal control of, interference with, or destruction of critical information infrastructure (the “CII”); (ii) the harm to CII business continuity of product and service supply disruptions; (iii) the security, openness, transparency, and diversity of sources of products and services, the reliability of supply channels, as well as the risk of supply disruptions due to political, diplomatic, and trade factors; (iv) product and service providers’ compliance with Chinese laws, regulations, and department rules; (v) the risk that core data, important data or large amount of personal information being stolen, leaked, damaged, illegally used or illegally exported; (vi) the risk of CII, core data, important data, or large amount of personal information being affected, controlled, or maliciously used by foreign governments, as well as the risk of network information security, if a company goes public; and (vii) other factors that could harm CII security, cybersecurity and data security.

Scenarios (i)-(iv) mainly focus on national security risks associated with operators of critical information infrastructure (the “CIIO”) purchasing specific network products and services. Article 2 of the Critical Information Infrastructure Security Protection Regulations which came into force on September 1, 2021 (the “CII Regulations”) provides that “CII refers to the important network facilities and information systems in important industries and fields (“Key Industries”) such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people’s livelihood and public interests.” We believe the main business of Group does not directly fall into the scope of Key Industries. Regarding the identification of the CIIO, Article 10 of the CII Regulations provides that “the Protection Authorities (as defined under the CII Regulations) shall arrange for the

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identification of CII in each of the sectors or fields overseen by such authority in accordance with the identification rules, promptly inform the operators of the results of identification, and report such results to the public security authority of the State Council.” As of the Latest Practicable Date, considering that our PRC subsidiaries had not received any notification or documentation from any government authority that identifies them as CIIO, our PRC subsidiaries are unlikely to constitute as a CIIO, as advised by our PRC Legal Advisors. Therefore, scenarios (i)-(iv) are not applicable to us as of the Latest Practicable Date.

In terms of scenario (v), during the Track Record Period and as of the Latest Practicable Date, the user data collected by us within the territory of China during our business operations has been stored within the territory of China. We have not experienced any material cybersecurity and data privacy incident including without limitation, data or personal information theft, leakage, damage, tampering, loss and illegal use, or any claim from any infringement upon any third parties’ right to data privacy. We have taken appropriate backup, encryption, access control and other necessary technical and organizational measures and set up overall cybersecurity and data protection policies to protect data from unauthorized access, disclosure, theft, tampering, destruction, loss, illegal use, or other serious incidents and breaches. We are of the view that we will not likely trigger scenario (v). We will keep abreast of and conform to legislative and regulatory requirements to prevent the related risks that may trigger scenario (v).

Scenario (vi) applies to the risks when a company goes public. We will not likely trigger scenario (vi) with respect to the proposed [REDACTED] in Hong Kong, on the basis that: (x) we have not been identified as a CIIO by relevant regulatory authorities; (y) the user data collected by us within the territory of China as part of our business operations has been stored within the territory of China; and (z) we have set up appropriate technical and organizational measures and will continually make substantial efforts to prevent the related risks that may trigger scenario (vi). However, as advised by our PRC Legal Advisors, the interpretation and applicability of “network information security” remain uncertain and subject to further clarification by the CAC or relevant regulatory authorities, we thus cannot preclude the possibility that this scenario may apply.

As to scenario (vii), our PRC Legal Advisors are of the view that the interpretation and applicability of it may be subject to uncertainty and further elaboration by the CAC or relevant regulatory authorities. The possibility that this scenario may apply cannot be precluded.

If the Draft Data Security Regulations become effective in the current form, we do not foresee any material impediments for us to comply with the Draft Data Security Regulations in all material respects, on the basis that (i) as of the date of this document, we have not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection; (ii) as of the date of this document, there have been no material cybersecurity, data and personal information protection incidents or infringement upon any third parties, or other administrative or legal proceedings, pending or, to the best of the knowledge of us, threatened against or relating to us; (iii) we have taken appropriate and necessary measures, policies and procedures that include legal controls involved in our cybersecurity, data and personal information risk management processes, such as documentation requirements, access control,

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security, and emergency response mechanism and preventive measures; (iv) we have not received any objection to the proposed [REDACTED] from relevant regulatory authorities, nor have we been involved in any investigation, official inquiry, examination, warning, or similar notice in such respect as of the date of this document; and (v) we will closely monitor the legislative and regulatory developments in cybersecurity, data and personal information protection, and we will implement, maintain and continually improve our compliance practices to comply with regulatory and legal requirements in such respects, including, among others, the Draft Data Security Regulations, if implemented in their current form.

Based on the foregoing, our Directors believe that we will not incur additional costs that are material to our Group as a whole or be required to materially change our business model as a result of the Draft Data Security Regulations as of the date of this document, and our Directors are of the view that the Draft Data Security Regulations would not have an adverse and material impact on our business and operations, assuming the Draft Data Security Regulations are implemented in the current form. However, there are uncertainties regarding the interpretation and implementation of the above laws and regulations, and our Directors cannot preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on us.

SALES AND MARKETING

We operate our business in the rental apartment industry, which addresses the housing problem facing countless people, particularly younger generations. Compared with many other industries, such as the hotel industry, the rental apartment industry is less sensitive to unfavorable economic conditions, because housing demand is relatively inelastic. Considering that our apartment offerings satisfy one of the general public’s non-discretionary demands, we conduct sales and marketing activities all year round and focus on furthering the engagement with our current and potential customers. We rely on an omni-channel approach to marketing and advertising our apartments.

- **Self-developed Channels.** We advertise our apartments mostly through our own online channels with a focus on transparency and convenience. We list the apartments available for rent on our website, Mofang Life APP and Wechat mini program. Prospective customers can search and view our apartments online, using various selection criteria such as preferred location, rental price, and proximity to subway line. For any particular apartment, we provide information about its price, location, available date, floor plans, design styles, furnishing details, as well as true pictures of the apartment. In addition to the search and view functions, our website and Mofang Life APP also allow prospective residents to make appointments for in-person apartment viewing and communicate with our sales staff live. During the Track Record Period, we had over 2.7 million website visitors to www.52mf.com and nearly 1.5 million downloads of Mofang Life APP. In addition, we believe word-of-mouth marketing has helped us achieve, and will continue to drive, our organic growth. We designed various promotion schemes primarily to attract new customers with testimonials of our apartments and referrals by existing customers. In addition, we maintain a dedicated Key Account (KA) team that makes continuous efforts to attract potential corporate customers, thus playing a key role in expanding

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our customer base as we scale up our platform. The number of residents sourced directly from our self-developed marketing channels continued to grow during the Track Record Period, representing 69.6%, 71.9% and 72.2% of our total residents for the years ended December 31, 2020, 2021 and 2022, respectively.

- **Third-party Channels.** We also leverage third-party platforms to promote our apartments and acquire potential residents. We cooperate with search engines, deliver online advertisements through online rental listing websites, and conduct billboard advertising at targeted neighborhoods, office buildings or subway stations that are close to our apartment communities.

The ultimate goals of our marketing efforts are to (i) attract more potential customers and (ii) encourage our existing customers to extend their stay at our apartments. To accomplish these goals, we concentrate our marketing efforts on the following:

- *Enhance brand awareness through online and offline marketing campaigns.* We focus on online and offline marketing campaigns to increase our brand recognition, identify potential customers and convince them that we are their rental apartment of choice. We market our apartments online by (i) prioritizing high-quality resident experiences to drive organic word-of-mouth marketing and customer referrals, and (ii) fostering our social media presence and developing digital content to fuel brand awareness and engagement. In addition, we enhance publicity of our apartments by conducting billboards advertising in subway stations and office buildings near city centers. We believe our marketing campaigns allow us to successfully increase brand awareness and broaden our appeal.
- *Focus on community-based marketing.* We differentiate our business through an innovative, community-based approach to build loyalty of our existing customers. We bring residents together by organizing various social events. These events cater to greater demands of younger generations for social life and foster a strong sense of community among our residents, enhancing their brand loyalty. We gather and analyze residents’ feedback on these events to inform our marketing team and improve future marketing efforts.
- *Build Customer Loyalty.* We have developed a vast base of loyal and engaged individual customers under our Mofang Magic Club (魔力會) membership program. Mofang Magic Club (魔力會) had more than 410,000 members as of December 31, 2022. We provide members of the Mofang Magic Club (魔力會) with discounts on the rental rates, more convenient move-in procedures and other benefits. Mofang Magic Club (魔力會) members can also accumulate points by renting and living in our apartments or by purchasing products and services provided at our apartments. These membership points can be redeemed for coupons that can be used at our apartments. We believe Mofang Magic Club (魔力會) allows us to enhance the customer loyalty and conduct lower-cost, targeted marketing campaigns.

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Separately, we launched Qi Shi Hui (企仕薈) membership program for our corporate customers, which had 6,762 members as of December 31, 2022. We assign separate accountant manager, offer favorable member rates and specific discounts, and provide free cleaning and other premium services to members of Qi Shi Hui (企仕薈).

During the Track Record Period, we were able to continually lower our average resident acquisition cost, largely due to the benefits brought by economies of scale and our enhanced brand awareness in China. In 2020, 2021 and 2022, our average resident acquisition cost, defined as sales and marketing expenses divided by the number of newly rented apartments during the year, was RMB364.2, RMB341.1 and RMB259.9, respectively.

WORKING CAPITAL MANAGEMENT

Since our plan to further expand our apartment network requires sufficient funding and our business under the leased-and-operated model incurs significant initial capital outlay, we recognize the importance of managing our working capital in an effective manner. By prudently facilitating cash inflow and closely monitoring cash outflow, we endeavor to keep an adequate and continuous supply of working capital to support the sustainable development of our business. Although we incur substantial pre-opening expenses for our leased-and-operated apartment communities and generate comparatively lower rental income during the ramp-up stage, we believe we are capable of effectively managing the mismatch between capital expenditures incurrence and rental income generation based on the reasons as set forth below:

- considering that we have established a wide network of rental apartments across China, we expect to generate stable operating cash flow from our apartment operation business. In 2020, 2021 and 2022, our net cash generated from operating activities amounted to RMB658.5 million, RMB1,047.5 million and RMB1,187.3 million, respectively. With an increasing number of our apartment communities completing the ramp-up stage and generating stable rental income, the cash flow contributed by such mature apartment communities is expected to provide support for our investment on new apartment projects. In 2020, 2021 and 2022, we had 171, 175 and 213 mature apartment communities, respectively, representing 26,520, 27,313 and 40,250 mature apartments, respectively;
- sufficient financing channels are available to us at present. For example, through our long-term partnerships with commercial banks and other businesses, we have maintained ready access to bank loans and other borrowings, which could help us cope with the mismatch between capital expenditures incurrence and rental income generation. In general, we are able to secure loans and borrowings before completing the renovation of our new apartment communities; and
- our distinguishing brand awareness, strong operational capabilities and superior apartment products enable us to generally limit the ramp-up stage of our newly launched apartment communities to a range of three to six months. Since we are able to drive up the occupancy rate of our newly opened apartment communities to the target level relatively quickly, the pressure on our working capital and liquidity position caused by our business expansion under the leased-and-operated model has been largely alleviated.

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Policies and Controls

With a view of establishing a systematic regime for the management of our working capital, we have introduced a broad scope of policies and procedures, covering almost all the major aspects of our commercial activities. These policies and procedures include, among others, the Guidance and Fundamental Principles for Capital Management (魔方生活服務集團資金管理指導及基本原則), the Development Process and Investment Criteria for New Strategic Acquisitions (收併購新項目開發流程及投資標準), and the Development Process and Investment Criteria for New Leased-and-Operated Projects (直營新項目開發流程及投資標準). By strictly implementing these established policies and controls throughout the decision-making process and daily operations of our Group, we believe we are able to manage our working capital in a manner that effectively supports our overall business plan.

We attach great importance to the management of our liquidity and the preparation of capital plans. To this end, we prepare capital plans to provide guidance for the distribution and utilization of working capital within our Group in a given period. Our capital plans are prepared by the finance department and reviewed by our senior management. Our capital plans are amenable to changing circumstances and our evolving business needs, but any amendment thereof can only be made in accordance with a set of pre-established procedures. In addition, the staff at our capital center are required to prepare capital reports on a monthly basis, covering metrics such as the income and expenses at our apartment communities, bank loans and renovation costs. By reviewing and analyzing the capital reports regularly, our senior management maintains a good understanding of the status of our liquidity and working capital. With such timely knowledge at hand, our management can better take pre-emptive actions to address latent liquidity risks and arrange for the expansion of our business in an orderly and practical fashion.

Overall Management

Our policies and controls over working capital mandate us to internalize cost and budget control as well as profit margin optimization in all the major links of our commercial activities. We believe that only by closely monitoring, analyzing and controlling the cost, budget and cash inflow of our commercial activities can we continually and meaningfully improve our working capital.

Rental cost management

Given that rental costs constitute a significant part of our costs under the leased-and-operated model, we closely monitor the management and control of our rental costs. During the Track Record Period, the rental costs based on lease agreements of our leased properties amounted to RMB622.8 million, RMB841.1 million and RMB1,017.9 million in 2020, 2021 and 2022, respectively. Contrary to some other players in the rental apartment industry which bid up rental costs payable to landlords only to leave themselves limited room for profitability and see themselves negatively impacted later, we adopt a market price-oriented strategy in negotiating lease terms with our landlords and strive to lower our overall rental costs as much

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as practicable. Our market price-oriented strategy indicates that when we are in the process of sourcing potential properties for our business expansion under the leased-and-operated model, we focus on negotiating favorable lease terms with counter-parties largely by holding on to our predicted rental income in the specific location and the prevailing market prices at which comparable properties are leased out in the relevant neighborhoods. Such strategy thus requires us to gain a solid understanding of the predicted rental income and the prevailing market price of leased properties in advance, which in turn provides critical guidance for our negotiations with property owners and sublessors.

In practice, leveraging our strong data analysis capabilities and advanced technology infrastructure, we are readily equipped with adequate knowledge about the market information of different areas in the cities where we operate so that we can proceed with negotiations for property leases from our vantage applying a market price-oriented strategy. On one hand, through our GIS simulation system, we are able to generate a prediction for the rental income that we may be able to generate at a target location, using a broad range of data inputs, such as local demographics, average rental rate around the neighborhood, total areas of the target property, and the local per capita disposable income. On the other hand, by processing data inputs including but not limited to the rental rates of nearby residential communities and local household consumption levels, we are able to assess the fair market value of rental cost of a target property, which usually represents the ideal level of rental cost that we would like to secure through negotiations.

We distance ourselves from disorderly competition for property sources regardless of the economic benefits and reject rental costs that unreasonably exceed prevailing market levels. We generally enjoy an initial rent-free period, ranging from two to six months and only accept rental price adjustment mechanisms to the extent reasonable. As for the payment schedule, we normally pay rent to our landlords on a quarterly basis and pay security deposit which equals one month’s rent. To effectively manage and control our rental costs during the trying times caused by the COVID-19 pandemic, we proactively engaged in amicable discussions with our landlords and managed to secure rent concessions. In addition, we pay a deposit to our landlords at an amount that equals the rent of one month to three months instead of an excessively high amount.

Renovation cost management

Since renovation costs feature as a prominent part of the upfront costs related to our leased-and-operated apartment communities, we have introduced a string of policies and procedures to achieve cost efficiency in the renovation of those apartment communities. We maintain a pre-approved list of contractors and suppliers, which are subject to our annual review based on their performance during the year. The main factors that we consider in the review process include the quality of goods and services they provide and the prices they claim to charge. Before we start the renovation and construction of apartment properties, our construction center is required to prepare a detailed budget and work plan according to our renovation standards, which is subject to the review and approval by our senior management. Throughout the subsequent renovation and construction process, such budget and work plan

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will be rigorously enforced and closely monitored by us to prudently control our overall renovation costs. In addition, as a benefit of our economies of scale and centralized sourcing and procurement system, we are able to bulk purchase items, such as construction materials, sanitary ware, furniture and electronic appliances, from suppliers at favorable prices. For more details on the renovation and construction of our leased-and-operated apartments, see “– Apartment Renovation – Leased-and-Operated Apartment.”

Cost management for strategic acquisitions

As a leading consolidator in the centralized rental apartment market, we conduct strategic acquisitions to increase our market share and consolidate our leading position. Acknowledging that strategic acquisitions usually require substantial capital investment, we have established a set of policies and procedures to conduct such acquisitions in a cost-efficient manner, including those set out in the Development Process and Investment Criteria for New Strategic Acquisitions (收併購新項目開發流程及投資標準). After the investment resolution has been adopted at the Board level, we start to solicit and collect information about the target company or project by taking requisite due diligence steps with the assistance of external professional services providers. Based on the comprehensive and thorough information attained during the process, we conduct financial modeling to value the target company or project, the results of which inform the ultimate investment decision-making process and the negotiations of contractual terms with the counterparty, including consideration to be paid. Our decisions of strategic acquisitions have to be confirmed by the budget center, which works as an extra layer of control for the management of costs related to strategic acquisitions. When it comes to the payment of considerations for strategic acquisitions, we typically pay by installments rather than on a lump-sum basis.

Rental income management

Cash inflow from our operating activities has been an important part of our working capital. In 2020, 2021 and 2022, our net cash generated from operating activities was RMB658.5 million, RMB1,047.5 million and RMB1,187.3 million, respectively. We generate operating cash inflow primarily by providing our residents with quality rental solutions, indicating that our ability to effectively optimize our rental income significantly impacts our liquidity and working capital. To continually enlarge our lease income as we expand our business operations in China, we have set out a range of policies and controls to guide our daily operations. From sourcing apartment properties in targeted locations to establishing standard operating procedures for the services provided by us, we drive the continual growth of our rental income mainly by increasing the occupancy rate of our apartment communities and providing our residents with a consistently enjoyable living experience. For more details on our efforts from these aspects, see “– Our Apartments – Differentiated and Elevated Living Experience”, “– Apartment Sourcing – Leased-and-Operated Apartment” and “– Quality Assurance” in this document.

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While certain rental apartment operators were reported to attract residents by providing rental apartments at low prices, sometimes even lower than the rental costs incurred by themselves, with little or no assurance of product and service quality, we by contrast have been adhering to a market-driven strategy for pricing our apartment offerings. The GIS simulation system allows us to efficiently set the price for our apartments, which helps ensure that we can generate a continuous and sustainable stream of rental income and ultimately profit from our apartment operation business. We strictly prohibit rental loans, which refer to a financial arrangement whereby the tenants borrow money from financial institutions to pay a full year’s rent in advance to rental apartment operators. While we have not entered into rental loan arrangements since the inception of our business, we have financed our business operations and working capital requirements primarily through (i) operating cash inflow, (ii) equity financing and (iii) bank loans and borrowings from financial institutions. Our residents usually pay us rent on a quarterly basis and are required to pay a deposit of an amount that equals one-month’s rent. We believe that, by adopting such a payment schedule from our residents, we are able to secure a stable and healthy source of operating cash inflow.

Management of financing activities

Owing to the cost structure of our business under the leased-and-operated model, we may need external funding from banks and other sources to support our orderly expansion nationwide. Therefore, we negotiate with banks from time to time for sufficient credit lines as a standby liquidity for our Group. Based on the actual needs of our business and the financing terms that we are able to obtain, we determine our partner banks and apply for bank loans. A specific financing scheme has to be prepared and submitted to our CFO for approval before it can be handed to our partner banks for handling. Once the specific financing arrangements are also approved by the Board of Directors, we can start to drawdown the funding from our partner banks. Moreover, as a general principle, each financing contract or agreement into which we plan to enter has to be authorized by both our CFO and the Board of Directors.

Prudent expansion

Over the years, we have developed a data-driven investment projection model, which provides guidance for our expansion under the leased-and-operated model and helps us avoid over-expansion in a city or across the country. Before being submitted to our investment committee for approval, a proposed leased-and-operated project would be appraised with the help of our investment projection model, which accounts for, among others, (i) initial renovation cost required based on our site inspection, (ii) the estimated operating expenses based on market research and (iii) the projected future growth rate determined by the overall rental apartment industry of the city where it is located. The internal rate of return, payback period and net profit margin of a potential leased-and-operated project would be derived through detailed and objective measurement. Only when the projections meet our predetermined requirements will we make investment in the potential leased-and-operated project. Meanwhile, based on the experience from previous investments and the observation of the changing macro-environment, we will also (i) regularly review the projection model and refine the relevant standards and (ii) elevate investment requirements during special periods,

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such as during the COVID-19 pandemic, to strengthen risk control. For large investments (above RMB50.0 million), the approval of the Board would be required to further screen any potential risks. In addition, we regularly review our liquidity position and adjust our expansion strategy according to our cash flow forecasts.

Future Plans to Improve Our Working Capital

We plan to improve our working capital primarily through the following measures and actions:

- We intend to maintain stable expansion in Tier 1 cities and other core cities to address the untapped market potential and consolidate our leading position in the rental apartment market, which is expected to bring us a continued and accretive stream of rental income;
- We plan to increase the occupancy rate of our rental apartments by optimizing our selling and marketing efforts, regularly innovating products and continually improving the quality of our services, so that we can generate a higher net cash flow from operating activities;
- We intend to further develop our business under the managed and third-party managed model and provide more value-added services to our residents, so that we can continue to diversify our revenue streams and increase our revenue; and
- We intend to achieve a higher level of cost efficiency in our operating activities, by upgrading our technology infrastructure and improving the digitalization level within our Group.

In addition, our monthly management accounts will be prepared in a timely manner and will be reviewed by our Directors and senior management. The monthly management accounts will be compared against the budget, and any material deviations will be analyzed and followed up immediately. Our senior management will closely review the working capital requirements, which will be supplemented by monitoring any long outstanding receivables and payment schedules for our landlords and other suppliers. If a shortfall of working capital is foreseen, we will adopt various measures to address the issue, such as hastening the collection of our outstanding receivables, increasing our bank facilities, and managing the settlement of our payables.

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CUSTOMERS AND SUPPLIERS

Our customers are primarily comprised of (i) individual residents who rent our apartments, (ii) corporate customers who rent our apartments for their employees, (iii) franchisees and entrusting parties who authorize us to operate and manage their apartment communities, and (iv) commercial tenants who lease spaces located in our apartment communities to conduct their own commercial activities. Revenues from our five largest customers for each year during the Track Record Period accounted for less than 30% of our total revenue for each of the years ended December 31, 2020, 2021 and 2022.

Our suppliers primarily include (i) landlords, (ii) service providers of apartment renovation, maintenance, repair, cleaning and Internet services and (iii) suppliers of furniture, electronic appliances, construction materials and other items that are used or installed in our apartments. Purchases from our five largest suppliers for each year during the Track Record Period accounted for less than 30% of our total purchase amount for each of the years ended December 31, 2020, 2021 and 2022.

INTELLECTUAL PROPERTY

Our copyrights, trademarks, trade secrets, domain names and other intellectual property rights are important to our business and we devote significant time and resources to their development and protection. We rely on intellectual property laws and confidentiality agreements to protect our intellectual property rights. In addition, we generally control access to and use of our proprietary and other confidential information through the use of internal and external controls, such as the use of confidentiality agreements with our employees and external consultants.

As of the Latest Practicable Date, we had 1 patent, 64 copyrights, 350 trademarks and 7 domain names registered in China. Our intellectual properties are complementary to each other to form the basis of our services and solutions and our operational systems. We intend to file additional intellectual property applications as we continue to innovate through our research and development efforts, and to pursue additional intellectual property protection to the extent we deem beneficial and cost-effective.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

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COMPETITION

China’s centralized rental apartment market is highly fragmented and competitive. We face competition from different sources for each of our three primary activities.

- *Apartment sourcing*: our competitors in sourcing available rental properties are companies with business similar to ours. As an upscale centralized rental apartment operator with a diversified portfolio, our market-leading position enables us to enter into long-term en bloc leases with institutional landlords that could provide a large number of apartments in one building. In 2022, according to Frost & Sullivan, we ranked as the largest independent operator of centralized rental apartments in terms of the number of apartments in operation in China.
- *Securing manachised and third-party managed opportunities*: we may compete with other centralized rental apartment operators in sourcing manachised and third-party managed opportunities. Capitalizing on our extensive expertise and experience in centralized rental apartment operation and management, we believe that we have competitive advantages in terms of brand recognition, geographic coverage, service quality and range of services.
- *Apartment leasing*: our apartment products compete with traditional rental housing options, dispersed rental apartments and rental options provided by companies with business similar to ours or by real estate development companies. The wide recognition of our brand provides us with a brand premium and enables us to attract and retain residents in a cost-efficient manner.

New market entrants may face entry barriers such as extensive operation and management experience, sufficient and diversified apartment resources, leading technology capability, brand recognition and talented professionals. We believe that our brand and reputation in the centralized rental apartment industry, superior operational capability and advanced proprietary technology infrastructure provide us with significant competitive advantages. For more details about the competitive landscape of the market where we operate, see “Industry Overview – Competitive Landscape of China’s Centralized Rental Apartment Market.”

As advised by PRC Legal Advisors, the Group’s business does not fall into any categories under the Catalog of Industries Encouraging Foreign Investment (2022) (《鼓勵外商投資產業目錄》(2022年版)) which became effective on January 1, 2023, and the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) which became effective on January 1, 2022 (collectively, “**PRC Foreign Investment Catalogs**”), and foreign investment would be permitted on industries that are not listed under the PRC Foreign Investment Catalogs. On the basis of the foregoing, the Group’s business is not subject to any foreign investment restriction or prohibition under the PRC Foreign Investment Catalogs.

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RESEARCH AND DEVELOPMENT

We invest substantial resources in research and development. Our research and development efforts are focused primarily on improving our technology infrastructure and developing new digitalization initiatives that enhance residents’ experience and lower operation cost.

As of December 31, 2022, we had a research and development team of 47 employees. Among these personnel, approximately 98% have at least five years of experience in the technology industry.

EMPLOYEES

As of December 31, 2020, 2021 and 2022, we had 920, 1,136 and 1,161 employees, respectively. All of our employees are based in China. The table below shows the number of our employees of the major functions as of December 31, 2022.

Function	Number of Employees
Information Technology	56
Sales and Marketing	32
General and Administration	167
Frontline Operation	906
Total	1,161

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based cash bonuses and certain other incentives. We primarily recruit our employees through recruitment agencies, on-campus job fairs and online channels, including our corporate website and social networking accounts.

We provide our employees with basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing providence funds in accordance with applicable PRC laws and regulations. We pay great attention to our employees’ welfare, and continually improve our welfare system. We offer employees additional benefits such as annual leave, supplementary insurance, and health examinations, among other things.

We view the quality and skillsets of our employees as essential to maintaining our quality and thus have made employee training one of our top priorities. We established Mofang Academy to train our employees and cultivate our next generation leaders. Our Mofang Academy regularly offers structured training programs covering topics such as corporate culture, team management, sales and marketing and customer service. The staff working at our manachised and third-party managed apartments also have access to the training programs at Mofang Academy. Most of the training programs at Mofang Academy are internally developed

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and delivered by our own employees and are critical to develop our corporate culture and service standards. Cumulatively, our Mofang Academy has provided training to all of our employees. On average, each employee received over 29 hours of training from Mofang Academy every year from 2020 to 2022.

None of our employees are currently represented by labor unions. During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image.

PROPERTIES

Owned Properties

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

Leased Properties

As of the Latest Practicable Date, we operated a large part of our business through 278 leased properties, all of which are located in China. To the best of the knowledge, information and belief of the Company, the lessors of these properties are Independent Third Parties. Our leased properties had an aggregate gross floor area of approximately 1,772,857 square meters, a substantial majority of which is used for the operation of centralized rental apartments. Our leased properties ranged from a gross floor area of approximately 523 square meters to 64,000 square meters. A small portion of our leased properties are subleased to third parties mainly for ancillary services, such as convenience stores, fast food restaurants, and vending machines. During the Track Record Period, the rental costs based on lease agreements of our leased properties amounted to RMB622.8 million, RMB841.1 million and RMB1,017.9 million in 2020, 2021 and 2022, respectively. Our leased properties are located primarily in Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou and Nanjing.

In light of the nature of our Group’s principal business and its business model, the Group’s leased properties used for operation of its principal business (i.e. operation of rental apartments) constitute “property activities” as defined under Chapter 5 of the Listing Rules and Section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32 sub. Leg. L.) (collectively, the “**Property Valuation Requirements**”). Pursuant to the Property Valuation Requirements, the Company’s document would need to include a property valuation report covering 147 leased properties in total. We have applied to the SFC and the Stock Exchange for (a) an exemption from the SFC from strict compliance with section 342(1)(b) of and paragraph 34 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and (b) a waiver from the Stock Exchange from strict compliance with Rule 5.01A of the Listing Rules (such waiver and exemption collectively referred to as the “**Exemption and Waiver**”). The SFC and the Stock Exchange [have granted] such Exemption and Waiver to the Company subject to certain conditions. For details, please refer to “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Property Valuation”.

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As a condition to granting us the Property Valuation Waiver, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), an independent property valuer, has valued our top thirty leased properties in terms of carrying value (the “**Significant Right-of-Use Assets**”), which, in aggregate, generated approximately 29.9% of our total revenue in 2022 and accounted for approximately 39.5% of our total assets and 45.9% of our total right-of-use assets (the “**Total ROU Assets**”) as of December 31, 2022. As advised by JLL, according to the Hong Kong Institute of Surveyors Valuation Standards on Properties (the “**Valuation Standards**”), “market value” is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Although we have the right to use the leased properties for operating rental apartments, we do not have titles to such leased properties. Under the terms of the head leases executed by various member companies of us, we are prohibited from assigning, freely transferring or disposing of the leased properties. Therefore, in light of the foregoing restrictions, JLL has confirmed that no commercial value will be attributed to our leased properties in accordance with the Valuation Standards. For details on the valuation of Significant Right-of-Use Assets, please refer to the Property Valuation Report in Appendix IV to this document.

Other than the Significant Right-of-Use Assets that are covered under the above mentioned Property Valuation Report, we also leased 20 properties (the “**Material Right-of-Use Assets**”), which generated approximately 10.7% of our total revenue in 2022 and accounted for approximately 10.7% of our total assets and 12.4% of our Total ROU Assets as of December 31, 2022. Therefore, as of December 31, 2022, the Significant Right-of-Use Assets and the Material Right-of-Use Assets together accounted for approximately 50.2% of our total assets and 58.3% of our Total ROU Assets. For our Material Right-of-Use Assets, on an aggregate basis, the monthly rent per apartment charged to our residents in 2022 was between RMB800 to RMB13,856 and the average occupancy rate in 2022 was between 55.9% to 94.9%. The monthly rent charged by our landlords in 2022 for our Material Right-of-Use Assets on an aggregate basis was between RMB214,597 to RMB1,024,404. The following table sets forth the project name, address, rental area, number of apartments in operation, lease term, average monthly rental rate we charged to customers and contribution to total revenue in 2022 for each of the Material Right-of-Use Assets as of the Latest Practicable Date:

Project	Address	Rental areas	Number of Apartments in Operation	Lease Term with Landlords	Range of Lease Term with Residents	Indicative rental rate in 2022	Lease Income Contribution to Total Revenue in 2022
		<i>sq.m</i>		<i>Year(s)</i>	<i>Month(s)</i>	<i>RMB</i>	
Mofang Apartment (Shanghai Hongqiao Branch)	Building 5, No. 288, Chengjiaqiao Road, Minhang District, Shanghai, PRC	6,556.4	187	10	1 ~ 12	Above 3,796	0.54%
Mofang Apartment (Shanghai Jiaotong University Branch)	No. 888, Panyu Road, Xuhui District, Shanghai, PRC	7,423.0	152	15	1 ~ 12	Above 3,815	0.70%

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Project	Address	Rental areas	Number of Apartments in Operation	Lease Term with Landlords	Range of Lease Term with Residents	Indicative rental rate in 2022	Lease Income Contribution to Total Revenue in 2022
		<i>sq.m</i>		<i>Year(s)</i>	<i>Month(s)</i>	<i>RMB</i>	
Unit 9 Apartment (798 New Branch)	No. 7(A) Jiuxianqiao North Road, Chaoyang District, Beijing, PRC	6,646.4	204	12	1 ~ 36	Above 4,000	0.87%
Mofang Apartment (Beijing Sanyuanqiao Branch)	No. 45, Jing'anli, Chaoyang District, Beijing, PRC	7,500.0	195	13	1 ~ 36	Above 5,660	0.80%
Unit 9 Apartment (Shanghai Joy City Branch)	Building 1-7, No. 310 Yongxing Road, Jing'an District, Shanghai, PRC	3,890.0	141	14	1 ~ 24	Above 4,200	0.38%
Mofang Apartment (Yizhuang Branch)	Block F, BDA International Plaza, No. 6 Disheng West Road, Daxing District, Beijing, PRC	7,810.0	204	18	1 ~ 12	Above 3,550	0.58%
Mofang Apartment (Baoyang Road Branch)	Buildings 2 and 6, No. 1850, Baoyang Road, Baoshan District, Shanghai, PRC	10,968.0	518	12	1 ~ 36	Above 1,170	0.60%
Mofang Apartment (Shanghai Tibet North Road Branch)	No. 100, Nanshan Road, Jing'an District, Shanghai, PRC	7,415.1	289	10	1 ~ 12	Above 2,430	0.72%
Unit 9 Apartment (Shanghai Hongzhan Garden Branch)	Building 6, 1199 Long, Jidi Road (Jinbeiqing Highway), Minhang District, Shanghai, PRC	9,036.4	209	12	1 ~ 36	Above 3,000	0.53%
Unit 9 Apartment (Jinji Road Branch)	No. 1, 330 Long Longqiao Road, Pudong District, Shanghai, PRC	7,574.1	182	15	1 ~ 13	Above 2,500	0.53%
Mofang Apartment (Jinqiu Road Subway Station Branch)	No. 32, Lane 58, Huaqiu Road, Baoshan District, Shanghai, PRC	6,256.5	357	12	1 ~ 12	Above 1,782	0.52%
Mofang Apartment (Huawei Base Branch)	No. 1, Xinweizai Village Road, Bantian Residential District Community, Longgang District, Shenzhen, PRC	10,237.0	287	16	1 ~ 12	Above 1,800	0.53%
Mofang Apartment (Xingfu South Road Branch)	No. 1288 Xingfu South Road, Xiasha District, Hangzhou, PRC	10,318.5	262	18	1 ~ 12	Above 1,479	0.39%

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Project	Address	Rental areas	Number of Apartments in Operation	Lease Term with Landlords	Range of Lease Term with Residents	Indicative rental rate in 2022	Lease Income Contribution to Total Revenue in 2022
		<i>sq.m</i>		<i>Year(s)</i>	<i>Month(s)</i>	<i>RMB</i>	
Mofang Apartment (Unite Square Branch)	Floor 6-10, Block B, United Plaza, No. 5022 Binhe Avenue, Futian District, Shenzhen, PRC	7,776.3	170	15	1 ~ 12	Above 2,900	0.48%
Mofang Apartment (Shanghai Jinyu Road Branch)	No. 700 Jinyu Road, Pudong District, Shanghai, PRC	6,418.4	227	11	1 ~ 12	Above 2,490	0.57%
Mofang Apartment (Hongqiao Railway Station Branch)	Building 242-251, No. 35 Nanhua Road, Minhang District, Shanghai, PRC	8,542.0	366	11	1 ~ 36	Above 1,210	0.50%
WE Apartment (Wenshui Road Branch)	No. 601 Pinglu Road, Jing'an District, Shanghai, PRC	6,659.6	284	13	1 ~ 12	Above 2,529	0.57%
Unit 9 Apartment (Yushan Road Branch)	1st Floor (Public Access), 2nd Floor (North Side Elevator) and 5th floor, Lefang Yushan Life Square, No. 717 Gushan Road, Pudong District, Shanghai, PRC	4,581.0	122	16	1 ~ 24	Above 3,480	0.41%
Unit 9 Apartment (Jinqiao Industrial Park Branch)	No. 825 Ningqiao Road, Pudong District, Shanghai, PRC	9,872.1	194	15	1 ~ 24	Above 3,240	0.52%
Mofang Apartment (Shanghai Wusong Road Branch) ⁽¹⁾	Floor 9-18, No. 529, Wusong Road, Hongkou District, Shanghai, PRC	6,563.0	150	10	N/A	N/A	N/A

Note:

- (1) As of the Latest Practicable Date, Mofang Apartment (Shanghai Wusong Road Branch) had not been launched. However, as of the same date, the underlying property had been leased by our Group.

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The following table sets forth a summary of the key information for our remaining right-of-use assets (the “**Other Right-of-Use Assets**”), on an aggregate basis, based on geographic location as of the Latest Practicable Date:

City	Number of Apartment Communities	Number of Apartments in Operation	Range of Rentable Area per Property	Range of Lease Term with Landlords	Range of Lease Term with Residents	Monthly rent charged to residents in 2022	Aggregate Lease Income Contribution to Total Revenue in 2022	Average occupancy rate in 2022	Average monthly rent charged by landlords in 2022
			<i>sq.m.</i>	<i>Year(s)</i>	<i>Month(s)</i>	<i>RMB</i>	<i>%</i>	<i>%</i>	<i>RMB</i>
Beijing	18	2,004	1,394.5~5,815.0	5~15	1~36	2,550~13,856	6.3%	33.5%~100.0%	160,860~671,501
Shanghai	88	10,569	661.6~14,871.0	1~20	1~40	923~12,646	23.5%	41.8%~98.5%	26,667~1,588,155
Guangzhou	24	3,155	1,800.0~8,715.6	5~18	1~24	777~8,432	5.4%	53.4%~96.5%	67,416~867,352
Shenzhen	26	3,979	893.6~14,000.0	4~20	1~36	800~7,760	6.4%	82.1%~100.0%	61,955~1,156,122
Nanjing	24	3,168	523.0~11,507.8	4~20	1~25	944~5,400	4.4%	59.7%~95.7%	25,453~648,934
Hangzhou	15	2,954	2,385.8~13,962.5	6~18	1~96	990~5,770	4.8%	34.2%~92.5%	99,986~859,500
Other cities ⁽¹⁾	29	4,762	1,090.7~15,815.5	3~20	1~48	500~4,635	5.2%	23.6%~100.0%	41,667~346,322

Note:

(1) Other cities include Chengdu, Xi'an, Suzhou, Wuhan, Tianjin, Xiamen, Qingdao and Wuxi.

Title Defects

Lack of Sublease Consent

As of December 31, 2020, 2021, 2022, and the Latest Practicable Date, the lessors of 6, 13, 13 and 12 leased properties, which corresponded to 1,471, 2,117, 2,116 and 2,026 rental apartments, respectively, had not obtained the relevant consent letters from the property owners to authorize the lessors to lease or sublease the specific properties to us because the lessors are unable to obtain such consent letters. In 2020, 2021 and 2022, the properties that lack sublease consent accounted for (i) 4.1%, 3.2% and 4.3% of our total revenue, respectively, (ii) negative 1.0%, 2.9% and 2.4% of our store level operating profit, which is defined as revenue minus cost of sales and services and rental costs based on lease agreements incurred at the apartment community level, respectively, and (iii) 27.2%, negative 9.5% and negative 1.3% of our store profit, which is defined as store level operating profit minus depreciation and amortization expenses at the apartment community level, respectively. As advised by our PRC Legal Advisors, lack of sublease consent does not constitute our Group's non-compliance, and we would not receive administrative penalties by governmental authorities for these instances. However, if the lessors have not obtained the relevant documents from the owners of the properties to entitle them to sublease or authorize them to lease such properties, we may not be able to lease, occupy and use the relevant properties.

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Lack of Title Certificates

In addition, as of December 31, 2020, 2021, 2022, and the Latest Practicable Date, the lessors of 8, 9, 8 and 8 leased properties, which corresponded to 1,810, 1,878, 1,216 and 1,216 rental apartments, respectively, had not provided us with valid evidence of title or relevant proof documents of title for the leased properties because the owners of such properties had not obtained the evidence of title. In 2020, 2021 and 2022, the properties that lack title certificates accounted for (i) 3.4%, 2.4% and 1.9% of our total revenue, respectively, (ii) 5.2%, 2.4% and 2.0% of our store level operating profit, respectively, and (iii) negative 6.0%, 2.7% and 2.3% of our store profit, respectively. As a result of lack of title certificates, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. However, as advised by our PRC Legal Advisors, lack of title certificates does not constitute our Group’s non-compliance, and we would not receive any administrative penalties by governmental authorities for these instances. As of the Latest Practicable Date, we had developed a rigorous internal approval process, whereby we only choose leased-and-operated projects for which the lessors can provide us with valid evidence of title or relevant proof documents of title for the leased properties and/or the consent letters from property owners.

Potential Usage Defects

Moreover, as of the Latest Practicable Date, certain leased properties might not be used in a manner consistent with their respective title certificate. According to PRC laws, properties and lands shall be used in accordance with the planned usage of the properties and the lands. However, there were no clear provisions under relevant PRC laws and regulations as of the Latest Practicable Date relating to the planned usage of properties that are specifically applicable to centralized rental apartments. According to the National Standard of the People’s Republic of China – Classification of Land Use Status (GBT 21010-2017) and National Standard of the People’s Republic of China – Urban Land Classification and Planning Construction Land Standards (GB50137-2011), the first-level classification of land includes residential land (housing land) and commercial service land. Residential land (housing land) refers to the land mainly used for people’s living and residence, while commercial service land refers to the land mainly used for the commerce and service industry, under which there is a sub-classification of service apartment. Also, according to the Several Opinions on Accelerating the Cultivation and Development of Housing Rental Market (《國務院辦公廳關於加快培育和發展住房租賃市場的若干意見》), commercial properties are allowed to be converted to rental housing in accordance with relevant regulations. Although there is such national standard, in practice, the usage of land or property stated in the real estate title certificates has various wording that may be different from the national standard.

Apart from residential and commercial service usage, some of our apartments are located within leased properties that are planned for industrial, storage, agricultural, manufacturing, educational, scientific research, cultural, sports and other purposes. As of December 31, 2020, 2021, 2022, and the Latest Practicable Date, we leased 66, 80, 83 and 82 apartment properties with such planned usage, corresponding to 10,632, 15,150, 16,186 and 16,081 rental apartments, respectively, the actual usage of which may be deemed by the competent

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authorities as inconsistent with their planned usage. In 2020, 2021 and 2022, the properties with potential usage defects accounted for (i) 33.0%, 29.2% and 28.6% of our total revenue, respectively, (ii) 35.9%, 30.4% and 31.5% of our store level operating profit, respectively, and (iii) 27.6%, negative 10.6% and 34.3% of our store profit, respectively.

According to relevant PRC laws and regulations, it is the owner or lessor of such properties rather than the lessee that administrative penalties may be imposed on. But if the competent authority requires the owner or lessor of the property to rectify and the owner or lessor of the property fails to do so, the relevant companies within our Group may need to vacate such properties.

Financial and Legal Implications

As advised by our PRC Legal Advisors, the risk that properties with defects be ordered by the competent authorities to cease or suspend operations or be vacated is low, considering that: (i) the Ministry of Housing and Urban Rural Development (“**MOHURD**”), the competent state-level authority responsible for leading the regulation and supervision of China’s long-term rental apartment industry pursuant to both relevant regulations and policies and MOHURD’s own confirmation, has affirmed that it permits our operation of relevant rental apartments, (ii) the local bureaus of Housing and Urban Rural Development (住建部門) are aware of the usage of such properties by us, and we did not receive any notice or decision of penalty or request for rectification because of usage inconsistency or the absence of proof documents of title and the relevant local bureaus of Housing and Urban Rural Development (住建部門) have not raised objection to the usage of such properties by us as rental apartments during the Track Record Period and up to the Latest Practicable Date, (iii) we confirmed that the relevant companies within our Group had not received any material claim of rights by any third parties in relation to the relevant properties during the Track Record Period and up to the Latest Practicable Date, and (iv) with respect to the leased properties for which the lessors had not obtained the consent letters from the property owners, we have leased all such properties for more than six months, and according to relevant PRC laws, it shall be deemed that the property owners agree to the sublease and the subleases cannot be invalidated, where the property owners know or should have known about such sublease but fail to raise any objection within six months.

We believe both the MOHURD and the local bureaus of Housing and Urban Rural Development (住建部門) were aware of our Group’s properties with defects when they issued the confirmation on permitting our operations in such properties or raised no objections based on the following: (i) during the meeting with the MOHURD in November 2021, we verbally introduced, in detail, the business of our Group and the regulatory issues in relation to potential usage defects we previously encountered. We also provided the MOHURD with a written introduction of our Group and business operations; (ii) the MOHURD is familiar with our business operations as we have historically communicated and cooperated with the MOHURD on multiple occasions. For example, we have participated in and delivered speeches on, among other matters, industry-wide practices, regulatory developments and standards at forums where the MOHURD and its representatives were also present; and (iii) as required by relevant

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regulations and rules and/or relevant authorities, our Group has connected to the governmental management and service platforms of rental housing and filled in the information of business commencement and the housing information with the local bureaus of Housing and Urban Rural Development (住建部門) through online platforms in cities where the governmental management and service platforms have been established, such as Beijing, Hangzhou, Shenzhen, Guangzhou, Nanjing and Suzhou. For the cities that have not yet established management and service platforms, our Group has filed the information of business commencement and the housing information through other online and offline methods based on the requirements of the local bureaus of Housing and Urban Rural Development (住建部門).

Considering (i) the abovementioned advice from our PRC Legal Advisors; (ii) that it is unlikely that we would be subject to claim of rights from third parties or be required by relevant authorities to relocate with respect to a large number of these leased properties at the same time, given that these properties are geographically dispersed and under the jurisdiction of different provincial authorities in China, and are leased from different counterparties; and (iii) we may raise a claim against the relevant lessors based on the lessors’ undertakings and/or relevant PRC laws and regulations, to recover losses that we suffer if we are unable to continue to legally occupy and use such properties, we are of the view that the risk that our business and results of operations would be materially and adversely affected by these defects is low.

We, however, have established standard operating procedures for the closure of our apartment communities which would be able to work as a contingency plan if we are required by competent authorities to vacate the apartment communities managed and operated by us. Through our years of business expansion in China, we have already built strong coverage in the core cities where we operate. Based on the expansive coverage of our apartment network, we believe that there are generally sufficient apartments within our Group’s apartment network to relocate affected residents under our contingency plan if we are required to vacate the apartment communities. Based on our past relocation experience as a result of events such as urban zoning and construction or decisions to close apartment communities for commercial reasons, we also believe we are able to meet the relocation needs of our residents within our apartment network.

Although it is unlikely that we have to vacate our apartment communities for the defects mentioned above, our contingency plan for relocation enables us to respond in a methodical manner if that happens. Under such contingency plan, we anticipate the costs to be incurred by us for relocation would primarily include (i) compensation to be paid by us to individual residents and (ii) moving costs resulting from relocating our residents and their belongings. We, however, believe that the costs arising from relocation for our white-collar apartments and blue-collar dormitories are usually asymmetric. While we may have to pay individual residents living in our white-collar apartments at an amount that equals a portion of the applicable monthly rental rate charged by us in the event of relocation, our experience suggests that we do not have to make analogical compensation towards our residents living in blue-collar dormitories or corporate customers concerned. Meanwhile, notwithstanding the moving costs we have to incur for both white-collar apartments and blue-collar dormitories, we expect such moving costs to be (i) approximately RMB80.0 on a per apartment basis for white-collar

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apartments and (ii) approximately RMB50.0 on a per apartment basis for bluecollar dormitories, based on our recent experience in relocating for reasons such as closure of apartment communities for commercial considerations.

Based on the foregoing analysis and our prior experience in handling underperforming apartment communities by way of closure and consolidation, we estimate the total relocation costs for our apartment communities subject to the risk of forced relocation as of the Latest Practicable Date to be no more than RMB18.0 million (representing approximately 1.0% of our total revenue in 2022), which was primarily derived from (i) the compensation that we would have to pay to a portion of affected residents living in the relevant white-collar apartments and (ii) the moving costs to be incurred by us for relocating our residents living in both white-collar apartments and blue-collar dormitories, assuming that other certain possible expenses as a result of relocation, such as liquidated damages payable to suppliers, would be exempted in a manner that is consistent with our historical experience. Nevertheless, we believe the possibility that we have to ultimately incur this estimated total amount of relocation costs in reality is low, given that (i) it is unlikely that we would be subject to claim of rights from third parties or be required by authorities to relocate with respect to a significant number of leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties, and (ii) we may raise a claim against the relevant lessors based on the lessors’ undertakings and/or relevant PRC laws and regulations, to recover losses.

We believe our contingency plan to relocate affected residents from relevant apartment communities to other apartments within our apartment network is feasible. First of all, our extensive business presence in major Chinese cities, particularly Beijing and Shanghai, provide affected residents with a vast array of alternative residential options, which helps ensure a smooth transition and reduce the inconvenience caused for affected residents. Based on our experience in streamlining underperforming apartment communities by way of closure or consolidation, affected residents tend to accept an alternative option of residence provided by us in the same city, and if so, the relocation costs to be incurred by us would be substantially reduced. Second, in the course of relocation, it will take a number of months to discuss with residents for alternative plans, and during which a portion of the leases with residents would have expired in accordance with the lease terms. In such cases, no relocation costs will have to be incurred in connection with the expired leases. Third, even in the unlikely event that we are forced to relocate in connection with all the properties with title defects as of the Latest Practicable Date at the same time and we would need to bear the estimated total amount of relocation costs in their entirety, such costs (even if incurred in one go) only accounted for approximately 1.0% of our total revenue in 2022. Therefore, the estimated total amount of relocation costs would not lead to any material and adverse disruptions to our ongoing business operations, financial performance and future growth prospects. Last, our experience in relocating residents from one apartment community to other apartment communities, due to, for example, closure of underperforming apartment communities for commercial reasons, further reinforces (i) our understanding of the shared needs of affected residents and customers, (ii) our ability to negotiate amicably and effectively with affected residents and customers under these circumstances, and (iii) our competence in executing the contingency plan in an

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efficient and timely manner. Therefore, our contingency plan is a viable, cost-effective and well-founded solution for potential evacuations, ultimately safeguarding the interests and well-being of affected residents and minimizing our potential loss resulting from relocation.

Non-registration of Lease Agreements

Pursuant to the applicable laws and regulations of the PRC, property lease agreements must be registered with the local branches of the MOHURD. As of December 31, 2020, 2021, 2022, and the Latest Practicable Date, we had not completed lease registrations for 194, 267, 277 and 274 properties, corresponding to 30,839, 48,683, 49,835 and 50,388 rental apartments, respectively, we leased in China. In 2020, 2021 and 2022, the properties for which we did not complete lease registration accounted for (i) 95.4%, 95.0% and 96.6% of our total revenue, respectively, (ii) 87.9%, 92.0% and 97.8% of our store level operating profit, respectively, and (iii) 121.2%, negative 51.2% and 97.5% of our store profit, respectively.

The registration of the leases of such properties would require the cooperation of our lessors, while the relevant lessors may fail to provide us with sufficient documents or authorization for the lease registrations. In addition, the reasons for our failure to complete proper lease registration also include (i) the title defects associated with our certain properties as elaborated above prevented the corresponding lease agreements from being properly registered; (ii) the lessors were unwilling to cooperate as they were loath to undertake the taxes and fees arising from lease registration; and (iii) the relevant local authorities would only register lease agreements that were based on their recommended standard forms. However, given the importance of leases to our business and the complexity of the commercial arrangements at issue, our lease agreements deviated significantly from the standard forms and were therefore rejected by the competent local authorities when presented for registration. We will take all practicable and reasonable steps to strive for the registration of such leases.

Our PRC Legal Advisors have advised us that the failure of registration of the lease contracts will not affect the validity of the lease agreements under the laws of China, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. The aggregate amount of maximum fine is approximately RMB2,740,000. As further advised by our PRC Legal Advisors, if the lease registration can be completed in accordance with relevant laws and regulations within the prescribed time as required by the government authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote. As of the Latest Practicable Date, we had not been subject to administrative penalties by the relevant housing administrative authorities for non-registration of lease agreements.

Profiling of Involved Properties

As of the Latest Practicable Date, the number of our leased properties (i) that lack sublease consent, (ii) that lack title certificates, (iii) with potential usage defects, and (iv) for which we have not completed proper lease registration (collectively referred to as the “**Involved Properties**”) was 12, 8, 82 and 274, respectively. As of December 31, 2022, the lease liabilities of the Involved Properties amounted to RMB7,783.8 million. In addition, the

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renovation costs incurred by us for the Involved Properties as of the Latest Practicable Date were RMB2,787.6 million. The following table sets for the range of years within which the remaining lease terms of the Involved Properties as of the Latest Practicable Date were distributed:

	Lack of sublease consent	Lack of title certificates	Potential usage defects	Non- registration of lease agreements
Less than one year	–	1	2	10
One year to three years	5	5	12	50
Three to five years	3	–	18	60
Five to ten years	3	2	33	110
More than ten years	1	–	17	44

The following table sets forth the number of lessors involved in relation to the Involved Properties as of the dates indicated:

	As of December 31,		
	2020	2021	2022
Lack of sublease consent	4	12	12
Lack of title certificates	8	9	8
Potential usage defects	62	76	79
Non-registration of lease agreements	178	251	260

As of the Latest Practicable Date, we had not entered into any lease agreements for properties with the abovementioned defects (including lack of sublease consent, lack of title certificates and potential usage defects) subsequent to the Track Record Period.

Internal Control Measures and Procedures

To prevent re-occurrence of the abovementioned title defects and non-registration of lease agreements and manage associated risks, we have enhanced our internal control measures and procedures with respect to our leased apartment properties as recommended by our independent internal control consultant. Set forth below are key efforts we have made in this connection:

- *Optimizing lease contract management.* We have required that all types of lease contracts to be entered must follow internal approval procedures in accordance with our Group’s procurement process before signing. Our internal approval procedures take into account the qualifications of suppliers and involve the review of such qualifications. If suppliers cannot (continue to) provide effective evidence of

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qualifications, our cooperation with them must be suspended. Our procurement department has established and maintained a centralized archive for the qualifications of our suppliers;

- *Strengthening due diligence process.* The department where the project manager is from, the quality inspection department, the procurement department, and the operations department are jointly responsible for inspecting the lessor’s evidence of title or relevant proof documents of title or relevant consent letter from property owners. These departments also have to enhance our investigation of the location, floor area, ownership and planned usage of the relevant apartment properties. They also have to assess and analyze potential risks associated with such properties and compare the rental cost and lease term against the average market level. When our lessor is a legal entity, we will review its business license, the legal representative’s ID, the agent’s ID, and other related documents; and
- *Completing lease registration as per relevant laws and regulations.* Our operation center is designated to be responsible for registering all leases with landlords entered into by us. We have required our operation center to complete lease registration at the local bureaus of Housing and Urban Rural Development (住建部門) where the leased property is located in accordance with relevant PRC laws and regulations within 30 days after signing the property lease. In the event of changes or renewals to the lease, the lease registration must be updated in a timely manner.

Our independent internal control consultant performed a follow-up review of our internal control measures related to title defects and non-registration of lease agreements in February 2023. Based on their findings and the following factors, our Directors are of the view that our enhanced internal control measures are adequate and effective:

- (i) These enhanced internal control measures have effectively covered each type of the identified title defects as well as non-registration of lease agreements;
- (ii) These enhanced internal control measures are clear and unequivocal in the contents of substantive requirements and the designation of responsible parties;
- (iii) These enhanced internal control measures are able to provide our management with more accurate and timely information, enabling them to make informed decisions to reduce risks associated with title defects and non-registration of lease agreements more effectively; and
- (iv) These enhanced internal control measures have been formulated with substantive inputs from our independent internal control consultant which has experience in devising enhanced internal control measures related to title defects and non-registration of lease agreements.

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Fire Safety

Regulatory Landscape

Pursuant to the PRC Fire Safety Law (《中華人民共和國消防法》) (promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021) and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) (promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective from June 1, 2020), upon the conclusion of renovation construction projects and within certain statutory prescribed timelines, the responsible constructing party must either (i) complete fire assessment inspection and acceptance procedures after the construction project is completed, or (ii) complete the filing for fire safety inspection and acceptance procedures (“**Fire Safety Design Examination and As-Built Acceptance Checks**”). For more information, see “Regulatory Overview – Regulations Relating to Fire Control” in this document.

Unlike the hotel industry or private residential housing, for which there are specifically applicable technical standards, there lacks clear statutory procedures and standards on how the existing fire safety laws and regulations apply to the PRC rental apartment industry, as it is still at its incipient stage. This has caused practical difficulties for members of the rental apartment industry in ensuring full compliance with existing fire safety laws, regulations and implementing rules, as their enforcement and interpretation are left to the broad discretion of the relevant regulatory authorities. Such practical difficulties include:

- (i) the refusal of certain local authorities to accept applications for completing Fire Safety Design Examination and As-Built Acceptance Checks (“**Fire Safety Applications**”) due to the lack of clear and uniform statutory procedures and standards governing the application process and review criteria for renovation construction projects of rental apartments; and
- (ii) certain local authorities may not accept Fire Safety Applications if they were not submitted within the timelines for projects that are explicitly required to complete Fire Safety Design Examination and As-Built Acceptance Checks.

Background

As of December 31, 2020, 2021, 2022 and the Latest Practicable Date, 14, 33, 18, and 17 of our leased-and-operated apartment properties, corresponding to 3,300, 4,449, 3,454 and 3,325 rental apartments, respectively, had not completed Fire Safety Design and As-Built Acceptance Checks (the “**Relevant Properties**”). These Relevant Properties were located throughout the provinces and municipalities of Beijing, Shanghai, Guangdong, Hubei, Jiangsu and Tianjin. In 2020, 2021 and 2022, the Relevant Properties accounted for (i) 9.9%, 8.4% and 7.6% of our total revenues, respectively, (ii) 12.7%, 7.9% and 10.6% of our store-level operating profit, respectively, and (iii) negative 20.2%, 11.0% and 15.8%, of our store profit, respectively.

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The legal risk arising from this regulatory landscape is that the relevant authorities may conclude that we failed to comply with rules, laws and regulations as to fire safety. Due to the lack of regulatory clarity, we have been and may be subject to monetary damages, the suspension of or disruption to our operations or conversion activities, and/or other administrative penalties or investigations.

Communications with Local Authorities

Against this regulatory backdrop, and to operate the business of the Group in compliance with all potentially applicable laws and regulations to the maximum extent, the Group consistently applies its best efforts to complete and minimize the number of leased-and-operated properties lacking Fire Safety Design Examination and As-Built Acceptance Checks. During the Track Record Period, our Directors and senior management requested employees to submit Fire Safety Applications within the prescribed statutory timelines with respect to new rental apartments, in accordance with the Group’s internal policy. When the Fire Safety Applications were submitted, the Group did not know whether the relevant authorities had previously accepted applications made by other members of the rental apartment industry. Our Directors and senior management would also request the Group’s employees to regularly communicate with competent local authorities and keep the Group abreast of the latest regulatory updates on whether Fire Safety Design Examination and As-Built Acceptance Checks, or any other government-mandated fire safety filings and procedures, were required in relation to rental apartments. According to relevant laws and regulations, the corresponding local authorities for overseeing Fire Safety Design Examination and As-Built Acceptance Checks were the local administration of fire safety rescue (消防救援部門) before June 1, 2020 and the local bureaus of Housing and Urban Rural Development (住建部門) from June 1, 2020 onwards.

In the event that we become aware the local authorities in a particular region have begun accepting Fire Safety Applications in relation to the relevant rental apartments or any other government-mandated fire safety filings and procedures in relation to the relevant rental apartments, it is the Company’s policy to submit Fire Safety Applications in line with the updated requirements. As such, there were instances where the Company was subsequently able to obtain approval for complete Fire Safety Design Examination and As-Built Acceptance Checks from time to time. For the years ended December 31, 2020, 2021 and 2022, we were subsequently able to obtain approval for/complete Fire Safety Design Examination and As-Built Acceptance Checks in relation to two, one and ten properties, respectively, corresponding to 625, 354 and 1,028 rental apartments, respectively.

In November 2021, our Directors organized an interview with MOHURD, the competent state-level authority responsible for leading the regulation and supervision of China’s rental apartment industry. MOHURD confirmed, among others, that the continued operation of our rental apartments is permitted, despite the inability to complete Fire Safety Design Examination and As-Built Acceptance Checks in the past (the “**MOHURD Interview**”).

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Financial and Legal Implications

As advised by our PRC Legal Advisors, the maximum potential financial consequences that may arise for not being able to complete Fire Safety Design Examination and As-Built Acceptance Checks with respect to our renovation construction projects will be (i) RMB5.1 million, the aggregated sum of a fine of RMB300,000 per apartment property that have not completed Fire Safety Design Examination and As-Built Acceptance Checks as of the Latest Practicable Date; and (ii) closure of our rental apartments. For more information, see “Risk Factors – Risks Related to our Business and Industry – We are subject to fire prevention laws and regulations that may subject us to liability”.

As of the Latest Practicable Date, of the remaining 17 Relevant Properties seven were self-developed by the Group and ten were acquired from third parties. Based on the following grounds, our PRC Legal Advisors are of the view that our inability to complete Fire Safety Design Examination and As-Built Acceptance Checks in relation to the 17 Relevant Properties does not constitute a non-compliance incident, and as such, the risk of the Relevant Properties being ordered to cease or suspend operations by the competent authorities is remote:

- (i) We have enquired with the local authorities about the 17 Relevant Properties, who confirmed that:
 - a. completion of Fire Safety Design Examination and As-Built Acceptance Checks was not necessary in relation to the apartment properties at issue;
 - b. there lacked statutory procedures governing the Fire Safety Design Examination and As-Built Acceptance Checks with respect to the renovation and decoration works for rental apartments. They have no objection to the normal operations of the apartment properties so long as a fire safety assessment report can be issued by a qualified fire safety consultant that the apartment properties have complied with the substantive fire safety requirements in relation to fire safety facilities, equipment and devices, among others;
 - c. they have not previously accepted any Fire Safety Applications in relation to renovation and decoration works involving rental apartments; and/or
 - d. operation of the apartment properties at issue is permitted so long as substantive fire safety requirements in relation to fire safety facilities, equipment and devices, among others, are complied with.
- (ii) During the MOHURD Interview, MOHURD confirmed:
 - a. there lacks clear and uniform statutory procedures and standards governing the application process and reviewing criteria in relation to Fire Safety Design Examination and As-Built Acceptance Checks for rental apartments, and
 - b. the continued operation of our rental apartments is permitted, despite the inability to complete Fire Safety Design Examination and As-Built Acceptance Checks in the past.

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- (iii) As of the Latest Practicable Date, no administrative penalties were imposed on our Company due to the inability to complete Fire Safety Design Examination and As-Built Acceptance Checks in relation to the 17 Relevant Properties, notwithstanding that the relevant local authorities were aware of the operation of rental apartments within the 17 Relevant Properties. Additionally, the Relevant Properties were not ordered to cease operations due to the inability to complete Fire Safety Design Examination and As-Built Acceptance Checks during the Track Record Period and up to Latest Practicable Date.
- (iv) We have undertaken that if the competent local authorities require completion of Fire Safety Design Examination and As-Built Acceptance Checks for the 17 Relevant Properties in the future, we will complete the necessary applications or filings in compliance with the updated regulatory requirements.
- (v) The Fire Safety Consultant (as defined below) has confirmed, among others, that as of March 1, 2023, the date of issuance of its assessment report, the fire safety policies and procedures, fire safety and emergency evacuation plan, fire-fighting devices and equipment, fire safety signs and the premises of the 17 Relevant Properties were in compliance with the fire safety laws, regulations and industry standards that are generally applicable to residential buildings, and there are no impediments from a technical standpoint for the 17 Relevant Properties to complete the Fire Safety Design Examination and As-Built Acceptance Checks.

Having conducted the due diligence with our Company, the PRC Legal Advisors and the Sponsors’ legal advisors as to PRC laws, and reviewed the relevant material documents and legal opinion, nothing has come to the attention of the Joint Sponsors which would cause them to cast reasonable doubt on the accuracy or reasonableness of the view of the PRC Legal Advisors that the inability of the Company to complete Fire Safety Design Examination and As-Built Acceptance Checks in relation to the 17 Relevant Properties does not constitute a non-compliance incident.

Rectification and Internal Control Measures

Measures Taken During the Track Record Period

During the Track Record Period, the Group accorded high priority to ensuring fire safety within its apartment properties, and adopted apartment pre-opening measures to ensure completion of Fire Safety Design Examination and As-Built Acceptance Checks. In principle, we require all apartment communities to complete the necessary Fire Safety Design Examination and As-Built Acceptance Checks before their launch dates. Before launching a new apartment community, the employees of the Group would check the completion status of Fire Safety Design Examination and As-Built Acceptance Checks. The apartment community would only launch on the condition that either the Fire Safety Design Examination and As-Built Acceptance Checks had been completed, or the competent local authorities did not accept the Fire Safety Applications on the basis that Fire Safety Design Examination and

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As-Built Acceptance Checks were not required for these rental apartments. As such, the reason for the inability of certain leased properties to complete Fire Safety Design Examination and As-Built Acceptance Checks was that the competent local authorities did not accept the Fire Safety Applications on the basis that Fire Safety Design Examination and As-Built Acceptance Checks were not required for these rental apartments.

Enhanced Fire Safety Systems

Despite the lack of authoritative interpretation and clear regulatory guidance, we have nevertheless attached significant importance to fire safety matters, seeking to mitigate our risk exposure to potential fire accidents and public safety issues, enhance safety within our rental apartments and provide better protection to our residents and employees. We have taken a variety of measures to achieve such a goal, which include the following:

- (i) Installing a fire-fighting platform within our rental apartments that has allowed us to gain 24-hour real-time control and monitoring of various fire-fighting equipment and fire alarms. The fire safety equipment available at our rental apartments has exceeded the statutory requirements, primarily because we want to enhance our preparedness for any fire emergencies and minimize our exposure to fire-related risks;
- (ii) Engaging professional fire prevention engineers to identify risks and design safeguards that aid in preventing, controlling and mitigating the effects of fires when renovating and decorating the relevant premises and converting them into rental apartments;
- (iii) Using fire-resistant construction and decoration materials, installing clear evacuation route signs and emergency exits on the premises where our rental apartments are located; and
- (iv) Formulating fire safety plans with guidance on the application of building and decoration materials, the use of electrical appliances, and the standard operation and evacuation procedures in case fire alarms are activated.

Views of the Fire Safety Consultant

We have engaged Guangzhou Dongya Group Co., Ltd. (廣州市東亞集團有限公司), an independent qualified fire safety consultant (the “**Fire Safety Consultant**”) to conduct a comprehensive review and inspection of the fire safety systems of the Relevant Properties and ensure that they satisfy the requirements of relevant laws, regulations and industry standards. Incorporated in 1984, the Fire Safety Consultant is a state-owned enterprise primarily engaged in the maintenance and inspection of fire safety facilities and fire safety evaluation. The Fire Safety Consultant holds relevant qualifications and certificates, such as the ISO 9001, ISO

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14001 and ISO 45001 certificates, and has a dedicated inspection team consisting of certified fire safety specialists and constructors with extensive fire safety industry experience. After its inspection of the Relevant Properties, the Fire Safety Consultant is of the view that

- (i) We have established and implemented a comprehensive set of fire safety policies and procedures as well as fire safety and emergency evacuation plans that are in compliance with the applicable PRC laws and regulations;
- (ii) We have installed fire-fighting devices and equipment and set up fire safety signs in compliance with the applicable PRC laws and regulations;
- (iii) The premises where these apartments are located are in compliance with applicable building fire protection and fire safety standards;
- (iv) No fire safety accident has ever occurred in these rental apartments and we have never been subject to any material administrative penalty due to any fire safety issues with respect to these rental apartments;
- (v) We were not able to complete the Fire Safety Design Examination and As-Built Acceptance Checks solely due to various practical difficulties that are not attributed to any actual fire safety deficiencies, and
- (vi) The exposure to the risk of potential fire safety accidents of these apartments is relatively low as compared to that of premises which involve open flames.

Internal Control Measures and Procedures

Furthermore, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our independent internal control consultant to manage associated risks and prevent recurrence of the abovementioned fire safety matters. Set forth below are key efforts we have made in this connection:

- *Fire safety equipment and devices.* We have made clear (i) the general rules governing the management of fire-fighting equipment and devices, (ii) the routine inspection and maintenance of these equipment and devices, and (iii) the responsible parties and management standards for the professional testing and regular maintenance of these equipment and devices;
- *Fire drills.* We have clearly required that our regional operation managers (區域運營經理) and store managers (店長) or onsite managers (駐店經理) must organize fire drills at our apartment communities at least once every six months and prepare a report afterwards summarizing the findings thereof and the lessons learnt;

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- *Fire safety records.* We have set forth the substantive and formatting requirements regarding the preparation and maintenance of fire safety records, which are applicable for all of our apartment communities. By establishing a centralized archive of our fire safety records, we intend to further elevate fire safety awareness within our Group; and
- *Pre-opening measures.* We have formulated and implemented enhanced pre-opening measures to ensure fire safety and compliance with relevant PRC laws and regulations for both self-developed and acquired apartment communities. These primarily include (i) designating the person(s) responsible for fire safety engineering and defining the regulatory standards governing fire safety during daily operations at our apartments, (ii) requesting our regional operation managers (區域運營經理) to submit Fire Safety Applications within the statutory prescribed timelines, and (iii) against the regulatory backdrop, and in the event that the submitted Fire Safety Applications are not accepted, our regional operation managers should seek confirmation that Fire Safety Design Examination and As-Built Acceptance Checks are not required in relation to the apartment properties at issue from the relevant local authorities.

Our independent internal control consultant performed a follow-up review of our internal control measures related to fire safety in February 2023. Based on their findings and the following factors, our Directors are of the view that our enhanced internal control measures are adequate and effective:

- (i) Our historical inability to complete the Fire Safety Design Examination and As-Built Acceptance Checks for certain leased-and-operated apartment communities was attributable to practical difficulties as described above, and was not the result of any gross negligence, material omission or intentional misconduct of the Group;
- (ii) Our enhanced internal control measures are clear and unequivocal in terms of substantive requirements and designation of responsibility;
- (iii) As supported by the findings of our Fire Safety Consultant, we have a good record on fire safety across our entire apartment network in China and we managed to complete Fire Safety Design Examination and As-Built Acceptance Checks with applicable fire prevention authorities with respect to the renovation construction projects of an overwhelming majority of our leased-and-operated apartment communities; and
- (iv) Our enhanced internal control measures have been formulated with substantive inputs from our independent internal control consultant, who has experience in devising enhanced internal control measures on fire safety.

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INSURANCE

We believe that our apartments are covered by adequate property and liability insurance policies with coverage and limits that are in line with the general market practice. We also require our franchisees or entrusting parties to carry adequate property and liability insurance policies. In addition, we carry property insurance that covers the assets that we own at our apartments, as well as public liability insurance required by laws and regulations in China. Except for the public liability insurance, we do not maintain insurance policies for our residents or contractors.

Under the public liability and property all-risk insurance policies of the Group, there are no provisions providing that the failure to complete Fire Safety Design Examination and As-Built Acceptance Checks would allow the insurance provider to reduce or exempt itself from liability. Therefore, our inability to complete Fire Safety Design Examination and As-Built Acceptance Checks will not have material adverse impact on the Group’s insurance claims.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance, childbirth insurance, employment injury insurance, and unemployment insurance.

If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. See “Risk Factors – Risks Related to Our Business and Industry – Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.”

LEGAL AND ADMINISTRATIVE PROCEEDINGS

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings, including any bankruptcy or receivership proceedings, that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors are not involved in any actual or threatened claims or litigations. There are no material legal, arbitral or administrative proceedings before any court current or pending against, or involving the properties, or the businesses of our Group or to which any of the properties or members of our Group is subject. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business. See “Risk Factors – Risks Related to Our Business and Industry – We have been, and may from time to time be, subject to claims, controversies, lawsuits and other legal and administrative proceedings, which could have a material adverse effect on our business, results of operations, financial condition and reputation.”

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Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

SOCIAL RESPONSIBILITY, HEALTH, SAFETY AND ENVIRONMENTAL IMPACT

Recognizing that our lifeline is inextricably intertwined with the healthy development of the society at large, we are committed to shouldering our social responsibilities and devoted to addressing issues related to environmental, social and governance (“ESG”). We routinize the identification and management of ESG-related risks arising from our business scope and integrate ESG concepts into our management decisions and daily operations, in a bid to benefit our stakeholders and communities with a comprehensive value chain which takes into account not only economic output but also social and environmental factors. By attaching equal attention to pursuing commercial returns and embracing public interest, we deliver our mission of fostering a warm, inclusive and vibrant community of residents with quality rental solutions, and facilitating the improvement of the urban living environment.

ESG Governance

To facilitate the fulfillment of our environmental and social responsibilities and the achievement of sustainable development goals, we have established a well-developed and multi-layered governance structure to cover our ESG-related workstreams. Our Board has the collective and overall responsibilities for the formation and establishment of ESG-related mechanisms and policies at the group level. Pursuant to our ESG management structure, our Board is responsible for establishing and adopting ESG policies, strategies and targets for our Group, monitoring and reviewing our ESG-related work on a regular basis, and strategically evaluating whether reasonable progress has been achieved as we make efforts to continue our good practices in this regard. Our Board discusses and reviews ESG-related workstreams at least once every quarter, which intends to dynamically adjust our strategic planning for ESG matters as needed, promote our Group’s progress in achieving ESG goals and targets, and manage the potential impact of any material ESG risks.

In honor of our adherence to the vision of green development and social harmony, we have established an ESG committee, which is comprised of senior management members and key staff that are familiar with ESG topics, including our CEO and CFO. Our ESG committee members routinely participate in ESG workshops held by stakeholders where good practices are shared by experts and corporate representatives, providing us with a great opportunity to derive knowledge and experience on ESG-related matters from reliable and authoritative sources. Our ESG committee is obligated to report to our Board in relation to ESG-related workstreams primarily through the following avenues: (i) our ESG committee includes work progress on ESG topics, such as employee care, resident care, and social responsibility fulfillment, in monthly reports submitted to the Board; (ii) our ESG committee updates the

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Board about ESG-related workstreams during quarterly board meetings; and (iii) our ESG committee maintains close communication with the Board in the annual review of our Group’s ESG performance and the preparation of our annual ESG reports. Our ESG committee proposes group-level ESG goals and targets, formulates overall action plans, coordinates the execution of ESG initiatives and keeps the Board fully briefed on ESG workstreams.

In addition, founded in 2021, our dedicated ESG work group rallies an experienced cadre of team leaders to form a special cross-department mechanism, whose task is internalizing ESG concepts in our operations under the leadership of our ESG committee through concrete steps and synchronized actions. The daily work of our ESG group generally includes: (i) promoting and executing the ESG-related strategies and policies, (ii) communicating with relevant stakeholders, (iii) preparing ESG reports, and (iv) conducting external and/or internal assessments and consultations. Through our organic ESG management structure, we are able to join the forces of different functional departments towards the common goals of achieving sustainable development and fulfilling social responsibilities, not least by efficient project management, effective information sharing and seamless cross-department collaboration.

We believe that our ESG philosophy could be boiled down to good corporate practices in four primary domains, including (i) corporate governance, (ii) quality services, (iii) eco-friendliness, and (iv) common prosperity. Therefore, we live up to our ESG commitments through continual and tireless efforts from the following aspects:

- *Corporate governance.* We are committed to ensuring efficient governance and robust compliance. Our efforts have been made to control operational risks, maintain strict compliance with laws and regulations, improve corporate governance structure and promote a clean corporate culture.
- *Quality services.* We are committed to supporting city development and serving people’s residential and other life needs. Our efforts have been made to provide affordable and high-quality rental apartments, enlarge our portfolio of value-added services, improve the urban living environment and create a vibrant apartment ecosystem.
- *Eco-friendliness.* We are committed to operating in an environment-friendly manner and pursuing green technological innovations. Our efforts have been made to follow the de-carbonization goals announced by Chinese authorities, pursue energy conservation and consumption reduction throughout project design, construction and operation, advocate low-carbon lifestyles and create a green residential environment together with our residents.
- *Common prosperity.* We are committed to empowering partners and giving back to our society. Our efforts have been made to work with value chain partners to promote the prosperity of the rental apartment industry, develop a platform to benefit the growth of our employees and participate in programs for public good.

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After the [REDACTED], we will continue to publish an ESG report each year pursuant to Appendix 27 of the Listing Rules, analyzing and disclosing important ESG-related matters, such as our ESG governance structure, the identification, assessment and management of risks, key performance indicators for our ESG workstreams, and the accomplishment of our ESG objectives. In light of the Stock Exchange’s ESG-related reporting requirements, and in order to ensure the satisfaction of the mentioned requirements, our Board of Directors and senior management will oversee the preparation of our ESG reports, and will scrutinize the contents to ensure the quality of the disclosures in these reports.

Impact of ESG-related Risks and Opportunities

In view of the nature of our business operations and the characteristics of our service types, we understand that ESG-related issues present us with both challenges and opportunities. This understanding, in turn, suggests that, during the process of pursuing sustainable development goals and executing our pre-determined ESG strategies, we should endeavor to both mitigate the risks that may be created by ESG-related issues and capture the opportunities that may run in parallel. We indeed attach great importance to analyzing the impact of ESG-related risks and opportunities, because such analysis would help us discern those ESG-related issues that are most relevant and critical and formulate ESG strategies that maximize our interests and those of our stakeholders.

Given that our business footprints spread across the country and our apartment communities are located in cities where infrastructure is often more developed, we believe that climate-related issues may bring about risks that may potentially cause physical impact to us but will not have any major adverse impact on our business operations or financial position. With the world witnessing an increasingly frequent pattern of extreme weather events, such as flooding, heatwaves, drought and typhoon, the current climate crisis may pose threats to the health and safety of our employees and residents, cause damage to the exterior and interior of our apartment communities, and increase our operating costs and expenses as we prevent and remedy any adverse impact. Despite the potential physical impact brought by the climate crisis, we have been actively responding by preparing corresponding contingency plans and raising the safety awareness of our employees and residents, in addition to the various insurances contributed by our Group or jointly with our employees, such as property insurance covering the apartments we operate, public liability insurance and work-related injury insurance. Meanwhile, in light of the general consensus in China on the necessity to resolve the deepening climate crisis, Chinese governments may promulgate and implement more rigorous laws and regulations in the fields of environmental protection and resource conservation, which are likely to affect different aspects of our business and inflate our overall compliance costs.

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Growing attention to climate change and environmental protection from both regulators and the general public, nevertheless, will also create opportunities for environmentally conscious players like us in the rental apartment industry. In anticipation of increasing regulatory requirements for rental apartment operators to protect environment and conserve energy, we believe we are more prepared than many of our competitors to comply with evolving laws and regulations. This is not only because we are equipped with more financial and technological resources as a market leader, but also we have already integrated eco-friendliness into every major link of our daily operations. Our preparedness to embrace potential heightened regulatory requirements for a greener future is expected to further consolidate our leading position in the rental apartment industry, broadening our appeal for many of our business partners including landlords, franchisees and entrusting parties. Furthermore, with growing awareness among the general public of the significance of environmental protection and low-carbon lifestyles, our unwavering commitments to building green communities are likely to reward us with a preference of both individual residents and corporate customers for our apartment offerings.

We are subject to PRC laws and regulations in relation to labor, safety and environment protection matters. Due to our effective internal control, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and had not encountered any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our business operations or financial condition.

Materiality Assessment of ESG-related Issues

In recent years, through our increasingly robust ESG practices, we managed to develop a rather comprehensive set of approaches for the materiality assessment of ESG-related issues. These approaches can be summarized as below:

- *Identification.* Our identification of ESG-related risks is informed by the Environmental, Social and Governance Reporting Guide by the Stock Exchange, which helps us discern ESG-related issues of common concern to our society. We also maintain close contact and act in consultation with our stakeholders, such as regulators, investors, customers, employees, communities and business partners, in the advancement of our ESG workstreams. By soliciting feedback via interviews and online questionnaires and analyzing the survey data collected, we intend to better understand and respond to the stakeholders’ expectations and demands and to identify ESG-related risks that are inherent in our business operations.

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- *Assessment.* Faced with a wide range of ESG-related issues, we mainly rely on the two dimensions of “significance to the operation and development of our Group” and “significance to stakeholders” to evaluate the materiality of those different issues. The qualitative and quantitative data that we manage to collect from the aforementioned interviews and online questionnaires are the primary factors and metrics that we consider in the assessment of the materiality of ESG-related risks. These data generally reflect the different levels of concern of our stakeholders over the impact of different ESG-related risks on our business operations, strategic development and financial performance. In formulating and executing our ESG strategies, we prioritize addressing risks associated with the key issues that bear the most importance for our operations and development and for our stakeholders’ interests. Moreover, to better evaluate the effectiveness of our efforts in addressing ESG-related risks, we often select metrics for important environmental matters and may set ESG targets. By tracking such metrics and ESG targets over time, we are able to evaluate our progress in handling ESG-related risks.
- *Management.* We attach great importance to the management and mitigation of ESG-related risks, as we strive for a balance between profit generation and sustainable development. We integrate ESG concepts into all major aspects of our daily operations, indicating that our efforts in combating ESG-related risks are synchronized with our business activities. By making ESG management a common cause for our Group as a whole, we are able to leverage the capabilities and expertise of different departments in managing and mitigating ESG-related risks. In addition, we also manage and mitigate ESG-related risks on a case by case basis and adopt specific and practical solutions to tackle potential ESG matters and minimize any risks inherent in our business operations.

We historically engaged an independent external advisor, which is a leading professional agency committed to advancing social responsibility and sustainable development in China, to assist us in assessing our ESG performance, identifying any loopholes in our ESG-related workstreams, and formulating the work plan for the next year. Going forward, we plan to continue to engage independent external advisors to help us review and evaluate ESG-related risks, existing strategies, targets and goals, and internal controls. We intend to then accordingly implement necessary improvements to mitigate any risks.

Metrics and Targets on ESG-related Practices

Since the rental apartment industry in which we operate is not a polluting industry, we believe our business operations do not and will not have any material adverse impact on the environment. However, as we believe in the urgency of protecting our planet and wish to make our own contributions, we keep track of a series of key performance indicators to guide our business operations with an eye to achieving sustainable development goals. Our KPIs for the evaluation of our work on environmental matters are mostly related to resource conservation and emission reduction. For resource conservation, the metrics we use mainly include electricity usage and water consumption. In 2022, the total usage of electricity at our

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headquarters was 4.6 MWh with an energy intensity of approximately 120.0 kWh/m², and the total water consumed at our headquarters was 2,362 tons with a water use intensity of approximately 0.62 ton/m². For emission reduction, we primarily rely on greenhouse gas emissions and discharge of household waste to appraise and guide our work. Greenhouse gases emitted by our business activities are carbon dioxide, relating primarily to the electricity purchased and, to a lesser extent, to gasoline use. The greenhouse gas emissions at our headquarters reached 357.3 tons in 2022. At the same time, a greenhouse gas emission ledger mechanism is being established, which will be used to calculate and disclose greenhouse gas emissions of all scope at all apartments. In 2022, the household waste discharged at our headquarters was approximately 95.3 m³. Going forward, we plan to track and trace our progress on energy-saving and emission-reduction at the common areas of each of our apartment communities. We also plan to keep a record of electricity usage per resident and water consumption per resident by collecting inputs from our apartment communities, which should enable us to more efficiently identify any flaws in our de-carbonization performance at the apartment community level and further promote green lifestyle among our employees and residents across our nationwide apartment network.

As for the assessment and evaluation of social-related risks arising from our business operations, we currently count on a rather broad scope of metrics to advance our work, including but not limited to employee gender structure, employee age distribution, employee turnover rate, employee training coverage, training hours per employee, customer satisfaction rate and community investment amount.

When setting targets for our key ESG-related issues, we normally take into account our historical level of performance and consider our planned future business expansion with a view to balancing our role as a for-profit business and the betterment of our shared living environment. Considering that our Company is on the track of stable expansion, our headquarters may have to fulfill more responsibilities and the staff working at the headquarters level are expected to increase. Therefore, in an endeavor to achieve a balance between the growing office needs during our business expansion and our continued commitment to the building of green offices, we plan to strictly control our carbon footprint at the headquarters level through electricity usage, water consumption, greenhouse gas emissions, and household waste production. Our targets in these four domains over the course of 2023 to 2025 are as follows:

- *Electricity usage.* We expect to limit the total amount of electricity usage at our headquarters to a level that is no more than 120% of that of the financial year of 2022 in each of 2023, 2024 and 2025. Meanwhile, we intend to reduce electricity usage per capita at our headquarters by 5% to 10% compared to the level of the financial year of 2022 in each of 2023, 2024 and 2025.

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- *Water consumption.* We expect to limit the total amount of water consumption at our headquarters to a level that is no more than 120% of that of the financial year of 2022 in each of 2023, 2024 and 2025. Meanwhile, we intend to reduce water consumption per capita at our headquarters by 5% to 10% compared to the level of the financial year of 2022 in each of 2023, 2024 and 2025.
- *Greenhouse gas emissions.* We expect to limit the total amount of greenhouse gas emissions at our headquarters to a level that is no more than 120% of that of the financial year of 2022 in each of 2023, 2024 and 2025.
- *Household waste production.* We expect to limit the total amount of household waste produced at our headquarters to a level that is no more than 120% of that of the financial year of 2022 in each of 2023, 2024 and 2025.

Since these targets are based on the actual figures of the financial year of 2022 and our practical office needs, we believe these targets are achievable for us if appropriate measures are implemented. To achieve the aforementioned target, we plan to take the following measures: (i) utilizing the current premises of our headquarters and facilities therein in a more efficient manner to support more staff members working at the headquarters level without need for office expansion, (ii) continually advancing our paperless office strategy, reducing unnecessary printouts at our headquarters and improving the filing system for our electronic documents, (iii) adopting more energy-saving electrical equipment and installing new energy facilities at our headquarters, (iv) continuing to prioritize online meetings to reduce unnecessary travel and accommodation and the use of conference supplies, and (v) providing more training on the topic of energy saving and emissions reduction and increasing our employees’ awareness of the significance of low-carbon footprints during our daily work.

The key ESG-related issues will be reviewed regularly by us to ensure that they remain appropriate for and relevant to the nature and needs of our business. Based on the ESG concepts in the four domains of corporate governance, quality services, eco-friendliness and common prosperity, we formulated an ESG five-year plan (2021-2025) with annual planning, execution and review in the hope that the targets set will be met on schedule. The following table summarizes our targets by 2025 in relation to the ESG-related risks in such four domains as contemplated by the five-year plan:

ESG Topics	Targets by 2025
Corporate governance	• Keep pace with the best practices in corporate governance and ESG management • Register zero major accidents and maintain our good record on fire safety • Ensure 100% risk control and accountability

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ESG Topics	Targets by 2025
Quality services	- Support “jobs-housing balance” by diversifying products and providing comfortable accommodation and high-quality services for urban residents - Vigorously support urban development and engage in urban renewal projects
Eco-friendliness	- Implement green, safe and healthy procurement, construction and operation for the entire product line - Achieve carbon neutrality in our business operations - Equip more than 50% of projects with clean energy facilities as compared to two projects as of December 31, 2022 - Create and run the “Green Vitality” flagship community activity
Common prosperity	- Fulfill environmental and social responsibilities together with industry chain partners and lead the industry to thrive - Promote diversity and inclusiveness and create a workspace that gives employees a strong sense of achievement and happiness - Implement a community communication and charity system with no less than 1,000 hours of annual volunteer activities

Unlike members of the traditional manufacturing industry which would have to invest a lot to upgrade their supply chain, manufacturing facilities and hazardous waste treatment facilities for de-carbonization, we focus more on the cultivation of ESG awareness among employees and residents, and energy-saving and emission-reduction in our daily lives throughout our ESG-related workstreams. For such reasons, we believe the measures to be implemented by us to achieve these targets will not have any material adverse impact on our operating or financial performance.

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Risk Management and Internal Control

In response to the ESG-related risks that may arise from our daily operations, we have established a set of internal policies and programs to manage and mitigate these risks. Going forward, we plan to continue to upgrade our internal control and risk management mechanisms for ESG-related issues in accordance with the changes in applicable laws, regulations and industry standards and the evolving reality of our business operations. Set forth below are some of the primary actions that we have taken and may continue to take, which constitute an important part of our risk management and internal control mechanisms, to mitigate and address material ESG-related risks identified:

Environmental Protection Measures

We strive to minimize any negative impact of our operations on the environment and promote sustainability and environmental awareness at all levels of our Group. We follow the principle of “low-carbon, green and healthy” in our operations and have made concrete and consistent efforts to operate our apartments in a manner that balances our residents’ needs and environmental impact. In our daily operations, we mainly adopt the following environmental protection measures to deliver our commitments to eco-friendliness and sustainable development:

- *Green and safe materials.* Upholding the concept of orchestrating our quality services on a green and secure homeland, we strictly select apartment construction and decoration materials and supplies and adhere to applicable environmental protection standards. For example, we adopt the high-standard eco-friendly sheet materials, whose formaldehyde emission is far lower than the maximum level allowed by national standards. Throughout the entire process of project planning and construction, we apply a modular design to achieve efficient utilization of raw materials, implement green construction standards and adopt low-carbon construction technologies to provide customers with a green, safe and comfortable living environment.
- *Energy and resource conservation.* To promote the efficient use of energy and resources, we regularly calculate and monitor the energy and resources used by our apartment communities through the improved management system. In the fields of energy supply equipment, lighting devices, water flow control and others, we adopt energy-saving technologies to reduce overall energy consumption. The electrical equipment adopted at our rental apartments complies with the requirements of relevant government authorities for energy saving and resource conservation. We also keep improving our efforts in energy conservation, emission reduction and water recycling by making the best of daylight and exploring the adoption of renewable energy.

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- *Climate change tackling.* We fully consider the environmental impact as early as in the product design stage and apply new materials, technologies and solutions to reduce our carbon footprints. We also promote the use of renewable energy by laying photovoltaic panels in multiple apartment communities and adopting clean energy for daily operations. According to an estimate based on the coefficients laid down in Shanghai local chronicles and the Guidelines for Compiling Provincial Greenhouse Gas Inventories issued by National Development and Reform Commission, each apartment community that installs photovoltaic panels can reduce carbon emissions by about 6.6 tons per year.
- *Waste management.* Since we are committed to minimizing waste in each major link of our business operations, we sort waste into construction waste and household waste based on the principle of “collection by type, storage by warehouse, and transportation in order” and assign professional institutions to handle our waste respectively. To reduce the carbon footprint of our renovation and construction work, we have been continually increasing the adoption of green and quality construction materials. Through scientific and effective advance planning, we strive to avoid inefficient use of construction materials and reduce the production of construction wastes. Throughout the renovation and construction process, we also put into place anti-fugitive dust facilities and waste water disposal equipment to reduce any adverse impact on the environment and make great efforts to save electricity and water. We classify and process recyclable waste such as waste boxes and plastic products, and recycle all waste paper. We engage professional companies to transport our construction wastes via closed garbage carrier vehicles to designated places for construction wastes for further handling. Our household wastes are sorted by types and subsequently disposed of by professional handlers. Non-recyclable waste is compressed at waste disposal stations, sent to government-designated places, and handed over to professionals or qualified agencies for collective treatment. For idle furniture and electrical equipment, they would usually be re-allocated and re-distributed between our apartment communities for optimal use to the extent that such items are safe and reliable. For furniture and electrical equipment that cannot be reused, our apartment communities will arrange for their disposal conducted by professional handlers.
- *Green lifestyle.* We actively advocate a healthy, green and low-carbon lifestyle, promote green offices, and heighten our employees and residents’ awareness of environmental protection in a green and comfortable atmosphere. We have digitized the lease contract signing process, which to a great extent prevents paper waste. Since 2020, we have cooperated with a business partner to set up smart waste recycling boxes at our apartment communities to facilitate the recycling of used clothes, furniture, waste paper and other resources. We regularly make products out of used items in the recycling boxes and donate such products to a charitable foundation. We equally encourage the use of electronic documents to reduce the use of paper and require our employees to turn off indoor lights, electronic equipment and air conditioning in time after leaving meeting rooms and before getting off work. To further our efforts in building green office environment, we impose temperature controls for air conditioning, promote the use of online video conference system to avoid unnecessary travels, and place waste sorting bins in the office.

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Corporate Social Responsibility

As a leader and early-mover in the rental apartment industry in China, we understand the importance of shouldering social responsibilities and giving back to the society where we are embedded. Therefore, we are committed to investing in communities and engaging our residents and other stakeholders in making a meaningful impact. We have adopted the following initiatives to fulfill our social responsibilities:

- *Caring for our society.* By offering standardized products and promoting information and price transparency, we have contributed to the resolution of “three mismatches”, namely apartment-type mismatch, location mismatch and price mismatch, which for a long time threaten the orderly development of the rental apartment industry. Our commitments to the society is also evidenced by our efforts during the COVID-19 pandemic. We proactively supported China’s nationwide efforts to contain the spread of COVID-19 and launched a variety of initiatives to combat the pandemic and to support communities. During the lockdown of Wuhan in early 2020, we were the first company that reduced monthly rents for residents who were unable to return from Wuhan in the centralized rental apartment industry. In the spring of 2022, when a new wave of COVID-19 infections relentlessly hit Shanghai, we took care of our residents not least by supplying necessities to those in especial difficulty. In addition, our Group also encourages philanthropy among our stakeholders, contributing to the development of local communities through various volunteer and charitable activities. For example, in October 2021, Ms. LIU Jia, our CEO, led a volunteer team to visit a nursing home to celebrate the Double Ninth Festival with the elderly there and extend the best wishes from our Group to them.



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- *Caring for our partners.* We maintain close and friendly partnerships with our suppliers, industry associations and other partners, make sourcing transparent, and strengthen sustainable management of supply chains. We promote the cooperation between the rental apartment industry and related industries, partner with upstream and downstream players to explore opportunities, and promote the vigorous development of the overall industry. We have formulated the Procurement Management Manual, established a standardized, fair and transparent procurement process, and put in place a full lifecycle supplier management system.
- *Caring for our employees.* We adhere to the principle of equal employment opportunities and provide our employees with training at Mofang Academy on a regular basis. We are committed to building a diverse and inclusive workplace that fosters employee wellbeing. We offer equal opportunities to our employees regardless of their gender, age, race, religion or any other social or personal characteristics. Moreover, we value the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme as well as a clear career path. We also support the health and well-being of our employees by providing various benefits, such as free meals and accommodation. In addition, we strive to provide a safe working environment for our employees and have implemented work safety guidelines setting out work safety policies, accident prevention methods and accident reporting schemes.
- *Caring for our residents.* To promptly and effectively answer to the various life needs of our residents, we have established a productive and trusted customer service team. Our residents can reach our customer service team in real time through a dedicated hotline or Mofang Life APP. Each request, enquiry or complaint from residents is immediately assigned to a customer service representative, who will take the lead in solving the problem and make sure that the reporting resident is satisfied with the results. We generally require each reporting problem to be solved within 24 hours.

Fire Safety Measures

Fire safety is one of the top priorities for our business operations and responsibilities to our staff members and residents. We have established and implemented a comprehensive fire prevention and response system to ensure a high level of fire safety across all of our apartment communities. Such fire prevention and response system is primarily focused on the following aspects:

- We are aware of the necessity of fire-proof materials and fire safety equipment. To elevate the fire retardation level of our apartment properties, we use fire-resistant construction and decoration materials. We install fire alarming systems, mini fire stations, intelligent smoke detectors, fire extinguishers, fire hydrants, fire hoses, fire

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escape masks, fire emergency kits and other necessary equipment and devices at our apartment communities in accordance with relevant laws and regulations. Our fire safety devices and equipment at apartment communities are inspected by third-party professionals every month;

- We believe constant fire safety education of our residents is indispensable. As part of the move-in process, we walk our residents through fire safety measures implemented at our apartment communities, fire fighting devices available for their use to handle fire emergencies, and emergency exits and escape routes in the event of evacuations. We conduct fire safety education on a continued basis to raise our residents' awareness of common fire hazards, consequences of irresponsible behavior and essential responsive measures through slogans, posters and messages. We also hold fire safety themed activities to deepen their understanding of the significance of fire safety, such as safety training sessions mounted once every month, which also address fire safety;
- We recognize the need to better enhance our on-site staff members' ability to provide effective guidance for our residents on fire safety matters and correctly handle any signs or real-life occurrence of fire emergencies. By providing training for our on-site staff members and closely examining their relevant knowledge and skill set, we strive to keep our staff members alert to any potential fire hazards and aware of the need to constantly promote fire safety across our apartment network. We also strive to ensure our frontline staff members are familiar with our fire safety emergency plans and know their way around how to protect themselves and our residents in the event of fire emergencies;
- We conduct regular fire drills at our apartment communities to prepare our residents and employees for unexpected fire emergencies. For example, in 2022, we conducted fire drills once each half year, covering all of our apartment communities in operation at the time. These fire drills allow both our on-site staff and residents to practice responsive measures and evacuation procedures in a controlled fashion. They also help us identify any area for improvement and reinforce our ability to prevent fire accidents and handle fire emergencies at our apartment communities; and
- We value the special contribution of fire safety experts to improve our fire prevention and response system. We invited fire safety professionals to participate in our live fire drills to help ensure the effectiveness thereof. During the Track Record Period, we invited fire safety specialists to conduct fire safety training for our employees and residents twice each year. We also engage professional fire prevention engineers to identify risks and design safeguards that help us preventing, controlling and mitigating the effects of fires when renovating and decorating the relevant properties and converting them into rental apartments.

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By continuing to keep fire safety one of our top priorities in everyday operations and implementing the aforementioned fire prevention and response measures, we believe we will be able to consistently provide a safe and secure living and workplace environment for our residents and on-site staff.



Good Corporate Governance

Sound and effective corporate governance lays the foundation for our long-term and steady development and is a necessary guarantee for the achievement of sustainable development goals. In strict compliance with the applicable laws and regulations in the PRC, we examine our operational risks and opportunities routinely, seek to build an efficient and transparent governance structure, and put in place an effective risk management system and internal control mechanism. In order to manage and mitigate governance-related risks, we fully and prudently consider the risks arising from the market, operations, credit and money laundering, and have established a categorized management mechanism. For details on our systems for risk management and internal controls, please refer to “– Risk Management and Internal Controls”.

We hold business ethics dear to our operations and commit to the establishment and maintenance of a clean corporate culture. We have formulated the Measures for the Management of Complaints and Reporting, the Anti-money Laundering Internal Control System and other policies, carried out various forms of anti-corruption training, and established a code of conduct on integrity to ensure that employees of all levels “are unable to, dare not to, and have no desire to be corrupt”. Since 2019, we have joined the Trust and Integrity Enterprise Alliance co-launched by well-known Chinese enterprises to create a business environment of anti-corruption, anti-fraud, honest operations and no-worry consumption. By improving our internal policies and promoting a clean culture, we raise our employees’ awareness of their obligation to comply with laws, regulations and other binding rules.

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Awards and Recognitions

We have received recognitions for our ESG commitments. Some of the significant awards and recognitions we have received during the Track Record Period are set forth below.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Authority</u>
Most Influential Industry Benchmark Award of the Year	2020	E-House (China) Enterprise Holdings Limited
China Rental Apartment Pilot Award: Recognized for the contribution in the fight against COVID-19	2020	China Hospitality Association and Industry Council for China Rental Apartment
Green Assured Apartment	2020	China Hospitality Association and Industry Council for China Rental Apartment
Annual Strength Benchmark Award	2021	E-House (China) Enterprise Holdings Limited
Excellent Management Model Enterprise of the Year: Urban Renewal	2021	Ruihezhiku & Van Sound Club
Shanghai Harmonious Labor Relationship Enterprise	2021	Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Federation of Trade Unions, and Shanghai Municipal Federation of Industry and Commerce
Best Partner of the Year	2021	Shanghai Committee of the Communist Youth League
Jinhang Award for Influential Brand	2021	Meadin Academy
Reliable Brand Award for Long-term Rental Apartment	2022	Shanghai United Media Group
Pioneering Brand in the Housing Rental Industry of Xi'an	2022	Xi'an Housing Rental Industry Association
MBI Award for Person with Special Contribution	2022	Meadin Academy
Influential Brand for Long-term Centralized Apartment	2022	Meadin Academy
Annual Strength Benchmark Award	2022	E-House (China) Enterprise Holdings Limited
Golden Key – Honorary Award	2022	China Sustainability Tribune
Top 50 Real Estate Technology Company	2022	KPMG
Pioneer of ESG	2022	Industry Council for China Rental Apartment
Outstanding Enterprise Accommodation Provider	2022	E-House (China) Enterprise Holdings Limited

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RISK MANAGEMENT AND INTERNAL CONTROLS

We are committed to the establishment and maintenance of a risk management and internal control system comprising policies, procedures and risk management methods, through which we identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our Board oversees and manages the overall risks associated with our daily operations. We have established an Audit Committee to review and supervise the financial reporting process and internal control system of our Group. In addition, we have adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

Financial Reporting Risk Management.

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policy, financial statement preparation policies and finance department and staff management policies. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts following such procedures. We also provide regular training to our finance department staff to help ensure that they understand our financial management and accounting policies and implement them in our daily operations. As of December 31, 2022, our finance department consisted of 46 employees and is headed by our CFO.

Information System Risk Management

We place a strong emphasis on data privacy and security. We have adopted measures to protect our customer data and other confidential information. In particular, we established a dedicated data security response team. This response team focuses on ensuring the security of customer data and preventing data leakage. We also collaborate with government-authorized internet security companies to strengthen the infrastructure of our information technologies and systems and ensure compliance with data protection laws and regulations in China. See “– Privacy and Data Security.”

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material system failure in our IT infrastructure, or any material leakage or loss of data.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control and internal audit function had two employees as of December 31, 2022. The specialized employees work closely with our business units to (i) perform risk assessments, identify internal control issues

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that we face and recommend corresponding measures to resolve such issues, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our company.

In accordance with our procedures, our in-house legal department, which consisted of 12 employees as of December 31, 2022, examines the contract terms and reviews relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have detailed internal procedures in place to ensure that our in-house legal department reviews our products and services for regulatory compliance before they are made available to customers. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

For intellectual property related issues, we have a dedicated team in our in-house legal department that is responsible for registering, and applying and reviewing the relevant patent and trademark rights of our intellectual property.

We regularly review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Our Mofang Academy regularly organizes internal training sessions conducted by senior employees or external consultants. Our Mofang Academy also schedules online trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these trainings, we help ensure that our staff’s skillsets remain up-to-date, enabling them to better identify and meet consumers’ needs. In addition, we provide regular and specialized training tailored to the needs of our employees in different departments. See “– Employees.”

We have in place internal policies approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

We have in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made

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or offered to obtain an undue business advantage. We have an internal reporting channel that is open and available for our employees to report any suspected corrupt acts. Our employees can also make anonymous reports to our internal anti-corruption department. We have a team that is responsible for investigating the reported incidents and taking appropriate measures.

Investment Risk Management

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our investment methodology, and conducts thorough pre-investment due diligence to assess the risks and potential of the investment projects. After obtaining the approval from the relevant authority, the department then drafts and issues term sheets, which set out the principal investment terms. Once the term sheets are mutually agreed, the department will conduct legal, business, financial and operational due diligence on the target companies. Upon completion of due diligence and thorough assessment by our investment committee, the investment will be executed by the investment department.

In addition, our investment department is responsible for monitoring the performance of each investment on a regular basis. The department is also responsible for preparing analysis reports and providing recommendations on measures to reduce any risks involved in each investment project. We have management procedures in place for our investment projects and regularly file all relevant documentation to help ensure that each investment decision and all projects are properly documented and archived. All decisions in connection with asset disposal are required to be documented with details of consideration and approvals from the responsible personnel.

LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisors, we are required to obtain requisite licenses, approvals and permits based on the types of rental apartments and in accordance with the relevant laws and regulations in China, to conduct our business operation, which include, among others, the business license (營業執照), the required as-built acceptance check on fire prevention or filing of as-built acceptance check (竣工消防驗收或消防驗收備案) and registration of commercial franchise licence (商業特許經營備案證明).

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, except as disclosed hereinabove in this section, we had obtained all requisite licenses, approvals and permits from the relevant government authorities for our business operations in China except those would not have a material adverse effect on our operations.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of 12 Directors, comprising one executive Director, seven non-executive Directors and four independent non-executive Directors.

The table below sets forth certain information in respect of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. ZHENG Nanyan (鄭南雁)	54	Non-executive Director and chairman of the Board	April 27, 2018	April 27, 2018	Responsible for major strategic decisions, formulation of business plans and nomination of senior management of the Group	N/A
Ms. LIU Jia (柳佳)	44	Executive Director and Chief Executive Officer	September 17, 2014	September 25, 2022 ¹	Responsible for overall management of business operations of the Group	N/A
Mr. PERLMAN Jeffrey David	39	Non-executive Director	January 23, 2013	January 23, 2013	Responsible for strategic planning and judgment of macroeconomic trend	N/A
Ms. NG Ellen Hoi Ying (吳凱盈)	42	Non-executive Director	July 29, 2020	July 29, 2020	Responsible for strategic planning and judgment of industry trend	N/A
Mr. ZHANG Qiqi (張其奇)	42	Non-executive Director	October 28, 2015	October 28, 2015	Responsible for strategic planning and major investment decisions	N/A
Mr. CHEN Yuxi (陳彥西)	32	Non-executive Director	October 15, 2021 ²	February 21, 2023	Responsible for strategic planning and major investment decisions	N/A

¹ Prior to being appointed as an executive Director of our Company on September 25, 2022, Ms. LIU Jia was serving as the Chief Operating Officer and Chief Executive Officer of our Company.

² Mr. CHEN Yuxi was appointed as a director of Shanghai Moyan Enterprise Management Consulting Co., Ltd. (上海魔燕企業管理諮詢有限公司), a subsidiary of the Group, on October 15, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Ms. LI Xiaomei (李曉梅)	49	Non-executive Director	March 24, 2016	March 24, 2016	Responsible for strategic planning and major investment decisions	N/A
Mr. LIM Meng Ann	59	Non-executive Director	July 31, 2018	July 31, 2018	Responsible for strategic planning and remuneration-related matters	N/A
Mr. SONG Chengli (宋成立)	62	Independent non-executive Director	September 25, 2022 ³	September 25, 2022 ³	Responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Mr. WANG Can (王燦)	43	Independent non-executive Director	September 25, 2022 ³	September 25, 2022 ³	Responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Mr. HE Yu (何愚)	41	Independent non-executive Director	September 25, 2022 ³	September 25, 2022 ³	Responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Dr. LI Shihong (李詩鴻)	38	Independent non-executive Director	September 25, 2022 ³	September 25, 2022 ³	Responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A

3 The appointment will become effective upon the date of [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director and Chairman of the Board

Mr. ZHENG Nanyan (鄭南雁), aged 54, first joined our Group when he was appointed as our Director and chairman of the Board on April 27, 2018. He was redesignated as our non-executive Director on September 25, 2022.

Since 2016, he has been a co-founder and partner of Ocean Link, a private equity investment firm with a focus on China’s consumer, travel and technology sectors. He sits on the board of several Ocean Link portfolio companies, including Delonix Group (德龍集團) where he has been the executive chairman since 2021. Since March 2012, he has served as an independent director of Vipshop Holdings Limited (唯品會) (VIPS.NYSE), a leading online discount retailer for brands in China.

Mr. Zheng was the founding member of Plateno Group (鉅濤酒店集團) and served as its chief executive officer and co-chairman of the board from December 2013 to April 2019. In July 2005, he co-founded 7 Days Inn (七天連鎖酒店集團) and served as the chief executive officer and co-chairman of the board until November 2013. From 2000 to 2004, Mr. Zheng worked at Trip.com Group Ltd. (攜程集團) (TCOM.NASDAQ; 9961.HKEX) (formerly known as Ctrip.com Group Ltd.), a leading travel service provider in China, and served as the vice president and general manager of southern China, and later as the vice president of marketing in charge of national marketing.

Mr. Zheng obtained his bachelor’s degree in computer software and masters’ of business administration from Sun Yat-sen University (中山大學) in the PRC in July 1991 and December 2009, respectively.

Executive Director

Ms. LIU Jia (柳佳), aged 44, is currently our executive Director and chief executive officer, primarily responsible for the overall management of business operations of the Group. She was appointed as our executive Director on September 25, 2022. Ms. Liu joined our Group on September 17, 2014 and served as the chief operating officer of our Group from September 2014 to May 2015, primarily responsible for overall management of business operation of the Group.

From April 2008 to August 2014, Ms. Liu worked at Hanting (Starry Sky) Shanghai Hotel Management Co., Ltd. (漢庭(星空)上海酒店管理有限公司) (“**Hanting**”), a subsidiary of H World Group Limited (formerly known as Huazhu Group Limited) (華住集團有限公司) (HTHT.NASDAQ; 1179.HKEX) (“**Huazhu**”). While working at Hanting, Ms. Liu participated in the establishment of Hi Inn Hotel (海友酒店), an economy hotel brand of Huazhu launched in 2008. Ms. Liu also served as the general manager of I Times (《I時代報》), the first free newspaper distributed for pick-up at metro stations in China, from October 2003 to April 2008.

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Ms. Liu obtained her bachelor’s degree in tourism management from Shanghai University (上海大學) in the PRC in June 2000. She obtained her master’s degree in business administration (MBA) from Cheung Kong Graduate School of Business (長江商學院) in the PRC in May 2018.

Non-executive Directors

Mr. PERLMAN Jeffrey David, aged 39, first joined our Group when he was appointed as our Director on January 23, 2013. He was redesignated as our non-executive Director on September 25, 2022.

Mr. Perlman joined Warburg Pincus in 2006, and has been serving as a partner, managing director and head of Southeast Asia and Asia-Pacific real estate since May 2016, leading Warburg Pincus’s investments in Southeast Asia in addition to real estate investments across the greater Asia-Pacific region. He is also a member of Warburg Pincus’ Executive Management Group. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse from July 2005 to August 2006.

Mr. Perlman previously served as a director of No Va Land Investment Group Corporation (NVL.HOSE), a residential real estate developer in Vietnam listed on the Ho Chi Minh City Stock Exchange. He has served as a non-executive director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT (T82U.SGX), a real estate investment trust listed on the Singapore Exchange Securities Trading Limited (the “**Singapore Exchange**”), since April 2022. Mr. Perlman has served as a director and chairman of the Board of ESR Group Limited (1821.HKEX) since June 2011 and May 2019, respectively, where he is responsible for the formulation of strategic directions and the high level oversight of the management and operation. He has been a non-executive director and member of the executive committee and the nominating and remuneration committee of ESR Funds Management (S) Limited, the manager of ESR-LOGOS REIT (J91U.SGX), a real estate investment trust listed on the Singapore Exchange, since January 2017. Mr. Perlman was also a director of Vincom Retail Joint Stock Company (VRE.HOSE), a company listed on the Ho Chi Minh City Stock Exchange, and was re-appointed and had been serving as a director from February 2018 till July 2019. Mr. Perlman is also serving as a director of a number of unlisted portfolio companies invested in by Warburg Pincus.

Mr. Perlman received his bachelor’s degree in business administration from the Ross School of Business of the University of Michigan in the U.S. in April 2005.

Ms. NG Ellen Hoi Ying (吳凱盈), aged 42, first joined our Group when she was appointed as our Director on July 29, 2020. She was redesignated as our non-executive Director on September 25, 2022.

Ms. Ng joined Warburg Pincus in October 2005 and has served various positions with her current position being a managing director and the head of China real estate, where she is primarily responsible for leading Warburg Pincus’ real estate franchise in China and

DIRECTORS AND SENIOR MANAGEMENT

investment across Asia. Prior to joining Warburg Pincus, Ms. Ng worked at the investment banking division of Merrill Lynch (Asia Pacific) from July 2003 to September 2005 as an analyst, where she was primarily responsible for corporate finance transactions across Asia. Ms. Ng is also serving as a director of a number of unlisted portfolio companies invested in by Warburg Pincus.

Ms. Ng received her bachelor’s degree in economics from the Wharton School at the University of Pennsylvania in the U.S. in July 2003.

Mr. ZHANG Qiqi (張其奇), aged 42, first joined our Group when he was appointed as our Director on October 28, 2015. He was redesignated as a non-executive Director on September 25, 2022.

Mr. Zhang currently serves as managing director of Warburg Pincus, where he is responsible for investment in real estate. He joined Warburg Pincus in January 2009 and served various positions, including director and executive director before his current position. Since March 2023, Mr. Zhang has served as a non-executive director of JINGDONG Property, Inc. (京東智能產發股份有限公司), where he is responsible for providing strategic advice to the board. From August 2003 to July 2007, Mr. Zhang successively worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) and the Shanghai Branch of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (普華永道諮詢(深圳)有限公司上海分公司), where he was responsible for auditing and advisory assignments.

Mr. Zhang obtained his bachelor’s degree in economics from Shanghai International Studies University (上海外國語大學) in the PRC in July 2003 and his master’s degree in business administration (MBA) from the University of Chicago in the U.S. in June 2009. He became a certified member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in February 2006, and was certified as a Chartered Financial Analyst by the Chartered Financial Analyst Institute in October 2006.

Mr. CHEN Yuxi (陳彥西), aged 32, first joined our Group when he was appointed as a director of Shanghai Moyan Enterprise Management Consulting Co., Ltd. (上海魔燕企業管理諮詢有限公司), a subsidiary of the Group, on October 15, 2021. He was appointed as our non-executive Director on February 21, 2023.

Mr. Chen joined Warburg Pincus in August 2021 and currently serves as vice president of the real estate team, responsible for portfolio management and mergers and acquisitions. Previously, Mr. Chen served as vice president of the investment department at CITIC PE Fund Management Co., Ltd. (中信產業投資基金管理有限公司), responsible for fund management and investment in various sectors. Prior to that, he served as a manager of the investment banking department at Goldman Sachs, responsible for handling initial public offerings, equity refinancing projects and mergers and acquisitions.

Mr. Chen obtained his bachelor’s degree in economics and master’s degree in finance from Peking University (北京大學) in the PRC in June 2012 and June 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Ms. LI Xiaomei (李曉梅), aged 49, first joined our Group when she was appointed as our Director on March 24, 2016. She was redesignated as our non-executive Director on September 25, 2022.

Since July 1995, Ms. Li has served in various positions within AVIC Trust Co., Ltd. (中航信托股份有限公司), including successively as general manager of business department and general manager of trust department. She currently serves as head of the business department, where she is responsible for business development.

Ms. Li obtained her bachelor’s degree in securities investment management in July 1995 and her MBA in July 2007 from Jiangxi University of Finance and Economics (江西財經大學) in the PRC.

Mr. LIM Meng Ann, aged 59, first joined our Group when he was appointed as our Director on July 31, 2018. He was redesignated as our non-executive Director on September 25, 2022.

Mr. Lim joined CDPQ in June 2017 and currently serves as the managing director, Direct Private Equity for Asia Pacific, primarily responsible for all private equity activities of CDPQ in the Asia Pacific region.

Mr. Lim obtained his bachelor’s degree in engineering with first class honors from University College London in the United Kingdom in August 1987 and his master’s degree in business administration (MBA) from the University of Strathclyde in Scotland in November 1993.

Independent Non-executive Directors

Mr. SONG Chengli (宋成立), aged 62, joined our Group and was appointed as an independent non-executive Director on September 25, 2022, which will take effect from the [REDACTED].

Mr. Song joined Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (2318.HKEX, 601318 SSE) (“**Ping An Group**”) in 1992 and successively served as the deputy general manager of Shanghai Branch of Ping An Property & Casualty Insurance of China (中國平安財產保險股份有限公司) (“**Ping An Property & Casualty Insurance**”) and deputy general manager of Ping An Property & Casualty Insurance. From May 2017 to September 2021, Mr. Song served as the deputy chairman of the board and general manager of Ping An Trust Co., Ltd. (平安信託有限責任公司), a wholly-owned subsidiary of Ping An Group, where he was primarily responsible for business management.

Mr. Song received his master’s degree in business administration (MBA) from Ocean University of China (中國海洋大學) in the PRC in July 1997.

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Mr. WANG Can (王燦), aged 43, joined our Group and was appointed as an independent non-executive Director on September 25, 2022, which will take effect from the [REDACTED].

Mr. Wang has been the chief financial officer of New Hope Group CO. LTD (新希望集團有限公司). He has also been serving as an independent non-executive director of Health and Happiness (H&H) International Holdings Limited (1112.HKEX) since March 2022. He worked in the group of companies comprising Fosun International Limited (0656.HKEX) (“**Fosun International**”) and its subsidiaries from time to time (the “**Fosun Group**”) from November 2012 to January 2020. He was an executive director and senior vice president of Fosun International from March 2017 to January 2020, a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (2196.HKEX, 600196.SSE) from June 2016 to January 2020, a non-executive director of Fosun Tourism Group (1992.HKEX) from November 2018 to January 2020, and a director of Shanghai Ganglian E-commerce Holdings Co., Ltd. (上海鋼聯電子商務股份有限公司) (300226.SZ) from May 2017 to October 2019. Mr. Wang once worked as the Chief Growth Officer (CGO), the Chief Financial Officer (CFO), the general manager of Investment Management Center, the co-head of Fosun Technology Innovation Center, the general manager of Investment Management Department, the deputy CFO and the general manager of Financial Planning & Analysis Department of the Fosun Group. Prior to joining the Fosun Group, Mr. Wang worked in Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司), PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and H World Group Limited (formerly known as Huazhu Group Limited) (華住集團有限公司) (HTHT.NASDAQ; 1179.HKEX). Mr. Wang was named as Asia’s Best CFO (Industrials) – 1st for two consecutive years (2017 and 2018) in All-Asia Executive Team ranking organized by the authoritative financial magazine, Institutional Investor.

Mr. Wang has been a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) since December 2000, a member of The Association of International Accountants (AIA) since November 2016 and the Association of Chartered Certified Accountants (ACCA), and the Deputy President of China Association of Chief Financial Officers (中國總會計師協會). Mr. Wang graduated from Anhui University in June 1997 and received an EMBA degree from China Europe International Business School in August 2014.

Mr. HE Yu (何愚), aged 41, joined our Group and was appointed as our independent non-executive Director on September 25, 2022, which will take effect from the [REDACTED].

Since February 2016, Mr. He has acted as managing partner of Shenzhen Qianhai Heiyi Innovation Investment Partnership (Limited Partnership) (深圳前海黑蟻創新投資合夥企業(有限合夥)) (i.e. BA CAPITAL (黑蟻資本)), and is primarily responsible for fund raising, investment, management and withdrawal. Since April 2019, Mr. He has served as a non-executive director of Pop Mart International Group Limited (9992.HKEX), and is primarily responsible for providing professional advice to the Board. From August 2015 to February 2016, Mr. He served as the head of strategy and investment department of Beijing Bytedance Technology Co. Ltd. (北京字節跳動科技有限公司), and was primarily responsible for investment decisions and management. From October 2011 to June 2015, Mr. He served in

DIRECTORS AND SENIOR MANAGEMENT

Lanxin Investment Consulting (Shanghai) Co., Ltd. (蘭馨投資諮詢(上海)有限公司) as the vice president of investment department, primarily responsible for investments in consumer and internet sector. Mr. He worked in PricewaterhouseCoopers Consulting and KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合伙)) and PricewaterhouseCoopers Consulting from September 2007 to October 2011 and March 2007 to August 2007, respectively, and was primarily responsible for various auditing assignments.

Mr. He obtained his bachelor’s degree in international economics and trade from Nankai University (南開大學) in the PRC in June 2003 and his master’s degree in finance from the University of Lancaster in the United Kingdom in November 2005. Mr. He was certified as a Chartered Financial Analyst by the Chartered Financial Analyst Institute in September 2008 and obtained the China Securities Investment Fund Practicing Certificate (中國證券投資基金執業證書) from the Asset Management Association of China (中國證券投資基金業協會) in February 2017.

Dr. Li Shihong (李詩鴻), aged 38, joined our Group and was appointed as our independent non-executive Director on September 25, 2022, which will take effect from the date of the [REDACTED].

Dr. Li has been teaching in East China University of Political Science and Law (華東政法大學) since July 2013 and became an associate professor in law in July 2019. He has been an independent director at Vohringer Home Technology Co., Ltd. (菲林格爾家居科技股份有限公司) (603226.SH) since his appointment in January 2022, serving in the audit committee and remuneration and appraisal committee. He has been an independent director of Shanghai Taisheng Wind Power Equipment Co., Ltd. (上海泰勝風能裝備股份有限公司) (300129.SZ) since June 2022, serving in the audit committee and nomination committee. He has been an independent director of Suzhou Delphi Laser Co., Ltd. (蘇州德龍激光股份有限公司) (688170.SH) since June 2022, serving in the remuneration and appraisal committee and nomination committee.

Dr. Li received his bachelor’s degree and master’s degree in law from East China University of Political Science and Law (華東政法大學) in the PRC in July 2006 and July 2009, respectively. In July 2013, he obtained his Ph.D. degree in law from Peking University (北京大學) in the PRC. Dr. Li is the holder of judicial practitioner qualification certificate (法律職業資格證書) issued by Ministry of Justice of the PRC (中華人民共和國司法部) and the host of Morning Light Scholar Program (晨光學者計劃主持人) of Shanghai Municipal Education Commission (上海市教育委員會).

Save as disclosed above, none of our Directors have held any other directorships in companies listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of each of our Directors that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below sets forth certain information in respect of our senior management officers:

Name	Age	Existing position	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. LIU Jia (柳佳)	44	Executive Director and Chief Executive Officer	September 17, 2014	Overall management of business operation of the Group	N/A
Mr. SONG Zheng (宋錚)	40	Chief Financial Officer	July 18, 2019	Overall financial management and mergers & acquisitions and external investments of the Group	N/A
Mr. LI Liang (李亮)	40	Vice President	December 22, 2014	Management of the marketing center	N/A
Mr. QIAN Zhikang (錢智康)	38	Vice President	March 30, 2015	Management of the Business Development Center	N/A

Ms. LIU Jia (柳佳), aged 44, is currently our Chief Executive Officer and is primarily responsible for the overall management of business operations of the Group. Please see “– Board of Directors – Executive Director – Ms. LIU Jia (柳佳)” for details of her biography.

Mr. SONG Zheng (宋錚), aged 40, has served as our Chief Financial Officer since January 2020. He is primarily responsible for our overall financial management and mergers and acquisitions and external investments. Mr. Song joined our Group on July 18, 2019 as the financial vice president and was primarily responsible for overall management of financial and capital markets affairs of the Group.

From August 2018 to March 2019, Mr. Song worked at Alibaba Lirengou (Shanghai) E-Commerce Co., Ltd. (阿里巴巴儷人購(上海)電子商務有限公司), a subsidiary of Alibaba Group Holding Limited (阿里巴巴控股有限公司) (BABA.NYSE; 9988.HKEX), and was primarily responsible for financial management. From July 2016 to July 2018, Mr. Song worked at Shanghai Sugar Entrepreneurship Service Co., Ltd. (上海方糖創業服務有限公司), and was primarily responsible for financial management. From October 2012 to July 2016, he worked at IKEA Shopping Center (China) Management Co., Ltd. (宜家購物中心(中國)管理有

DIRECTORS AND SENIOR MANAGEMENT

限公司), and was primarily responsible for financial management and investment affairs. From October 2010 to October 2012, Mr. Song worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) and was primarily responsible for various auditing assignments.

Mr. Song obtained his bachelor’s degree in finance and his postgraduate diploma in business and administration in management from Massey University in New Zealand in March 2008 and April 2010, respectively.

Mr. LI Liang (李亮), aged 40, has served as our vice president since May 2017. He is primarily responsible for management of the marketing center, which is responsible for devising and carrying out marketing strategy. Mr. Li joined our Group on December 22, 2014 as an operating director.

From July 2014 to December 2014, Mr. Li worked at Hanting (Starry Sky) Shanghai Hotel Management Co., Ltd. (漢庭(星空)上海酒店管理有限公司), a subsidiary of H World Group Limited (formerly known as Huazhu Group Limited) (華住集團有限公司) (HTHT.NASDAQ; 1179.HKEX). Before that and until June 2014, Mr. Li worked at Jinjiang Inn Hotel Co., Ltd. (錦江之星旅館有限公司), a subsidiary of Shanghai Jin Jiang International Hotels Co., Ltd. (上海錦江國際酒店股份有限公司) (600754.SSE), and was primarily responsible for hotel operation and brand marketing.

Mr. Li obtained his bachelor’s degree in tourism management from Anhui University of Finance and Economics (安徽財經大學) in the PRC in July 2005, and has been pursuing his EMBA (part-time) from Cheung Kong Graduate School of Business (長江商學院) in the PRC since September 2020.

Mr. QIAN Zhikang (錢智康), aged 38, has served as our vice president since August 2016. He is primarily responsible for management of the Business Development Center, the department responsible for managing and operating our rental apartments and implementing our asset-light strategy. Mr. Qian joined our Group on March 30, 2015 as an operating general manager.

From September 2009 to March 2015, Mr. Qian worked at Hanting (Starry Sky) Shanghai Hotel Management Co., Ltd. (漢庭(星空)上海酒店管理有限公司), a subsidiary of H World Group Limited (formerly known as Huazhu Group Limited) (華住集團有限公司) (HTHT.NASDAQ; 1179.HKEX).

Mr. Qian received his bachelor’s degree in business administration (part-time) from Central China Normal University (華中師範大學) in the PRC in July 2021.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. HU Ding (胡鼎), aged 33, was appointed as one of the joint company secretaries of the Company with effect from September 25, 2022. Mr. Hu joined our Group in November 2019 and has successively served as strategic management supervisor, general manager of strategic market center and the board secretary of the Group. He is primarily responsible for industry analysis and management of secretary affairs of our Group.

From December 2018 to November 2019, Mr. Hu served as a vice general manager of strategic development center in Shanghai Jingrong Investment Holding Co., Ltd. (上海景榮投資控股有限公司) (“**Shanghai Jingrong**”), primarily responsible for fund raising, investment and strategic planning. From November 2016 to November 2018, Mr. Hu worked at Shanghai Jingshi Equity Investment Fund Management Co., Ltd. (上海景時股權投資基金管理有限公司), a subsidiary of Shanghai Jingrong. From April 2014 to November 2016, Mr. Hu served as a business analyst in Shanghai Tianhua Metricgeo Management Consulting Co., Ltd. (上海天華邁卓管理諮詢有限公司), mainly responsible for real estate strategy and business management consulting. From December 2012 to February 2014, he served as an analyst at McKinsey & Company (Shanghai) (麥肯錫(上海)諮詢有限公司), mainly responsible for strategic consulting projects, database construction and data analysis.

Mr. Hu received his bachelor’s degree in life science from Fudan University (復旦大學) in the PRC in June 2012.

Ms. HO Wing Nga (何詠雅) was appointed as one of our joint company secretaries on November 30, 2022. Ms. Ho serves as the managing director of Governance Services of Computershare Hong Kong Investor Services Limited. Ms. Ho has over 25 years of experience in corporate governance services. She is currently a joint company secretary of Financial Street Property Co., Limited (1502.HKEX). JY GAS LIMITED (1407. HKEX). Rego Interactive Co., Ltd (2422. HKEX) and Newlink Technology Inc. (9600.HKEX), and the company secretary of Central China Management Company Limited (9982.HKEX) and the Hong Kong Secretary of AustAsia Group Ltd. (2425. HKEX).

Ms. Ho obtained a master’s degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the “**HKCGI**”, previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow of both the HKCGI and The Chartered Governance Institute in the UK. She is also a holder of the practitioner’s endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

BOARD COMMITTEES

Our Board has established audit, remuneration and nomination committees, to which they have delegated various responsibilities. Our audit, remuneration and nomination committees assist our Board in discharging its duties and overseeing particular aspects of our activities.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (“**Corporate Governance Code**”). The audit committee comprises one non-executive Director and two independent non-executive Directors, namely Ms. NG Ellen Hoi Ying, Mr. WANG Can and Mr. SONG Chengli. Mr. WANG Can is the chairman of the audit committee and possesses the appropriate qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the audit committee include (i) reviewing and supervising the effectiveness of our financial reporting, risk management and internal control systems; (ii) reviewing our financial information; (iii) considering issues relating to external auditors and their appointment; (iv) reviewing connected transactions; and (v) other duties and responsibilities as assigned by the Board.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The remuneration committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. LIM Meng Ann, Mr. SONG Chengli and Dr. LI Shihong. Mr. SONG Chengli is the chairman of the remuneration committee.

The primary duties of the remuneration committee include: (i) establishing, reviewing and advising our Board on the policy and structure of remuneration to our Directors and senior management officers; (ii) establishing a formal and transparent procedure for developing policies concerning such remuneration; (iii) advising the terms and specific remuneration packages of all Directors and senior management officers; and (iv) reviewing and making recommendations on performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

We have established a nomination committee in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The nomination committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. ZHANG Qiqi, Mr. WANG Can and Mr. HE Yu. Mr. HE Yu is the chairman of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the nomination committee include (i) reviewing the structure, diversity, size and composition of our Board on a regular basis and making recommendations regarding any proposed changes to its composition; (ii) identifying, selecting or making recommendations to our Board on the selection of nominees for directorship; (iii) ensuring the diversity of our Board; (iv) assessing the independence of our independent non-executive Directors; and (v) making recommendations to our Board regarding the appointment, re-appointment, removal and succession of our Directors.

CORPORATE GOVERNANCE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

To accomplish the high standards of corporate governance, we will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the [REDACTED].

BOARD DIVERSITY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company’s strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but without limitation to hotel management, financial investment and administrative management. They completed studies in various majors including but without limitation to computer science, economics, business management, finance and law. We have four independent non-executive Directors who have different industry backgrounds, including but without limitation to insurance, enterprise management and legal studies. Furthermore, our Directors are of a wide range of age, from 38 to 61 years old. Taking into account our business model and specific needs as well as the presence of four female Directors out of a total of 12 Board members, we consider that the composition of our Board satisfies our board diversity policy.

DIRECTORS AND SENIOR MANAGEMENT

We recognize the particular importance of gender diversity on our Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after [REDACTED]. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our nomination committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. Additionally, female representatives of our investors are also considered as potential candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior- levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees whom we consider have the requisite experience, skills and knowledge of our operation and business, on topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders’ expectations and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our nomination committee will review our board diversity policy and its implementation annually to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

DIRECTORS’ REMUNERATION

Our Directors receive compensation in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) attributable to our Directors was nil, nil and RMB17.3 million for each of the three years ended December 31, 2020, 2021 and 2022.

DIRECTORS AND SENIOR MANAGEMENT

For each of the years ended December 31, 2020, 2021 and 2022, the five highest paid individuals included nil, nil and two directors, respectively. The aggregate amount of fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind paid to the remaining highest paid individuals for the three years ended December 31, 2020, 2021 and 2022 was approximately RMB14.5 million, RMB15.9 million and RMB9.8 million, respectively.

Save as disclosed above, no other amounts were paid or are payable by any member of our Group to our Directors or members of our senior management during the Track Record Period.

None of our Directors have waived or agreed to waive any remuneration during the same period. Certain of our Directors were granted with share options under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan. For details of the share options granted, please see “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans.”

Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonus, share options and other benefits in kind) to our Directors for the year ended December 31, 2023 is estimated to be no more than approximately RMB1.9 million.

Save as disclosed in the Accountants’ Report in Appendix I to this document, for the three years ended December 31, 2020, 2021 and 2022, no fee was paid by our Company to the Directors or the five highest paid employees in connection with their retirement or as compensation for loss of office, or as an inducement to join or upon joining our Company, or for services provided by such persons in connection with the promotion or establishment of the Company. In addition, there have been no arrangements under which a Director waived or agreed to waive any remuneration during the relevant periods.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management officers with, following the [REDACTED], the benefit of recommendations from the remuneration committee. Our remuneration committee will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed First Shanghai Capital Limited as our compliance advisor to provide advisory services to our Company. We expect that the compliance advisor will, among others, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issuances and share repurchases;
- where we propose to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the [REDACTED] or [REDACTED] of our Shares.

The term of appointment of our compliance advisor shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].

RELATIONSHIP WITH WARBURG PINCUS

OVERVIEW

Immediately upon completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), Warburg Pincus will directly or indirectly be interested in approximately [REDACTED] of the total number of issued Shares through Peridot Gem Investment, Peridot Gem Group and Mordenite Gem. Each of Peridot Gem Investment, Mordenite Gem and Peridot Gem Group will be interested in [REDACTED] of the total number of issued Shares, respectively.

Founded in 1966, Warburg Pincus is a leading global growth investor with more than US\$85 billion in assets under management as of December 31, 2022. Warburg Pincus is also one of the largest private equity firms in China and Southeast Asia with developed domain expertise in the consumer, financial services, healthcare, industrial technology, real estate and technology sectors. For more information on Warburg Pincus and its shareholding in our Company, please see the sections headed “History and Corporate Structure” and “Substantial Shareholders”.

INDEPENDENCE FROM WARBURG PINCUS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from Warburg Pincus and its close associates after the [REDACTED].

Management Independence

Our Board consists of 12 Directors, comprising one executive Director, seven non-executive Directors and four independent non-executive Directors. We adopt a centralized management system with a core management team overseeing the operations of our Company and our subsidiaries, and all strategic planning and material decision-making of the Group are regularly reported to the Board. Our core management team is led by Ms. LIU Jia, our executive Director and chief executive officer, and Mr. ZHENG Nanyan, our chairman and non-executive Director. For details of our Directors and senior management members, please refer to the section headed “Directors and Senior Management” in this document.

RELATIONSHIP WITH WARBURG PINCUS

Our Directors consider that our Board and senior management will function independently from Warburg Pincus and its close associates for the following reasons:

- (a) Save for the following members of our Board, there is no overlap of senior management members between our Group and Warburg Pincus (and its close associates):

Member of our Board	Role(s) in our Group	Role(s) in Warburg Pincus
Mr. PERLMAN Jeffrey David	Non-executive Director	Managing director, Head of Southeast Asia and Asia-Pacific Real Estate and a member of Warburg Pincus’s Executive Management Group
Ms. NG Ellen Hoi Ying (吳凱盈)	Non-executive Director	Managing director and Head of China Real Estate
Mr. ZHANG Qiqi (張其奇)	Non-executive Director	Managing director
Mr. CHEN Yuxi (陳彧西)	Non-executive Director	Vice president

Warburg Pincus nominated Mr. PERLMAN Jeffrey David, Ms. NG Ellen Hoi Ying, Mr. ZHANG Qiqi and Mr. CHEN Yuxi as our non-executive Directors. However, our core management team is actively involved in our operations and has been, and continues to be, responsible for key operational and business-related decisions of the Group. For example, Mr. ZHENG Nanyan regularly leverages his industry knowledge and management experience to offer strategic advice that facilitates our business expansion. Furthermore, Ms. LIU Jia, our executive Director and chief executive officer, oversees sales, marketing, procurement, administration, organizational development and other aspects of our operations. Moreover, in addition to the non-executive Directors nominated by Warburg Pincus, our Board will include eight other directors (including one executive Director, three non-executive Directors and four independent non-executive Directors) who will regularly offer their insight and have a voice in our decision-making. Save for Mr. ZHANG Qiqi, who is deemed to be interested in 38,786,487 Shares as the administrator of a trust established to facilitate the administration of the Pre-[REDACTED] Share Option Plans under the SFO, none of the directors appointed by Warburg Pincus hold any shareholding interest in our Company. For

RELATIONSHIP WITH Warburg Pincus

more information, see “Appendix V – Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Directors – (a) Disclosure of Interests – Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations”;

- (b) each Director is aware of his/her fiduciary duties as a Director, which require that he/she acts for the benefit and in the interest of our Company and all of our Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (c) our Directors believe that our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors (i) account for at least one-third of the Board, (ii) do not and will not take up any position in Warburg Pincus or its close associates, and (iii) together possess the requisite industry experience and qualifications for their views to carry weight. Our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision making process of our Board and protect the interests of our Company and our Shareholders as a whole;
- (d) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws, and no single Director is able to make any decisions unless authorized by the Board;
- (e) our Articles of Association (which will be effective on the [REDACTED]) require a Director to declare his/her interest in any contract or arrangement in which he/she has an interest and he/she is not entitled to vote on (nor be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, except in certain prescribed circumstances, details of which are set out in “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” to this document. The relevant provisions in our Articles of Association ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practices with a view to ensuring that decisions are made with regard to the best interests of the Company and the Shareholders (including independent Shareholders) as a whole; and
- (f) we have adopted a set of corporate governance measures to manage conflicts of interest, if any, between our Group and Warburg Pincus. For details, please refer to the paragraph headed “– Corporate Governance Measures” in this section.

RELATIONSHIP WITH WARBURG PINCUS

Based on the above, our Directors are of the view that we are capable of managing our business independently from Warburg Pincus and/or its close associates after the [REDACTED].

Operational Independence

Our operations do not depend on Warburg Pincus and/or its close associates for the following reasons:

- (a) our Group possesses sufficient facilities, equipment, technology and human resources to operate its business independently from Warburg Pincus, and holds licenses and qualifications that are necessary for our business independently from Warburg Pincus;
- (b) our Group has an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities;
- (c) our Group has independent access to, among others, customers, suppliers, experts and other resources required for our business. We can exercise independent rights to make and implement our operational decisions without regard to Warburg Pincus;
- (d) we maintain a set of internal control procedures to facilitate the effective operation of our business. For details, please refer to the section headed “Business – Risk Management and Internal Controls” in this document; and
- (e) we have adopted a set of corporate governance measures pursuant to the Listing Rules and other applicable laws and regulations. For details, please refer to the paragraph headed “– Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that we are able to operate independently from Warburg Pincus and/or its close associates after the [REDACTED].

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are financially independent of Warburg Pincus and/or its close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to our own business needs. Our source of funding is independent from Warburg Pincus and/or its close associates.

RELATIONSHIP WITH WARBURG PINCUS

In December 2022, the Company entered into share purchase agreements (the “**Share Purchase Agreements**”) with certain affiliates of Warburg Pincus (the “**Sellers**”) to acquire 100% of the equity interests in each of Opal Gem Holdings Limited (“**Opal Holdings**”) and Opal Gem Group Limited (“**Opal Group**”) (together, Opal Holdings and Opal Group are collectively referred to as the “**Opal Entities**”) for an aggregate purchase price (the “**Aggregate Purchase Price**”) of RMB125,000,000 (the “**Opal Acquisitions**”). As of December 31, 2022, the Opal Acquisitions had been completed and the Opal Entities became our wholly-owned subsidiaries. As of the Latest Practicable Date, the Aggregate Purchase Price remained payable to the Sellers. Pursuant to the Share Purchase Agreements, the Company is required to fully settle the Aggregate Purchase Price before December 31, 2024 or such other later date as the Company and Seller may otherwise agree. The Company agreed to pay interest at a rate of 8% *per annum* from the first day immediately after the completion date of the transaction until the earlier of the date on which the purchase price was fully paid or the payment deadline. The Opal Acquisitions do not constitute a major acquisition subject to the requirement to disclose pre-acquisition financial information under Rule 4.05A of the Listing Rules.

The Opal Entities held limited partnership interests in Shanghai Yanlu and Shanghai Yanpeng, which together hold an investment portfolio consisting of a number of rental apartment projects. Shanghai Yanlu and Shanghai Yanpeng are limited partnerships jointly established by the Group, certain affiliates of Warburg Pincus and other Independent Third Parties in 2018. Shanghai Yanpeng is the general partner of Shanghai Yanlu. Pursuant to a previous arrangement, Warburg Pincus granted a call option right entitling us to purchase the limited partnership interests in Shanghai Yanlu and Shanghai Yanpeng. Prior to the Opal Acquisitions, we held approximately 28.78% limited partnership interest in Shanghai Yanlu and 21.78% limited partnership in Shanghai Yanpeng. Upon completion of the Opal Acquisitions, the limited partnership interests we held in Shanghai Yanlu and Shanghai Yanpeng increased to approximately 71.96% and 54.45%, respectively. For more information, see Notes 2.1 and 38(i) of Appendix I to this Document.

Save as disclosed herein and, as of December 31, 2022, there were no material loans, advances and balances due to and from and guarantees provided by Warburg Pincus and/or its close associates. Further, there is no security over assets and guarantees provided by Warburg Pincus and/or its close associates in relation to loans made by our Group. Our Directors confirm that our Group does not intend to obtain any borrowing, guarantees, pledges and mortgages from Warburg Pincus and/or its close associates.

Based on the above, our Directors believe that we are able to maintain financial independence from Warburg Pincus and/or its close associates after the [REDACTED].

RELATIONSHIP WITH WARBURG PINCUS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted/will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Warburg Pincus and/or its close associates:

- (a) under the Articles of Association, where a Shareholders’ meeting is to be held for considering proposed transactions in which Warburg Pincus and/or its close associates have a material interest, Warburg Pincus will not vote on the resolutions and shall not be counted in the quorum present at the meeting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with Warburg Pincus and/or its close associates, our Company will comply with the applicable Listing Rules;
- (c) as required by the Listing Rules, our independent non-executive Directors will (i) review any connected transactions annually and disclose in our annual report or by way of announcements that, such connected transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole (the “**Annual Review**”); and (ii) provide impartial and professional advice to protect the interests of our minority Shareholders. Where our Directors reasonably request the advice of independent professionals, such as financial advisors, for this purpose, the appointment of such independent professionals will be made at our Company’s expense;
- (d) Warburg Pincus agrees to provide all reasonably requested information by the independent non-executive Directors for the Annual Review;
- (e) we have appointed First Shanghai Capital Limited as our compliance advisor pursuant to the Rule 3A.19 of the Listing Rules to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance; and
- (f) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules. The majority of the members of our audit committee, including its chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Warburg Pincus, and to protect minority Shareholders’ interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), the following persons will have interests or short positions (as applicable) in our Shares or underlying Shares of our Company that are required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the [REDACTED] ⁽¹⁾		Shares held immediately following the completion of the [REDACTED]	
		Number	Approximate Percentage	Number	Approximate Percentage
Peridot Gem Investment ⁽²⁾	Beneficial owner	292,239,181 Shares (L)	42.56%	[REDACTED] Shares (L)	[REDACTED]
Mordenite Gem ⁽³⁾	Beneficial owner	38,420,705 Shares (L)	5.60%	[REDACTED] Shares (L)	[REDACTED]
Peridot Gem Group ⁽⁴⁾	Beneficial owner	26,380,368 Shares (L)	3.84%	[REDACTED] Shares (L)	[REDACTED]
CDPQ (Asia) ⁽⁵⁾	Beneficial owner	116,220,654 Shares (L)	16.93%	[REDACTED] Shares (L)	[REDACTED]
HangFang Investment ⁽⁶⁾	Beneficial owner	86,476,400 Shares (L)	12.59%	[REDACTED] Shares (L)	[REDACTED]

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Immediately prior to the completion of the [REDACTED], Peridot Gem Investment held (i) 38,959,981 Ordinary Shares, representing approximately 5.67% of the total issued and outstanding Shares of the Company; (ii) 243,670,700 Series B Preferred Shares, representing approximately 35.49% of the total issued and outstanding Shares of the Company; and (iii) 9,608,500 Series C Preferred Shares, representing approximately 1.40% of the total issued and outstanding Shares of the Company.

Based on the information available to the Company, Peridot Gem Investment is 60.47% owned by Warburg Pincus Private Equity XI, L.P. (“WP XI”). The general partner of WP XI is Warburg Pincus XI, L.P. (“WP XI GP”), whose general partner is WP Global LLC (“WP Global”). The managing member of WP Global is Warburg Pincus Partners II, L.P. (“WPP II”). The general partner of WPP II is Warburg Pincus Partners GP LLC (“WPP GP LLC”). The managing member of WPP GP LLC is Warburg Pincus & Co (“WP”). Accordingly, under the SFO, each of WP XI, WP XI GP, WP Global, WPP II, WPP GP LLC and WP is deemed to be interested in the Shares held by Peridot Gem Investment.

- (3) Immediately prior to the completion of the [REDACTED], Mordenite Gem held 38,420,705 Series E Preferred Shares of the Company, representing approximately 5.60% of the total issued and outstanding Shares of the Company.

Based on the information available to the Company, WP XI GP is the general partner of limited partnerships which collectively control approximately 42.37% of the equity interest in Mordenite Gem. WP Global is the general partner of WP XI GP. The managing member of WP Global is WPP II. The

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general partner of WPP II is WPP GP LLC. The managing member of WPP GP LLC is WP. Accordingly, under the SFO, each of WP XI GP, WP Global, WPP II, WPP GP LLC and WP is deemed to be interested in the Shares held by Mordenite Gem.

In addition, Mordenite Gem is also 45.45% owned by Mordenite Gem Investors, L.P. The general partner of Mordenite Gem Investors, L.P. is Mordenite Gem GP Ltd. Mordenite Gem GP Ltd. is wholly-owned by Warburg Pincus Co-Investment GP (Cayman) Ltd. (“**WP Co-Investment**”), which is in turn wholly-owned by Warburg Pincus Partners II (Cayman), L.P. (“**WPP II Cayman**”). The general partner of WPP II Cayman is Warburg Pincus (Bermuda) Private Equity GP Ltd. (“**WP Bermuda GP**”). Accordingly, under the SFO, each of Mordenite Gem Investors, L.P., Mordenite Gem GP Ltd., WP Co-Investment, WP Partners II and WP Bermuda GP is also deemed to be interested in the Shares held by Mordenite Gem.

- (4) Immediately prior to the completion of the [REDACTED], Peridot Gem Group held 26,380,368 Series E Preferred Shares of the Company, representing approximately 3.84% of the total issued and outstanding Shares of the Company.

Based on the information available to the Company, Peridot Gem Group is wholly owned by Peridot Gem Co-Invest, L.P. The general partner of Peridot Gem Co-Invest, L.P. is WP Co-Investment., which is wholly-owned by WPP II Cayman. The general partner of WPP II Cayman is WP Bermuda GP. Accordingly, under the SFO, each of Peridot Gem Co-Invest, L.P., WP Co-Investment, WPP II Cayman and WP Bermuda GP is deemed to be interested in the Shares held by Peridot Gem Group.

- (5) Immediately prior to the completion of the [REDACTED], CDPQ (Asia) held (i) 102,249,489 Series D Preferred Shares, representing approximately 14.89% of the total issued and outstanding Shares of the Company; and (ii) 13,971,165 Series E Preferred Shares, representing approximately 2.03% of the total issued and outstanding Shares of the Company.

Based on the information available to the Company, CDPQ (Asia) is wholly owned by CDPQ. Accordingly, under the SFO, CDPQ is deemed to be interested in the Shares held by CDPQ (Asia).

- (6) Immediately prior to the completion of the [REDACTED], HangFang Investment held 86,476,400 Series C Preferred Shares, representing approximately 12.59% of the total issued and outstanding Shares of the Company.

Based on the information available to the Company, HangFang Investment is wholly owned by Shanghai Hangdai Investment Management Partnership Enterprise (Limited Partnership) (上海航黛投資管理合夥企業(有限合夥)) (“**Shanghai Hangdai**”), which is in turn controlled as to 99.9975% by AVIC Trust Co., Ltd. (中航信託股份有限公司) (“**AVIC Trust**”). AVIC Trust is controlled as to 84.42% by AVIC Capital Holdings Co., Ltd. (中航投資控股有限公司) (“**AVIC Capital**”). AVIC Capital is controlled as to 73.56% by AVIC Industry-Finance. Accordingly, under the SFO, each of Shanghai Hangdai, AVIC Trust, AVIC Capital and AVIC Industry Finance is deemed to be interested in the Shares held by HangFang Investment.

Save as disclosed in this section and “Appendix V – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2(b). Interests in Other Members of Our Group” to this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED], assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED], have beneficial interests or short positions in any Shares or underlying Shares of our Company that are required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]):

As of the Latest Practicable Date

	US\$
Authorized share capital⁽¹⁾:	
29,629,600 Series A Preferred Shares of US\$0.000001 each	29.629600
243,670,700 Series B Preferred Shares of US\$0.000001 each	243.670700
141,077,996 Series C Preferred Shares of US\$0.000001 each	141.077996
102,249,489 Series D Preferred Shares of US\$0.000001 each	102.249489
78,772,238 Series E Preferred Shares of US\$0.000001 each	78.772238
250,816,577 Ordinary Shares of US\$0.000001 each	250.816577
Total	
846,216,600 Shares of US\$0.000001 each	846.2166
Issued share capital⁽¹⁾:	
29,629,600 Series A Preferred Shares of US\$0.000001 each	29.629600
243,670,700 Series B Preferred Shares of US\$0.000001 each	243.670700
118,581,448 Series C Preferred Shares of US\$0.000001 each	118.581448
102,249,489 Series D Preferred Shares of US\$0.000001 each	102.249489
78,772,238 Series E Preferred Shares of US\$0.000001 each	78.772238
88,858,311 Ordinary Shares of US\$0.000001 each	88.858311
Total	
661,761,786 Shares of US\$0.000001 each	661.761786

Immediately before and after completion of the [REDACTED]

	US\$
Authorized share capital:	
[REDACTED] Ordinary Shares of US\$0.000001 each	[REDACTED]
Issued share capital before completion of the [REDACTED]⁽²⁾:	
113,737,187 Ordinary Shares of US\$0.000001 each	113.737187

Ordinary Shares to be converted from Preferred Shares on a one-for-one basis:

29,629,600 Series A Preferred Shares of US\$0.000001 each	29.629600
243,670,700 Series B Preferred Shares of US\$0.000001 each	243.670700
118,581,448 Series C Preferred Shares of US\$0.000001 each	118.581448
102,249,489 Series D Preferred Shares of US\$0.000001 each	102.249489
78,772,238 Series E Preferred Shares of US\$0.000001 each	78.772238

SHARE CAPITAL

Immediately before and after completion of the [REDACTED]

US\$

Shares to be issued to the Trust Holdco pursuant to the Exercised

Pre-[REDACTED] Options on the [REDACTED]⁽³⁾:

[REDACTED] Ordinary Shares of US\$0.000001 each [REDACTED]

Shares to be issued as part of the [REDACTED]⁽⁴⁾:

[REDACTED] Ordinary Shares of US\$0.000001 each [REDACTED]

Total number of issued Shares upon completion of the [REDACTED]:

[REDACTED] Ordinary Shares of US\$0.000001 each [REDACTED]

Notes:

- (1) Subject to the [REDACTED] becoming unconditional, all of the authorized issued and unissued Preferred Shares will be reclassified and redesignated into Ordinary Shares on a one-to-one basis upon the [REDACTED].
- (2) Includes the 88,858,311 Ordinary Shares in issue as well as the 24,878,876 Ordinary Shares to be issued pursuant to the Shanghai Hanmo Share Swap. On September 18, 2022 and April 13, 2023, our Company, Shanghai Mozhu Enterprise Management Consulting Co., Ltd. (上海某株企業管理諮詢有限公司) (an indirect wholly-owned subsidiary of our Company) (“**Shanghai Mozhu**”), Ms. DING Min, Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (“**Shanghai Hanbing**”) and Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤達投資中心(有限合夥)) (“**Shenzhen Yinda**”) entered into a share swap agreement and supplemental agreement, respectively, whereby Shanghai Hanbing and Shenzhen Yinda agreed to transfer their collective 40.06% shareholding interest in Shanghai Hanmo (a non-wholly owned subsidiary of our Company) to Shanghai Mozhu, and in consideration, our Company agreed to (i) issue to each of the holding companies of Ms. DING Min and Shenzhen Yinda 20,037,391 and 4,841,485 Ordinary Shares of our Company, respectively, and (ii) grant Ms. DING Min 5,000,000 options under the 2020 Pre-[REDACTED] Share Option Plan (the “**Incentive Options**”). On the [REDACTED], 5,000,000 Ordinary Shares underlying the Incentive Options will be issued to the Trust Holdco as [REDACTED], and such Ordinary Shares will vest in Mindy-Hope over time as the apartment communities that she is responsible for achieve certain milestones in financial performance (the “**Shanghai Hanmo Share Swap**”). As of the Latest Practicable Date, our Company had yet to allot and issue the aforesaid Ordinary Shares to the holding companies of Ms. DING Min and Shenzhen Yinda, and it is expected that the aforementioned allotment and issuance will be completed prior to the [REDACTED] of the Listing Committee.
- (3) 38,786,487 options granted to 11 Directors, senior management and certain key employees of the Company pursuant to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan had been exercised as of the Latest Practicable Date. As such, 38,786,487 Ordinary Shares of the Company (the “[REDACTED] Exercised Shares”) will be issued to the Trust Holdco upon the [REDACTED]. The principal terms of the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan are summarized in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document.
- (4) Includes [REDACTED] Ordinary Shares to be issued and [REDACTED] under the [REDACTED] and [REDACTED] Ordinary Shares to be issued and [REDACTED] under the [REDACTED].

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

RANKINGS

The [REDACTED] will be Ordinary Shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

SHARE OPTION PLANS

The Company has adopted the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, details of which are set out in “Appendix V – Statutory and General Information – D. Pre-[REDACTED] Share Option Plans” to this document.

GENERAL MANDATE TO ALLOT AND ISSUE [REDACTED]

Subject to the [REDACTED] becoming unconditional, our Directors [have been granted] a general mandate to issue, allot and [REDACTED] the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

See “Appendix V – Statutory and General Information – A. Further Information about Our Group – 4. Written Resolutions Passed by Our Shareholders on [Date]” to this document for further details on this general mandate.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors [have been granted] a general mandate to exercise all the powers of our Company to repurchase Shares representing not more than 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix V – Statutory and General Information – A. Further Information about Our Group – 5. Repurchase of Shares by Our Company” to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

See “Appendix V – Statutory and General Information – A. Further Information about Our Group – 4. Written Resolutions Passed by Our Shareholders on [Date]” to this document for further details on this general mandate.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles of Association, a summary of which is set out in “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” to this document.

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You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed “Risk Factors” and elsewhere in this document.

OVERVIEW

We are one of the leading and fast-growing rental apartment services platforms and pioneered the centralized rental apartment model in China. We provide conveniently located rental apartments at affordable prices in centrally managed buildings with modern facilities. Our offerings address the evolving demands of a wide array of urban residents.

We operate rental apartments under two models: (i) the leased-and-operated model, under which we enter into en bloc leases or leases for part of buildings, and manage and operate such leased properties, and (ii) the manachised and third-party managed model, under which we manage and operate franchised apartments either under our own brands or under the brands of the relevant entrusting parties. Our ability to manage apartment communities under different models enables us to satisfy various demands of residents, landlords, franchisees and entrusting parties, empowers us to adjust our expansion strategies in different tier cities and strengthens our overall business resilience.

During the Track Record Period, our apartment network experienced substantial growth. The number of our leased-and-operated apartments increased from 31,881 as of December 31, 2020 to 50,833 as of December 31, 2022, representing a CAGR of 26.3%. The number of our manachised apartments and third-party managed apartments climbed from 7,149 to 25,412 over the same period, representing a CAGR of 88.5%. As of December 31, 2022, we have built an inclusive resident community nationwide with 76,245 apartments in operation across 388 locations in 25 cities in China. According to Frost & Sullivan, we ranked first among independent centralized rental apartment operators, in terms of the number of apartments in operation as of December 31, 2022.

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During the Track Record Period, we realized rapid growth while maintaining healthy financial performance. Our revenue increased by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. The growth of our revenue in 2021 was mainly from acquisitions, and to a lesser extent, from organic growth. This growth in revenue was also facilitated by our fast recovery from the negative impact from the COVID-19 pandemic on our operations. Correspondingly, while we recorded a net loss of RMB230.3 million in 2020, we achieved a net profit of RMB301.9 million in 2021. In 2022, faced with renewed pressure imposed by the COVID-19 pandemic and the responsive measures introduced by public authorities in China, our financial performance managed to show a measurable level of resilience with our revenue amounting to RMB1,714.1 million in 2022, which represents an increase of 16.5% from that in 2021.

BASIS OF PRESENTATION AND PREPARATION

Basis of Presentation

In December 2022, our Company entered into a share purchase agreement to acquire 100% equity interests of Opal Gem Holdings Limited and Opal Gem Group Limited (“**Opal Entities**”) for an aggregate purchase price of RMB125.0 million in cash. Opal Entities were set up by Warburg Pincus, which is principally engaged in investment holding. The acquisition of Opal Entities was made as part of our Group’s strategy to support our business. Since our Group and Opal Entities are under common control of Warburg Pincus, our Group’s acquisition of Opal Entities has been accounted for as a combination of entities under common control with the pooling of interest method applied as if such acquisition had been completed at the date when our Group and Opal Entities came under the common control of the ultimate holding company. The assets and liabilities of Opal Entities were included using the existing book values from the ultimate holding company’s perspective. No adjustments were made to reflect fair values, or recognize any new assets or liabilities as a result of such acquisition. The results and cash flows of Opal Entities were included since the date when Opal Entities and our Group came under the common control of the ultimate holding company. The contribution from the ultimate holding company to Opal Entities and the consideration payable for the acquisition of Opal Entities are accounted for as an equity transaction in other reserve in the consolidated statement of changes in equity.

Basis of Preparation

Notwithstanding that our Group recorded net current liabilities of RMB2,423.6 million as of December 31, 2022, the Historical Financial Information has been prepared on a going concern basis. We assess our liquidity by our ability to generate cash from operating activities. The Directors have reviewed our Group’s working capital forecast, which covers a period of twelve months from December 31, 2022. The Directors are of the opinion that our Group will have sufficient working capital to meet our financial liabilities and obligations when they fall due and to sustain our operations for the next twelve months from December 31, 2022.

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Our Historical Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period. In addition, we have early adopted COVID-19-Related Rent Concessions beyond June 30, 2021.

Our Historical Financial Information has been prepared under the historical cost convention, except for investment properties and financial assets and liabilities at fair value through profit or loss which have been measured at fair value.

SPECIFIC FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operation are affected by factors relating to the macro-economic conditions and the rental apartment market in China, including, among others, the overall growth of the Chinese economy, urbanization rate, level of housing prices and rental prices, growth of population with rental needs, rising demand for quality rental experience driven by consumption upgrades, changes in regulatory environment, government support for the rental apartment market and the competitive landscape of China’s rental apartment market. See “Risk Factors – Risks Related to Our Business and Industry – Our business is susceptible to China’s macro-economic conditions, particularly the dynamics of the rental apartment market in China” and “Risk Factors – Risks Related to Our Business and Industry – We face intense competition in the rental apartment market. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be materially and adversely affected”. In addition to the general factors affecting the macro-economy and our industry, our results of operations are more directly affected by company-specific factors, including, among others:

The total number of apartments that we operate

Our revenues are affected to a significant extent by the number of apartments that we operate. During the Track Record Period, our revenue generated from apartment operation accounted for approximately 98.1%, 97.0% and 97.3% of our total revenue in the years ended December 31, 2020 and 2021 and 2022, respectively. Our ability to continuously expand our apartment network and source a large number of apartments is the basis of our sustainable business expansion and revenue growth. Our ability to expand our apartment network depends on whether we can provide consistent quality rental solutions and ancillary services to our residents and whether we can enhance our brand recognition in the market. It also depends to a large extent on our efforts for apartment sourcing and mutually beneficial relationships with landlords, franchisees and entrusting third parties.

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The level of rents and fees that we charge

For the leased-and-operated apartments, our residents normally pay us rents on a quarterly basis. For the manachised and third-party managed apartments, we are entitled to a nonrefundable initial one-off fee. We typically earn ongoing royalties based on a percentage of gross revenues of manachised and third-party managed apartments, normally payable once a month. In addition, we collect fees for other services that we provide, such as the consulting fees for the technical advice and guidance that we provide for apartment construction and renovation, service fees for installation and use of our technology infrastructure and other ancillary IT services, and a monthly service fee for the managers whom we appoint to operate manachised and third-party managed apartments.

The level of rents and fees we are able to charge is affected by the popularity of our products, potential brand premium and the prevailing market rates in the geographic areas where we operate and the intensity of competition in such areas. We mainly operate in large cities in China, in particular Beijing and Shanghai, which generally have higher market rents than other cities in China. Our self-developed and big data driven OMS enables us to set pricing for each apartment in real time. The effectiveness of such system fuels us to optimize our pricing strategy.

The level of occupancy rate that we maintain

Our results of operation are affected by our ability to manage the occupancy rate of our apartments. Our occupancy rate mainly depends on the rental rates that we charge, the locations of our rental apartments, the popularity of our offerings and the effectiveness of our sales and marketing efforts. Moreover, seasonality also feeds into the occupancy rate of our apartments, thus exerting tangible influence on our results of operation. At around the Lunar New Year, the occupancy rate of our apartments turns out to be comparatively lower as some residents choose to terminate the rental agreements as they are poised to leave for hometowns. In contrast, following the end of the Spring Festival and during the summer graduation season, we normally expect our occupancy rate to reach a climax in the year as the demand for rental solutions surges.

Based on our highly recognized brand reputation, a sizeable membership base of Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), and leading ability in delivering premium residential experience, we are capable of maintaining the occupancy rate of our apartments at a strong level. We endeavor to continuously improve the quality of our apartments and services, and upgrade and diversify our offerings to appeal to more potential residents, which we believe help shorten the vacancy period of our apartments.

The efficiency of our sales team and the effectiveness of our sales and marketing efforts, including general brand advertising and targeted marketing campaigns to further improve our brand awareness, also play an important role. As we improve the efficiency of our sales team and enhance our sales and marketing efforts, we will be able to shorten the vacancy period of our apartments and improve our occupancy rate.

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In addition, it typically takes three to six months for our new apartment community to ramp up the occupancy rate to the target level. Leveraging our superior operational capability and technology driven operating model, we have been successfully shortening such ramp-up period during the Track Record Period.

The level of costs and expenses that we keep

Our ability to effectively manage our costs and expenses while continuing to grow our business is essential to our results of operations. For leased-and-operated apartments, our costs and expenses are primarily associated with lease for apartment communities, construction and renovation of apartment communities, and daily operation and maintenance. For manachised and third-party-managed apartments, our costs and expenses are primarily in connection with human cost in connection with the managers that we appoint to supervise the daily operations of relevant apartment communities.

Increased business scale and enhanced brand influence have improved our bargaining power with landlords and enabled us to more effectively control our rental cost. The long-term nature of our leases with landlords enhances our capability to maintain stable rental cost during the lease term. Our market leading position enables us to obtain favorable terms with suppliers, which further optimize our cost structure. In terms of daily operation, our key technological infrastructure and capability, such as our self-developed OMS, big-data-driven decision making process and IoT platform, all enable us to significantly reduce operation and maintenance expenses and help us achieve superior operating efficiency.

As we scale up our apartment operation business, enhance our presence in each of the covered cities, and tap into our accumulated expertise and savvy, we are able to rein in our overall costs and expenses, increase our operating margins and achieve economies of scale. Benefitting from our competitive advantages cultivated over the years, we reversed the net loss recorded in 2020 after the negative impact of COVID-19 lessened and achieved a net profit margin of 20.5% in 2021. During the Track Record Period, our management expense ratio decreased from 16.9% in 2020 to 13.2% in 2021, and further to 10.8% in 2022, which attests to our commendable operational efficiency and the benefits generated by our enlarged business operations.

THE COVID-19 PANDEMIC: ITS IMPACT AND OUR RESPONSES

Impact on the rental apartment market

Since the end of 2019, a novel strain of coronavirus has effectively begun to spread among human beings, causing the COVID-19 pandemic and blindsiding much of the global community. The COVID-19 pandemic has negatively affected the commercial and trading activities around the world, while the pattern of daily life and interpersonal exchange has also witnessed apparent changes. Specifically in China, the COVID-19 pandemic once reached a climax in February and March 2020 before subsiding into an infectious disease of uneventful low-speed transmission for most of the time ever since and until March 2022. Not least due to the continuous variation of the coronavirus, scattered and sporadic outbreaks of COVID-19

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across different regions in China were not uncommon, which culminated in a surge of COVID-19 infections in Shanghai in the spring of 2022 and a wave of infections in many Chinese cities in December 2022 and January 2023. To cope with the long-standing crisis caused by COVID-19, the central and local governments in China have taken various affirmative measures at times, such as travel restrictions, social distancing policies, remote working and learning, suspended operations of factories and commercial sites, and cancelation of public events.

In general terms, compared to certain other industries, such as the hotel, retail or catering industry, the rental apartment industry is more resilient in withstanding the shockwaves of COVID-19 due to the long-term nature of apartment leases and the stable demand of urban residents for housing. However, the rental apartment industry has also fallen prey to the negative impact of COVID-19. In early 2020, as part of the combo of prevention and control measures promulgated and implemented by the Chinese authorities, numerous factories and businesses were forced to temporarily suspend their business and free travel from one region to another was severely curtailed for some time. In consequence, not only the need for short-time contract employees decreased notably among many business units, but also a large number of floating population could not return to the cities where they worked, causing the overall demand for rental solutions in Chinese cities to experience a marked decline. In the more recent period of time, as the Delta and Omicron variants of COVID-19 periodically spread in China, temporary lockdowns and suspension of business had been enforced in the regions affected. Since these measures often only affected a specific geographic area and did not last for overly long, the negative impact of the measures on the rental apartment market was limited. However, the serious outbreak of COVID-19 in Shanghai in the spring of 2022 led to a city-wide lockdown, leading to a negative impact on the rental apartment market there that had not been seen by previous sparse infections. The increase of reported COVID-19 infections in many Chinese cities at the end of 2022 and the beginning of 2023 also imposed renewed pressure on the rental apartment market.

Through much of the time in 2022, as a result of the speedy transmission of the coronavirus and the strict lockdown measures adopted, the normal operations of centralized apartment operators were subject to notable disruptions for several months. For instance, due to the stay-at-home order, offline sales and marketing efforts ground to a halt and the acquisition of new customers became unrealistic in large swathes of Shanghai during the spring. Therefore, the plans of many, if not all, centralized rental apartment operators to further improve the occupancy rate of the apartments under their management had been frustrated. The stable increase in the supply of rental apartments was also negatively impacted, because the standstill in the city forced many apartment operators to defer their expansion plans. The construction, renovation and decoration of apartments was also interrupted, causing further disturbance to the supply of apartments. Additionally, centralized apartment operators had to enforce rules and measures mandated by public authorities, take actions to prevent the spread of COVID-19 and care for the well-being of their residents during the lockdowns. Thus, faced with the uncertainties caused by the COVID-19 outbreak in the spring of 2022, rental apartment operators with significant presence in Shanghai normally had to meet the challenges of both a stagnant market and increased operating expenses. In addition, by the end of 2022 and

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the beginning of 2023, centralized rental apartment operators were faced with difficulties caused by a new wave of COVID-19 infections in China, which caused disruptions to, for example, the conduct of selling and marketing activities and the maintenance of the overall occupancy rate.

Impact on our business operations and financial performance

In 2020, particularly during the period of time when the COVID-19 pandemic peaked in China, the countrywide fight against the spread of the coronavirus caused disruptions to our business operations. Nevertheless, such disruptions had not been borne by our mature apartment communities and newly-opened apartment communities equally. Since many of our mature apartment communities were subjected to strict lockdowns, the adverse impact on the occupancy rate of these apartment communities was relatively limited. The overall occupancy rate of our mature apartment communities under the leased-and-operated model decreased from 89.1% in 2019 to 84.6% in 2020. By contrast, our newly-opened apartment communities had been hit harder by the outbreak of COVID-19, as the pandemic-related restrictions dampened emerging rental needs and impeded our efforts to attract potential residents. Thus, the ramp-up period for these newly-opened apartment communities to reach the target level of occupancy rate was prolonged to an average of 8.9 months under the shadow of COVID-19. Given the stronger shockwaves sent to our newly-opened apartment communities, the occupancy rate of our entire leased-and-operated apartments decreased from 88.0% in 2019 to 80.2% in 2020. In 2020, as we were cognizant of the considerable uncertainty and disturbance in the face of the COVID-19 pandemic, we also intentionally slowed down our business expansion with much fewer apartment communities launched in 2020 compared to the original plan.

In 2021, although there were sporadic COVID-19 outbreaks across the country, we recovered in a relatively short period of time from the sluggishness caused by the pandemic. The average monthly rental rate of our mature apartments under the leased-and-operated model recorded a notable growth, increasing by 4.7% from RMB3,127 in 2020 to RMB3,274 in 2021. The average occupancy rate of our mature apartments under the leased-and-operated model also increased from 84.6% in 2020 to 88.5% in 2021. During the year, we also made fruitful efforts to expand our apartment network with the number of our apartment communities increasing from 226 as of December 31, 2020 to 395 as of December 31, 2021. Correspondingly, the number of our apartments increased from 39,030 as of December 31, 2020 to 75,887 as of December 31, 2021. In the meantime, our financial performance achieved a vigorous rebound with our revenue increasing by 55.0% from RMB949.0 million in 2020 to RMB1,471.1 million in 2021. Compared with the net loss of RMB230.3 million in 2020, we achieved a net profit of RMB301.9 million in 2021.

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During the spring of 2022, Shanghai was hit by a new wave of COVID-19 infections, which resulted in citywide lockdown measures. The neighboring provinces and some other cities, such as Beijing, were almost simultaneously faced with renewed pressure from COVID-19. As of December 31, 2022, we had 28 apartment communities in Beijing and 141 apartment communities in Shanghai, corresponding to 5,672 and 30,053 rental apartments, respectively. Since there were citywide lockdowns in Shanghai for several months, any meaningful efforts to market our apartments in the city became impracticable and unrealistic during this period of lockdown. Consequently, the occupancy rate of our apartment communities in Shanghai in the second quarter of 2022 was 2.2% lower than that in the first quarter of 2022. In the meantime, our pre-determined plan to continue expanding our apartment network was also negatively affected by the pandemic, as openings of new apartment communities and strategic acquisitions were delayed by the pandemic. However, upon the gradual removal of the lockdown measures in Shanghai, those affected apartment communities recovered from the adverse impact, with the occupancy rate of our mature apartments under the leased-and-operated model in Shanghai increasing rapidly from 80.1% as of May 31, 2022 to 91.6% as of June 30, 2022 as the lockdown measures had been largely removed since June 1, 2022. Subsequent to the lockdown measures being lifted and along with the gradual recovery of the city from the pandemic, we had picked up the pace of our expansion plan in Shanghai. In the second quarter of 2022, as for our expansion plan in Shanghai, the average monthly number of rental apartments submitted to our preliminary review meeting and ultimate review meeting for discussions over their launch was 392 and 218, respectively. With the local society gradually recovering from COVID-19 pandemic, such numbers increased to 1,255 and 632, respectively, in the third quarter of 2022.

In December 2022 and January 2023, when a new wave of COVID-19 infections swept across many regions in China, our business operations around the country faced challenges. In light of the changed circumstances in pandemic control and the early arrival of the Chinese New Year in 2023, our certain operating metrics demonstrated a decline in this period of time. For example, the occupancy rate of our leased-and-operated apartments decreased by approximately 2.2% in December 2022 and approximately 6.6% in January 2023. The renewal rate of residents also decreased by approximately 5.0% in December 2022 and approximately 9.2% in January 2023. Nevertheless, with the negative impact of COVID-19 gradually fading away and the end of the Chinese New Year holiday, the occupancy rate of our leased-and-operated apartments increased by approximately 3.2% in February 2023 and approximately 3.0% in March 2023. Meanwhile, the renewal rate of residents also strongly increased by approximately 11.5% in February 2023. According to JLL, our independent property valuer, the infections of COVID-19 variants in China since late 2022 has led to a slight drop in market rental value of apartments, the impact of which on the fair value evaluation of our investment properties is rather limited because such fair value evaluation focuses on long-term market rental value change as a key input. Overall, the recurring COVID-19 outbreaks in major Chinese cities in 2022 had caused significant disruptions to our apartment operation business in China, leading to a clear decline in certain of our operating records and financial performance. In 2022, driven by the concern for the safety and well-being of our residents and staff, our expenses related to pandemic prevention and control, primarily including cost of necessary supplies, extra security and cleaning cost, and allowance to employees and

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volunteers, reached RMB11.3 million. For the year ended December 31, 2022, we recorded a net loss of RMB246.6 million. For more information about the impact of COVID-19 on our business operations in 2022, please refer to “Business – Our Business Models – Leased-and-Operated Model – Average Rental Rate and Occupancy Rate” and “Business – Our Business Models – Leased-and-Operated Model – Other Key Operating Metrics”.

Our measures to mitigate the impact of COVID-19

In a bid to minimize the negative impact of COVID-19 on our results of operations, financial conditions and growth prospects, we have taken the following measures.

- leverage the advantages of our business nature as a centralized rental apartment operator to apply unified guidelines on prevention of COVID-19 across our apartment communities;
- establish a dedicated command center at our headquarters since 2020 to enhance our ability in responding to the threats and challenges posed by the recurring outbreaks of COVID-19;
- care for the well-being of our residents by providing those in special difficulty with basic necessities for free and offering online activities;
- source daily supplies from neighboring cities and through our self-cultivated supply chain;
- capitalize on our advanced information technology infrastructure to launch a health reporting mini program, through which our residents could efficiently upload the results of COVID-19 rapid antigen tests to help us discern and report potential health risks in a timely fashion; and
- negotiating with our lessors for rent reduction and/or payment deferral to ease the financial strain imposed on us as a result of the COVID-19 pandemic.

Our mitigating measures constitute part of our integral experience accumulated in the past three years or so in combating the pandemic, which could provide us with effective guidance on how to proceed with business operations and reduce the consequential losses to the extent possible despite the significant impact of COVID-19. By adopting and implementing the abovementioned mitigating measures since the outbreak of the pandemic, we were able to provide safe accommodations and comprehensive living services to approximately 50,000 residents during the lockdown in Shanghai.

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Opportunities hidden in challenges

While the COVID-19 pandemic imposes numerous challenges on the rental apartment market, we, as a leading player in this market, are able to capture various opportunities hidden in such challenges.

- During the COVID-19 pandemic, we have demonstrated our industry-leading operational efficiency and further honed our crisis management capability. For instance, when our apartment communities in Shanghai were in urgent need for daily supplies and manpower, we were able to redistribute supplies within our nationwide apartment network and reallocate staff from apartment communities in other cities to help. We believe franchisees and entrusting parties are more likely to be attracted by reliable partners like us.
- We also discern more opportunities to acquire smaller-scale and regional apartment operators in the wake of COVID-19. Rental apartment operators with economies of scale and centralized management are proven to be in a better position to withstand risks. Smaller-scale and regional apartment operators have become more willing to join a mature network as they can barely handle the challenges imposed by the pandemic. Our apartment communities increased from 226 as of December 31, 2020 to 388 as of December 31, 2022 and our apartments in operation nearly doubled from 39,030 as of December 31, 2020 to 76,245 as of December 31, 2022.
- Despite the unfavorable environment caused by COVID-19, we were able to effectively manage its disruptions to our normal operations. We also took active actions to provide help for our residents in a timely manner, caring for both their physical health and mental well-being. Our performance in handling the COVID-19 crisis has proven that we are able to provide quality rental apartments and superior services even in trying times. We believe this in turn will increase our customers’ trust in us and help us enlarge our resident base.

Potential further impact of COVID-19

Despite the uncertain outlook for the impact of COVID-19, we believe that our liquidity is sufficient for us to successfully navigate an extended period of uncertainty. As of December 31, 2022, we had cash and bank balances of RMB414.0 million. Since December 2022, the Chinese government has adjusted its approach to handling the COVID-19 pandemic. Meanwhile, in late 2022 and early 2023, many regions in China had experienced large-scale transmission of the virus, which had a negative impact on our operations in China. Since the end of the Chinese New Year holiday in 2023, there have been signs of commercial activities and social life returning to the normalcy during the pre-pandemic era. We cannot guarantee, however, that the COVID-19 pandemic will not further escalate or have a material adverse impact on our results of operations, financial position or growth prospects. There remain significant uncertainties surrounding COVID-19, including the existing and new variants of COVID-19, its further development as a global pandemic and the effectiveness of vaccination

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programs against existing and any new variants of COVID-19. The extent of any business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. For more details, please refer to “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants’ Report in Appendix I to this document.

Significant Accounting Policies

Business combinations and goodwill

We account business combinations using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

We determine that we have acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. When we acquire a business, we assess the financial assets and

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liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform our annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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Fair value measurement

We measure our investment properties and certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

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The financial assets at fair value through profit or loss categorized within level 3 of fair value measurement were unlisted equity investments and debt investments. As these instruments are not traded in an active market, their fair value has been determined based on the expected cash flows discounted at current rates applicable to items with similar terms and risk characteristics. This valuation requires us to make estimates about expected future cash flows, discount rates and sustainable growth rate, and hence they are subject to uncertainty. During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

In respect of the assessment of fair value of the unlisted equity investments and debt investments, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) engage an independent external valuer to assist our management to assess the fair value; (ii) consider the independence, reputation, capabilities and objectivity of the external valuer to ensure the suitability of such valuer; (iii) build up a management team headed by our CFO to analyze the movements in the values of financial instruments and determine the major inputs applied in the valuation at the end of each year or period; (iv) require the management team and external auditors to review the valuation work papers and results prepared by the valuer; and (v) review the financial statements, which provide details on the impact of level 3 financial instruments. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to help ensure that outputs reflect market conditions. In respect of the valuation of our unlisted equity investments and debt investments, details and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements are set forth in Note 42 to the Accountants’ Report set out in Appendix I to this Document.

The Reporting Accountants have carried out necessary audit work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group’s Historical Financial Information for the Track Record Period as a whole in Appendix I to this Document.

The Reporting Accountants’ opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this Document.

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Having considered the work done by and views of us and the Reporting Accountants above, and based on (i) the discussion with the Reporting Accountants on the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole, (ii) the discussion with our external valuers on the key bases and assumptions for the valuation of the assets and liabilities categorized as level 3 fair value measurements, and the assessment of the reasonableness of such bases and assumptions, (iii) the review of underlying transaction documents, valuation methods and valuation proposals, on a sample basis, (iv) the review of the valuation reports issued by our external valuers including the bases and assumptions for the valuation, and the assessment of the reasonableness of such bases and assumptions, (v) the review of credentials and qualification of the external valuers and their respective core team members and (vi) the review of the relevant notes in the Accountants’ Report as contained in Appendix I to this document, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of us and the Reporting Accountants in respect of the valuation of financial assets and financial liabilities measured within level 3 of fair value measurement.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	8 to 10 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with our policy for “investment properties”.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects our exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to our short-term leases of office, motor vehicles, equipment and green plants (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the recognition exemption for leases of low-value assets to leases of office equipment and potted plants that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When we act as a lessor, we classify at lease inception (or when there is a lease modification) each of our leases as either an operating lease or a finance lease.

Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

When we act as an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which we apply the on-balance sheet recognition exemption, we classify the sublease as an operating lease.

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Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e., removed from our consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- we have transferred our rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if, and to what extent, we have retained the risk and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we

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continue to recognize the transferred asset to the extent of our continuing involvement. In that case, we also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

Impairment of financial assets

We recognize an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. We consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

We consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by our Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from our Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or canceled, or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods. Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Revenue recognition

Revenue from investment property operating leases

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(b) Provision of apartment management services

Apartment management services are rendered to customers under the leased-and-operated model, which mainly include security, cleaning, repair and maintenance. Our Group charges apartment management service fees at a fixed rate per room on a monthly basis. The revenue is recognized over time as the tenants simultaneously receive and consume the benefits in relation to the services provided by our Group.

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(c) Provision of manachised and third-party managed apartment services

Manachised and third-party managed apartment services are rendered to customers under the managed-and-manachised model, which mainly include designating managers, training on-site employees and running daily operations related to, among others, technology support, customer service, sales and marketing while retaining the brands of our Group or using the brands of third parties.

Revenue from manachised and third-party managed apartment services mainly consists of fixed franchise fees and variable fees charged at a percentage of gross revenue. The revenue is recognized over time as the franchisee simultaneously receives and consumes the benefits in relation to the services provided by our Group.

(d) Provision of value-added services

Valued-added services included parking services, elevator advertising services and etc.

(e) Provision of consulting services

Consulting services mainly include technical advice and guidance provided for apartment construction and renovation, operation management, market development strategy.

Share-based payments

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants after November 7, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 33 to the Accounts’ Report set out in Appendix I of this document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

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Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Significant Accounting Judgments and Estimates

The preparation of our Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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Property lease classification – Group as lessor

We have entered into commercial property leases on our investment property portfolio. We have determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Fair value of investment properties

Investment properties, including the leasehold properties held as right-of-use assets, are carried in the consolidated statement of financial position at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent and professionally qualified valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of our investment properties included in the consolidated statement of financial position and the corresponding adjustments to the changes in fair value reported in profit or loss. For details, see Note 14 to the Accountants’ Report set out in Appendix I of this document.

Leases – Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and are required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Classification of preferred shares

We have issued series of preferred shares which are classified as equity instruments. We have determined, based on our contractual terms and our economic substance, that we contain no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

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DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenue for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,					
	2020		2021		2022	
		% of revenue		% of revenue		% of revenue
	(RMB'000, except percentages)					
Revenue	948,988	100.0	1,471,090	100.0	1,714,139	100.0
Cost of services provided and products sold	(162,593)	(17.1)	(203,760)	(13.9)	(243,818)	(14.2)
Gross profit	786,395	82.9	1,267,330	86.1	1,470,321	85.8
Other income and gains	48,013	5.1	92,518	6.3	73,231	4.3
Changes in fair value of investment properties, net	(496,734)	(52.3)	(241,420)	(16.4)	(776,647)	(45.3)
Changes in fair value of financial assets and liabilities at fair value through profit or loss (“FVTPL”)	38,070	4.0	29,544	2.0	19,859	1.2
Selling and distribution expenses	(42,679)	(4.5)	(50,250)	(3.4)	(70,337)	(4.1)
Administrative expenses	(175,195)	(18.5)	(211,718)	(14.4)	(271,105)	(15.8)
Other expenses	(8,709)	(0.9)	(16,124)	(1.1)	(74,210)	(4.3)
Finance costs	(423,103)	(44.6)	(501,296)	(34.1)	(635,835)	(37.1)
Share of profits and losses of joint ventures and associates	11,389	1.2	27,933	1.9	11,113	0.6
Profit/(Loss) before tax	(262,553)	(27.7)	396,517	27.0	(253,610)	(14.8)
Income tax (expenses)/credit	32,276	3.4	(94,580)	(6.4)	7,003	0.4
Profit/(Loss) for the year	(230,277)	(24.3)	301,937	20.5	(246,607)	(14.4)
Attributable to:						
Owners of the Parent	(228,686)	(24.1)	289,396	19.7	(203,974)	(11.9)
Non-controlling interests	(1,591)	(0.2)	12,541	0.9	(42,633)	(2.5)
	(230,277)	(24.3)	301,937	20.5	(246,607)	(14.4)

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NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of certain items. We believe that such measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. We define EBITDA (non-IFRS measure) as profit/(loss) before tax adjusted for depreciation and amortization expenses, finance costs and interest income.

The following table reconciles the most directly comparable financial measure calculated and presented under IFRS, which is profit/(loss) before tax, to our EBITDA (non-IFRS measure):

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB'000)		
(Loss)/Profit before tax	(262,553)	396,517	(253,610)
<i>Add/(Less):</i>			
Depreciation and amortization expenses	15,712	25,960	33,196
Finance costs	423,103	501,296	635,835
Interest income	(28,001)	(39,293)	(40,443)
EBITDA (non-IFRS measure)	148,261	884,480	374,978

In addition to EBITDA as a non-IFRS measure, we also believe that changes in fair value of investment properties, foreign exchange differences and rental costs based on lease agreements have a significant impact on our financial performance. Therefore, we take into account these items when we assess our overall financial performance. In 2020, 2021 and 2022, we recorded changes in fair value of investment properties of RMB496.7 million, RMB241.4 million and RMB776.6 million as losses, respectively. In 2020, 2021 and 2022, we recorded foreign exchange losses of RMB3.2 million, RMB0.4 million and RMB49.2 million, respectively. In the same periods, our rental costs based on lease agreements amounted to RMB622.8 million, RMB841.1 million and RMB1,017.9 million, respectively. In addition, our equity-settled share option expenses amounted to RMB14.9 million, RMB16.3 million and RMB66.3 million in 2020, 2021 and 2022, respectively. In 2021 and 2022, our [REDACTED] were [REDACTED] and [REDACTED], respectively.

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Revenue

During the Track Record Period, we generated revenue primarily from operating rental apartments in China, including those under the leased-and-operated model and the manachised and third-party managed model.

For the leased-and-operated model, our revenue comprised (i) rents paid by residents and (ii) apartment management service fees for ancillary services that we provided to residents during their stay. For the manachised and third-party managed model, our revenue was generated primarily from (i) the initial one-off fees that we collected from franchisees and entrusting parties and (ii) ongoing royalties based on a percentage of gross revenue of manachised and third-party managed apartments.

Besides revenue from apartment management, we also generated revenue from other sources, including (i) commercial sublease to third party merchants for commercial activities, such as convenient stores, (ii) provision of value-added services, such as offering of parking lots, placement of vending machines and deployment of advertising, and (iii) provision of consulting services and sale of products, such as advice in terms of apartment construction and renovation, reference of qualified suppliers, and sale of IoT devices.

The following table sets forth a breakdown of our revenue by business segment, both in absolute amounts and as percentages of our total revenues for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB'000, except percentages)</i>					
Leased-and-operated model						
Apartment rental services	860,650	90.7%	1,292,793	87.9%	1,504,857	87.8%
Apartment management services	52,005	5.5%	96,662	6.6%	121,140	7.1%
Subtotal	912,655	96.2%	1,389,455	94.5%	1,625,997	94.9%
Manachised and third-party managed model	18,681	2.0%	37,849	2.6%	41,630	2.4%
Others						
Commercial subleasing	5,621	0.6%	21,691	1.5%	23,818	1.4%
Value-added services	9,432	1.0%	10,769	0.7%	13,362	0.8%
Consulting services and products	2,599	0.3%	11,326	0.8%	9,332	0.5%
Subtotal	17,652	1.9%	43,786	3.0%	46,512	2.7%
Total	948,988	100.0%	1,471,090	100.0%	1,714,139	100.0%

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Cost of services provided and products sold

Our cost of services provided and products sold primarily consists of (i) costs related to the provision of apartment rental services and apartment management services, mainly including human costs, cleaning costs, energy expenses, repair service costs, security costs and broadband charges, (ii) the costs in relation to the provision of manachised apartment services and third-party managed apartment services, primarily including the compensation payment made to the managers appointed by us to supervise the daily operations of the relevant apartment communities, and (iii) costs in relation to the provision of value-added services and consulting services and products, such as human costs for consulting services that we provide and costs of procuring products that are sold.

The following table sets forth a breakdown of our cost of services provided and products sold by business model, both in absolute amounts and as percentages of our total revenue, for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB'000, except percentages)</i>					
Cost of services provided and products sold						
Leased-and-operated model	151,375	16.0%	178,201	12.1%	227,197	13.3%
Manachised and third-party managed model	8,726	0.9%	14,518	1.0%	13,586	0.8%
Others	2,492	0.3%	11,041	0.8%	3,035	0.2%
Total	162,593	17.1%	203,760	13.9%	243,818	14.2%

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The following table sets forth the components of our cost of services provided and products sold for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB'000, except percentages)</i>					
Employee expenses ⁽¹⁾	86,214	53.0%	119,617	58.7%	137,145	56.2%
Energy costs	18,716	11.5%	16,642	8.2%	19,712	8.1%
Amortization of manachise and management agreements ⁽²⁾	1,238	0.8%	5,313	2.6%	13,326	5.5%
Property management fees ⁽³⁾	11,313	7.0%	12,360	6.1%	13,875	5.7%
Bandwidth costs	16,100	9.9%	13,240	6.5%	19,856	8.1%
Cleaning costs	12,943	8.0%	12,321	6.0%	13,162	5.4%
Maintenance costs	14,073	8.7%	14,614	7.2%	20,589	8.4%
Costs of goods	950	0.6%	2,501	1.2%	2,048	0.8%
Costs of renovation for other apartment operators ⁽⁴⁾	–	–	5,632	2.8%	–	–
Other costs ⁽⁵⁾	1,046	0.6%	1,520	0.7%	4,105	1.7%
Total	162,593	100%	203,760	100%	243,818	100%

Notes:

- (1) Employee expenses represent payroll-related expenses incurred primarily for our frontline staff working at apartment communities, including employee salary and benefit expenses.
- (2) When we manage to acquire target companies, we also take over the manachise agreements and management agreements that they entered into with franchisees or entrusting parties. Amortization of management contracts represents the amortization under those manachise agreements and management agreements over the remaining period of such agreements.
- (3) Property management fees represent the payments that we make to property management companies for the services that they delivered to us at our apartment communities based on the property management agreements.
- (4) During the Track Record Period, we had been entrusted by other apartment operators to renovate their rental apartments. To fulfill the task, we engaged external professional parties and thus incurred costs in relation to renovation of apartments on behalf of such other apartment operators.
- (5) Other costs primarily include taxes and other levies.

Our employee expenses increased by 38.7% from RMB86.2 million in 2020 to RMB119.6 million in 2021, and further increased by 14.7% to RMB137.1 million in 2022. Such increase during the Track Record Period was primarily due to the growth in the number of employees as we expanded our apartment network. Our amortization of management contracts increased by 150.8% from RMB5.3 million in 2021 to RMB13.3 million in 2022, primarily because of our strategic acquisitions conducted at the end of 2021.

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Despite the increase in the number of apartments and the improvement of the average occupancy rate in 2021, our energy costs decreased by 11.1% from RMB18.7 million in 2020 to RMB16.6 million in 2021 and our bandwidth costs decreased by 17.8% from RMB16.1 million in 2020 to RMB13.2 million in 2021, primarily because (i) we upgraded the intelligent devices by improving their technical configuration across our apartment network, which saved bandwidth and (ii) we secured more favorable tariff rates from our suppliers, by leveraging our stronger bargaining position supported by our expanded business scale. In addition, our cleaning costs decreased by 4.8% from RMB12.9 million in 2020 to RMB12.3 million in 2021, primarily because (i) we ceased to provide personal hygiene products and bed linens at certain apartment communities, (ii) we improved the efficiency of cleaning work where individual workers are capable of finishing the cleaning of more apartments, and (iii) we were able to obtain more favorable price terms after negotiations with cleaning service providers. Owing to the increase in the number of apartments in operation largely because of our strategic acquisitions conducted at the end of 2021, (i) our energy costs increased by 18.4% from RMB16.6 million in 2021 to RMB19.7 million in 2022, (ii) our bandwidth costs increased by 50.0% from RMB13.2 million in 2021 to RMB19.9 million in 2022, (iii) our cleaning cost increased by 6.8% from RMB 12.3 million in 2021 to RMB 13.2 million in 2022, and (iv) our maintenance costs increased by 40.9% from RMB14.6 million in 2021 to RMB20.6 million in 2022.

Gross profit and gross profit margin

As a result of the foregoing, in 2020, 2021 and 2022, our gross profit was RMB786.4 million, RMB1,267.3 million and RMB1,470.3 million, respectively. Our overall gross profit margin was 82.9%, 86.1% and 85.8%, respectively, in 2020, 2021 and 2022. The following table sets forth our gross profit and gross profit margins by business model for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB'000, except percentages)</i>					
Gross profit and gross profit margin						
Leased-and-operated model	761,280	83.4%	1,211,254	87.2%	1,398,800	86.0%
Manachised and third-party managed model	9,955	53.3%	23,331	61.6%	28,044	67.4%
Others	15,160	85.9%	32,745	74.8%	43,477	93.5%
Total	786,395	82.9%	1,267,330	86.1%	1,470,321	85.8%

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Other income and gains

Other income and gains primarily consist of (i) other interest income, representing the interest earned on the loans that we made, (ii) compensation income, representing the amount that we received from commercial disputes, (iii) finance lease interest income that represents interest earned on finance lease receivables, (iv) government grants, primarily representing subsidies received from local governmental authorities, (v) bank interest income, (vi) gain on bargain purchase, representing the gains related to our acquisition of Shanghai Jinghong, (vii) gain on disposal of right-of-use assets, which was related to the office of Vlinker Project Companies that we leased out and (viii) miscellaneous. The following table sets forth the components of our other income and gains for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB'000, except percentages)</i>					
Other income						
Other interest income	18,998	39.6%	24,055	26.0%	17,117	23.4%
Compensation income	6,433	13.4%	4,842	5.2%	944	1.3%
Finance lease interest income	7,523	15.7%	13,605	14.7%	18,705	25.5%
Government grants	11,354	23.6%	35,542	38.4%	19,240	26.3%
Bank interest income	1,480	3.1%	1,633	1.8%	4,621	6.3%
Others	1,841	3.8%	236	0.3%	3,191	4.3%
Other gains						
Gain on bargain purchase	–	–	11,693	12.6%	–	–
Gain on disposal of right-of-use assets	–	–	–	–	9,413	12.9%
Gain on disposal of investment properties	384	0.8%	912	1.0%	–	–
Total	48,013	100.0%	92,518	100.0%	73,231	100.0%

Changes in fair value of investment properties, net

Our investment properties are held as right-of-use assets. They represent the market value of the leases for the apartment communities that we leased and managed under the leased-and-operated-model to earn rental income. The fair value model is applied to all investment properties. We recognize changes in fair value of investment properties in profit or loss.

For the years ended December 31, 2020, 2021 and 2022, we recorded changes in fair value of investment properties of RMB496.7 million, RMB241.4 million and RMB776.6 million as losses, respectively.

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Changes in fair value of financial assets and liabilities at fair value through profit or loss (“FVTPL”)

Financial assets and liabilities at FVTPL mainly comprised (i) unlisted equity investments, (ii) debt instruments and (iii) wealth management products. We recognize changes in fair value of financial assets and liabilities at FVTPL in profit or loss. For the years ended December 31, 2020, 2021 and 2022, we recorded changes in fair value of financial assets and liabilities at FVTPL of RMB38.1 million, RMB29.5 million and RMB19.9 million as profits, respectively.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of (i) marketing expenses, (ii) staff costs, representing salaries, share-based compensation and other benefits for our sales and marketing personnel, and (iii) business entertainment, traveling, communication and miscellaneous expenses in relation to our sales and marketing activities. For the years ended December 31, 2020, 2021 and 2022, our selling and distribution expenses amounted to RMB42.7 million, RMB50.3 million and RMB70.3 million, respectively.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Staff costs	6,221	14.6%	6,468	12.9%	22,972	32.7%
Marketing and related expenses	23,841	55.9%	33,450	66.6%	34,991	49.7%
Travelling and Entertainment expenses	6,300	14.8%	5,094	10.1%	6,453	9.2%
Office and related expenses	2,165	5.1%	2,325	4.6%	2,608	3.7%
Others	4,152	9.7%	2,913	5.8%	3,313	4.7%
Total	42,679	100%	50,250	100%	70,337	100%

The staff costs paid by us as part of selling and distribution expenses increased by 4.0% from RMB6.2 million in 2020 to RMB6.5 million in 2021, which was generally consistent with the expansion of our business operations. The staff costs paid by us as part of selling and distribution expenses increased by 255.2% from RMB6.5 million in 2021 to RMB23.0 million in 2022, primarily due to (i) our increased business scale driven by strategic acquisitions conducted at the end of 2021 and (ii) the significant increase in staff costs as we increased the headcount at our sales department and raised the discretionary bonuses for our sales personnel to boost the occupancy rate of our rental apartments amidst the difficulties caused by the COVID-19 pandemic.

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Our marketing and related expenses increased by 40.3% from RMB23.8 million in 2020 to RMB33.5 million in 2021, primarily because: (i) we increased our provision of shuttle bus services to attract residents in 2021; (ii) we strategically stepped up our marketing efforts in 2021 after the Vlinker Equity Acquisitions; and (iii) our payments to third-party platforms to attract more residents increased in 2021. Our marketing and related expenses increased by 4.6% from RMB33.5 million in 2021 to RMB35.0 million in 2022, primarily because of the increase in the expenses incurred for the provision of shuttle bus services to our residents as we increased the number of our blue-collar dormitories through strategic acquisitions at the end of 2021.

Administrative expenses

Our administrative expenses primarily consist of (i) staff costs, representing salaries, share-based compensation and other benefits for our administrative personnel, (ii) professional services fees, (iii) depreciation of our office building and amortization of software, and (iv) traveling and miscellaneous expenses in relation to our administrative activities. For the years ended December 31, 2020, 2021 and 2022, our administrative expenses amounted to RMB175.2 million, RMB211.7 million and RMB271.1 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Staff costs ⁽¹⁾	113,409	64.7%	142,476	67.3%	175,357	64.7%
Professional fees ⁽²⁾	20,548	11.7%	25,705	12.1%	41,190	15.2%
Travelling and Entertainment expenses	11,821	6.7%	12,055	5.7%	10,692	3.9%
Depreciation and Amortization	8,572	4.9%	14,563	6.9%	15,184	5.6%
Property expenses	5,353	3.1%	5,353	2.5%	5,614	2.1%
Office and related expenses	3,889	2.2%	2,321	1.1%	12,153	4.5%
Others	11,569	6.6%	9,245	4.4%	10,915	4.0%
Total	175,161	100%	211,718	100%	271,105	100%

Notes:

- (1) Staff costs include share-based compensation expenses which amounted to RMB14.9 million, RMB16.3 million and RMB66.3 million in 2020, 2021 and 2022, respectively.
- (2) Professional fees include [REDACTED] which amounted to [REDACTED], RMB[REDACTED] and RMB[REDACTED] in 2020, 2021 and 2022, respectively.

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Other expenses

Our other expenses primarily comprise (i) foreign exchange losses, (ii) allowance for impairment of receivables, (iii) losses related to the disposal of an associate and (iv) commercial disputes related expenses paid by us. In 2020, 2021 and 2022, our other expenses amounted to RMB8.7 million, RMB16.1 million and RMB74.2 million, respectively.

The following table sets forth a breakdown of our other expenses for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Foreign exchange difference	3,159	36.3%	363	2.3%	49,157	66.2%
Impairment/(reversal of impairment)						
of trade receivables, net	(32)	(0.4%)	(2,114)	(13.1%)	5,448	7.3%
Impairment of other receivables, net	875	10.0%	2,205	13.7%	395	0.5%
Impairment/(reversal of impairment)						
of loan receivables, net	25	0.3%	1,850	11.5%	(59)	(0.1%)
Impairment of other						
non-current assets	221	2.5%	633	3.9%	296	0.4%
Impairment/(reversal of impairment)						
of finance lease receivables	1,257	14.4%	983	6.1%	2,204	3.0%
Commercial disputes related expenses	1,294	14.9%	9,029	56.0%	4,595	6.2%
Others	1,910	21.9%	3,175	19.7%	12,174	16.4%
Total	8,709	100%	16,124	100%	74,210	100%

During the Track Record Period, we recorded foreign exchange losses primarily in relation to our foreign currency borrowings. For the years ended December 31, 2020, 2021 and 2022, our foreign exchange losses amounted to RMB3.2 million, RMB0.4 million and RMB49.2 million, respectively. Our foreign exchange losses increased significantly from RMB0.4 million in 2021 to RMB49.2 million in 2022, primarily because the Renminbi depreciated against the U.S. Dollar and we repaid our loans denominated in U.S. Dollars.

Finance costs

Our financial costs consist of (i) interest on borrowings, other payables and long-term payables, and (ii) interest on lease liabilities. Lease liabilities generally represent the present value of our payment obligations under the relevant lease to be made over the lease term. Under IFRS 16, we are required to recognize interest on lease liabilities and record it in the statement of profit or loss as a finance cost.

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For the years ended December 31, 2020, 2021 and 2022, our finance costs amounted to RMB423.1 million, RMB501.3 million and RMB635.8 million, respectively.

The following table sets forth a breakdown of our finance costs for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Interest on borrowings, other payables and long term payables	120,103	28.4%	124,887	24.9%	195,440	30.7%
Interest on lease liabilities	303,000	71.6%	376,409	75.1%	440,395	69.3%
Total	423,103	100.0%	501,296	100.0%	635,835	100.0%

Income tax expense/(credit)

Our income tax consists of current income tax and deferred tax. Our deferred tax represents the movement of our deferred tax assets and liabilities during the Track Record Period, which was primarily attributable to the deferred tax effect of (i) historical losses available for offsetting against future taxable profits and (ii) the different treatment of investment properties for tax purpose and accounting purpose. The following table sets forth a breakdown of our income tax expense/(credit) for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB'000, except percentages)					
Current						
Current income tax charge	2,156	(6.7)%	3,206	3.4%	2,717	(38.8)%
Deferred						
Relating to origination and reversal of temporary differences	(34,432)	106.7%	91,374	96.6%	(9,720)	138.8%
Total tax charge/(credit) for the year	(32,276)	100.0%	94,580	100.0%	(7,003)	100.0%

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During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with relevant tax authorities.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate:

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable, from time to time, on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiaries are subject to profits tax at the rate of (i) 8.25% on assessable profits up to HK\$2,000,000 and (ii) 16.5% on any part of assessable profits over HK\$2,000,000 on our taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC

Our subsidiaries established in the PRC are mainly subject to statutory income tax at a rate of 25%.

The Enterprise Income Tax (“EIT”) Law includes a provision specifying that legal entities organized outside of the PRC will be considered resident enterprises for the PRC income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered as PRC resident enterprises if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our entities organized outside of the PRC should be treated as resident enterprises for PRC income tax purposes. If the PRC tax authorities subsequently determine that our Company and our subsidiaries registered outside the PRC should be deemed resident enterprises, our Company and our subsidiaries registered outside the PRC will be subject to the PRC income tax, at a rate of 25%. See “Risk Factors – Risks Related to Doing Business in China – If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

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The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company was incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). We did not record any dividend withholding tax, as we had no retained earnings to distribute as of 31 December 2019, 2020 and 2021, and June 30, 2022. See “Risk Factors – Risks Related to Doing Business in China – We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 16.5% from RMB1,471.1 million for the year ended December 31, 2021 to RMB1,714.1 million for the year ended December 31, 2022. This increase was primarily contributed by newly launched apartment communities integrated through strategic acquisitions in the fourth quarter of 2021.

Leased-and-operated model

Our revenue generated under the leased-and-operated model increased by 17.0% from RMB1,389.5 million for the year ended December 31, 2021 to RMB1,626.0 million for the year ended December 31, 2022, primarily driven by our strategic acquisitions conducted at the end of 2021.

Manachised and third-party managed model

Our revenue generated under the manachised and third-party managed model increased by 10.0% from RMB37.8 million for the year ended December 31, 2021 to RMB41.6 million for the year ended December 31, 2022, primarily driven by the larger amount of royalties that we received from our franchisees and entrusting parties as we were able to improve the performance of our manachised and third-party managed apartment communities leveraging our years of experience in apartment operation.

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Others

Our revenue generated from other sources increased by 6.2% from RMB43.8 million for the year ended December 31, 2021 to RMB46.5 million for the year ended December 31, 2022, primarily driven by the increased revenue generated from commercial subleasing and provision of value-added services, partially offset by a decrease in the revenue generated from consulting services and sale of products. Our revenue from commercial subleasing increased by 9.8% from RMB21.7 million for the year ended December 31, 2021 to RMB23.8 million for the year ended December 31, 2022, primarily driven by the enlarged scale of commercial subleasing as we further developed our apartment operation business under the leased-and-operated model. Our revenue from provision of value-added services increased by 24.1% from RMB10.8 million for the year ended December 31, 2021 to RMB13.4 million for the year ended December 31, 2022, primarily driven by the increased provision of value-added services at our apartment communities around the country. However, our revenue from consulting services and sale of products decreased by 17.6% from RMB11.3 million for the year ended December 31, 2021 to RMB9.3 million for the year ended December 31, 2022, primarily because we generated revenue from entrustment by an apartment operator to conduct renovation of rental apartments in 2021 but not in 2022.

Cost of services provided and products sold

Our cost of services provided and products sold increased by 19.7% from RMB203.8 million for the year ended December 31, 2021 to RMB243.8 million for the year ended December 31, 2022, primarily driven by our strategic acquisitions conducted at the end of 2021.

Gross profit

As a result of the foregoing, our gross profit increased by 16.0% from RMB1,267.3 million for the year ended December 31, 2021 to RMB1,470.3 million for the year ended December 31, 2022. Our overall gross profit margin decreased slightly from 86.1% for the year ended December 31, 2021 to 85.8% for the year ended December 31, 2022, primarily due to the negative impact of recurring COVID-19 outbreaks on the average occupancy rate of our apartments and average rental rate charged by us.

Other income and gains

Our other income and gains decreased by 20.9% from RMB92.5 million for the year ended December 31, 2021 to RMB73.2 million for the year ended December 31, 2022, primarily due to (i) the decrease in the total amount of government grants received by us as our apartment communities received different government grants each year and (ii) the fact that we recorded gain on bargain purchase of RMB11.7 million in 2021 in connection with our acquisition of Shanghai Jinghong.

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Changes in fair value of investment properties, net

We recorded a loss on changes in fair value of investment properties, net of RMB241.4 million in 2021 and RMB776.6 million in 2022, respectively. The fair value loss was significantly higher in 2022 primarily because (i) in contrast to 2021, there was not a meaningful increase in prevailing market rental rates, a key input to value our investment properties, in major cities due to the negative impact of the COVID-19 pandemic and (ii) the increase in the number of leased properties brought about a larger amount of fair value loss in connection with the natural reduction of lease terms.

Changes in fair value of financial assets and liabilities at FVTPL

Our profit arising from changes in fair value of financial assets and liabilities at FVTPL decreased from RMB29.5 million in 2021 to RMB19.9 million in 2022, primarily because of the slowdown in the growth of one of our invested companies in 2022.

Selling and distribution expenses

Our selling and distribution expenses increased by 40.0% from RMB50.3 million for the year ended December 31, 2021 to RMB70.3 million for the year ended December 31, 2022, primarily due to (i) our increased business scale driven by strategic acquisitions conducted at the end of 2021 and (ii) the significant increase in staff costs as we increased the headcount at our sales department and raised the discretionary bonuses for our sales personnel to boost the occupancy rate of our rental apartments amidst the difficulties caused by the COVID-19 pandemic.

Administrative expenses

Our administrative expenses increased by 28.1% from RMB211.7 million for the year ended December 31, 2021 to RMB271.1 million for the year ended December 31, 2022, primarily due to (i) the significant increase in share-based payment expenses as a much larger number of options were granted in 2022, (ii) the marked increase in professional services fees paid to third parties, largely in connection with the [REDACTED], and (iii) the significant increase in our expenses on supplies in relation to pandemic control in 2022.

Other expenses

Our other expenses increased significantly by 360.2% from RMB16.1 million for the year ended December 31, 2021 to RMB74.2 million for the year ended December 31, 2022, primarily due to our significantly higher foreign exchange losses in 2022 as Renminbi depreciated against U.S. Dollars and we repaid our loans denominated in U.S. Dollars.

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Finance costs

Our finance costs increased by 26.8% from RMB501.3 million for the year ended December 31, 2021 to RMB635.8 million for the year ended December 31, 2022, which was primarily due to the increase in both of interest on lease liabilities and interest on borrowings, other payables and long-term payables as (i) we leased and operated more apartment communities as a result of our strategic acquisitions conducted at the end of 2021 and (ii) we drew down more from our bank facilities to finance our business expansion.

Share of profits and losses of joint ventures and associates

Our share of profits and losses of joint ventures and associates decreased by 60.2% from RMB27.9 million for the year ended December 31, 2021 to RMB11.1 million for the year ended December 31, 2022, primarily due to the decrease in the profit generated by Shanghai Yimofang as its business operations were negatively impacted by municipal construction projects.

Profit/(Loss) before income tax

As a result of the foregoing reasons, while we recorded a profit before tax of RMB396.5 million for the year ended December 31, 2021, we recorded a loss before tax of RMB253.6 million for the year ended December 31, 2022.

Income tax credit/(expense)

While our income tax expenses amounted to RMB94.6 million for the year ended December 31, 2021, we recorded income tax credits at RMB7.0 million for the year ended December 31, 2022, which was primarily due to the impact of deferred income tax.

Profit/(Loss) for the year

As a result of the foregoing reasons, while we recorded a profit for the year which amounted to RMB301.9 million for the year ended December 31, 2021, we recorded a loss for the year which amounted to RMB246.6 million for the year ended December 31, 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 55.0% from RMB949.0 million for the year ended December 31, 2020 to RMB1,471.1 million for the year ended December 31, 2021. The growth of our revenue in 2021 was mainly from acquisitions, and to a lesser extent, from organic growth. This growth in revenue was also facilitated by our fast recovery from the negative impact from the COVID-19 pandemic on our operations.

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Leased-and-operated model

Our revenue from apartment operation under the leased-and-operated model increased by 52.2% from RMB912.7 million for the year ended December 31, 2020 to RMB1,389.5 million for the year ended December 31, 2021, primarily driven by (i) our acquisition of Vlinker Project Companies and other targets, (ii) an increase in the number of newly opened leased-and-operated apartments, (iii) our fast recovery from the COVID-19 pandemic. For more information, see “History and Corporate Structure – Acquisitions, Disposals and Mergers – Acquisition of the Vlinker Projects.”

Manachised and third-party managed model

Our revenue from apartment operation under the manachised and third-party managed model increased significantly by 102.6% from RMB18.7 million for the year ended December 31, 2020 to RMB37.8 million for the year ended December 31, 2021, primarily driven by an increase of the number of apartments that we operated under the manachised and third-party managed model, which was largely connected with our cooperation with a business partner and aligned with our strategy to further cultivate the manachised and third-party managed model.

Others

Our revenue generated from other sources increased significantly by 148.1% from RMB17.7 million for the year ended December 31, 2020 to RMB43.8 million for the year ended December 31, 2021, primarily driven by (i) the expansion of our apartment network, (ii) the growth of commercial subleasing and consulting services and products and the gradual recovery of the market and (iii) additional and diversified value-added services that we provided to our residents. While our revenue from commercial subleasing increased significantly by 285.9% from RMB5.6 million for the year ended December 31, 2020 to RMB21.7 million for the year ended December 31, 2021, our revenue from value-added services increased by 14.2% from RMB9.4 million to RMB10.8 million over the same periods. Our revenue from consulting services and products, meanwhile, also increased prominently by 335.8% from RMB2.6 million for the year ended December 31, 2020 to RMB11.3 million for the year ended December 31, 2021.

Cost of services provided and products sold

Our cost of services provided and products sold increased by 25.3% from RMB162.6 million for the year ended December 31, 2020 to RMB203.8 million for the year ended December 31, 2021, which was primarily driven by the expansion of our apartment network and the increase of apartments under our management.

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Gross profit

As a result of the foregoing, our gross profit increased by 61.2% from RMB786.4 million for the year ended December 31, 2020 to RMB1,267.3 million for the year ended December 31, 2021. Accordingly, our overall gross profit margin increased from 82.9% for the year ended December 31, 2020 to 86.1% for the year ended December 31, 2021.

Other income and gains

Our other income and gains increased by 92.7% from RMB48.0 million for the year ended December 31, 2020 to RMB92.5 million for the year ended December 31, 2021, which was primarily due to the significant increase in government grants that we received from the relevant government authorities.

Changes in fair value of investment properties, net

We recorded a loss on changes in fair value of investment properties, net of RMB496.7 million in 2020 and RMB241.4 million in 2021, respectively. The fair value loss was significantly lower in 2021 primarily because it was largely mitigated by a meaningful increase of prevailing market rental rate, a key input to value our investment properties, in a few cities as that was dampened by the COVID-19 outbreak in 2020.

Changes in fair value of financial assets and liabilities at FVTPL

We recorded profit arising from changes in fair value of financial assets at FVTPL of RMB38.1 million in 2020 and RMB29.5 million in 2021, which was primarily because we disposed our entire shareholdings in Vlinker Creator Space Operations and acquired the Vlinker Project Companies in 2021, which was partially offset by the increase in our unlisted equity investment in a business partner.

Selling and distribution expenses

Our selling and distribution expenses increased by 17.7% from RMB42.7 million for the year ended December 31, 2020 to RMB50.3 million for the year ended December 31, 2021, which was primarily due to the increased number of apartments under our management.

Administrative expenses

Our administrative expenses increased by 20.9% from RMB175.2 million for the year ended December 31, 2020 to RMB211.7 million for the year ended December 31, 2021, which was primarily due to our enlarged business scale and the increased number of apartments under our management. The proportion of administrative expenses to total revenue decreased from 18.5% in 2020 to 14.4% in 2021.

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Other expenses

Our other expenses increased by 85.1% from RMB8.7 million for the year ended December 31, 2020 to RMB16.1 million for the year ended December 31, 2021, which was primarily related to the losses caused by the closure of certain apartment communities under our management. Our foreign exchange losses decreased by 88.5% from RMB3.2 million in 2020 to RMB0.4 million in 2021, primarily because our foreign exchange losses in relation to deposits denominated in foreign currency were offset by our foreign exchange gain in relation to foreign currency borrowings. In 2021, our loans denominated in U.S. Dollars from a partner bank generated foreign exchange gain of RMB3.4 million.

Finance costs

Our finance costs increased by 18.5% from RMB423.1 million for the year ended December 31, 2020 to RMB501.3 million for the year ended December 31, 2021, which was primarily due to the significant increase of interest on lease liabilities resulting from the expansion of our apartment network. Our interest on lease liabilities increased by 24.2% from RMB303.0 million in 2020 to RMB376.4 million in 2021. In contrast, our interest on borrowings, other payables and long-term payables remained rather stable over the same period.

Share of profits and losses of joint ventures and associates

Our share of profits and losses of joint ventures and associates increased by 145.3% from RMB11.4 million for the year ended December 31, 2020 to RMB27.9 million for the year ended December 31, 2021, primarily due to the substantial increase of the overall profit generated by our joint ventures.

Profit/(Loss) before income tax

As a result of the foregoing reasons, while we recorded a loss before tax which amounted to RMB262.6 million for the year ended December 31, 2020, we recorded a profit before tax which amounted to RMB396.5 million for the year ended December 31, 2021.

Income tax credit/(expense)

While we recorded income tax credits at RMB32.3 million for the year ended December 31, 2020, our income tax expenses amounted to RMB94.6 million for the year ended December 31, 2021, which primarily due to the impact of deferred income tax.

Profit/(Loss) for the year

As a result of the foregoing reasons, while we recorded a loss for the year which amounted to RMB230.3 million for the year ended December 31, 2020, we recorded a profit for the year which amounted to RMB301.9 million for the year ended December 31, 2021.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Non-current assets			
Property, plant and equipment	28,845	18,280	30,414
Investment properties	6,800,843	11,636,599	12,071,287
Right-of-use assets	26,812	34,958	15,825
Goodwill	16,040	81,956	81,956
Finance lease receivables	132,446	211,572	209,326
Other intangible assets	53,036	79,611	96,006
Investments in joint ventures and associates	65,909	179,000	273,917
Financial assets at FVTPL	851,774	307,316	250,025
Loan receivables	15,923	4,659	–
Other non-current assets	71,149	127,856	139,794
Deferred tax assets	126,949	184,109	219,092
Total non-current assets	8,189,726	12,865,916	13,387,642
Current assets			
Inventories	–	483	–
Loan receivables	104,930	9,477	9,475
Trade receivables	11,984	42,660	30,126
Prepayments, other receivables and other assets	344,552	400,281	120,473
Finance lease receivables	20,922	33,649	57,248
Financial assets at FVTPL	–	11,052	–
Cash and bank balances	348,469	682,459	413,998
Total current assets	830,857	1,180,061	631,320

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	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Current liabilities			
Trade payables	63,522	81,762	102,821
Other payables and accruals	505,119	827,285	747,309
Interest-bearing bank and other borrowings	1,210,732	1,091,088	1,330,195
Lease liabilities	425,903	717,794	874,612
Total current liabilities	2,205,276	2,717,929	3,054,937
Net current liabilities	(1,374,419)	(1,537,868)	(2,423,617)
Total assets less current liabilities	6,815,307	11,328,048	10,964,025
Non-current liabilities			
Interest-bearing bank and other borrowings	195,167	1,159,358	1,083,660
Deferred tax liabilities	200,018	580,714	621,572
Long-term lease liabilities	4,497,194	6,885,410	7,136,254
Other non-current liabilities	62,177	111,278	55,254
Total non-current liabilities	4,954,556	8,736,760	8,896,740
Net assets	1,860,751	2,591,288	2,067,285
Equity			
Share capital	4	4	4
Reserves	1,825,958	2,444,229	1,961,781
Total equity attributable to owners of the parent	1,825,962	2,444,233	1,961,785
Non-controlling interests	34,789	147,055	105,500
Total equity	1,860,751	2,591,288	2,067,285

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Assets

Property, plant and equipment

Our property, plant and equipment consist of leasehold improvements, electronic equipment, furniture, motor vehicles and construction in progress. Our property, plant and equipment decreased by 36.6% from RMB28.8 million as of December 31, 2020 to RMB18.3 million as of December 31, 2021, which was primarily due to a decrease in the net carrying amount of construction in progress resulting from the completion of certain R&D programs that were in the works. Our property, plant and equipment increased by 66.4% from RMB18.3 million as of December 31, 2021 to RMB30.4 million as of December 31, 2022, primarily due to the increase in the net carrying amount of construction in progress that is primarily related to our R&D programs in the works.

Investment properties

Our investment properties are held as right-of-use assets. They represent the market value of the leases for the apartment communities that we leased and managed under the leased-and-operated model to earn rental income. We choose the fair value model for all investment properties. Our investment properties increased by 71.1% from RMB6,800.8 million as of December 31, 2020 to RMB11,636.6 million as of December 31, 2021, which was primarily due to the increase in the number of apartment communities under the leased-and-operated model largely as a result of our acquisition of Vlinker Project Companies and Chummy Space. Our investment properties increased by 3.7% from RMB11,636.6 million as of December 31, 2021 to RMB12,071.3 million as of December 31, 2022, primarily driven by the increased number of apartments in operation under the leased-and-operated model.

Right-of-use assets

Our right-of-use assets represent the buildings rented by us for office purpose. We had right-of-use assets of RMB26.8 million and RMB35.0 million as of December 31, 2020 and 2021, respectively. The increase of 30.4% in our right-of-use assets from RMB26.8 million as of December 31, 2020 to RMB35.0 million as of December 31, 2021 was primarily driven by our acquisition of Vlinker Project Companies, including the lease contract of their office. Our right-of-use assets decreased by 54.7% from RMB35.0 million as of December 31, 2021 to RMB15.8 million as of December 31, 2022, primarily because we leased out the offices previously used by Vlinker Project Companies.

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Goodwill

We record goodwill primarily in connection with acquisitions. Our goodwill increased from RMB16.0 million as of December 31, 2020 to RMB82.0 million as of December 31, 2021, primarily resulting from our acquisitions of Shanghai Hanmo, Shanghai Yinchén, Vlinker Project Companies and others. Our goodwill remained stable as of December 31, 2021 and as of December 31, 2022 with the amount reaching RMB82.0 million in both years.

Our goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, we allocate our goodwill to six cash generating units (“CGUs”), namely Weike, Shanghai Kaidun, Vlinker Project Companies, Shanghai Yinchén, Shanghai Haoji and Shanghai Hanmo. The following table sets forth the carrying amount of our goodwill allocated to each of the CGUs as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Weike	6,910	6,910	6,910
Shanghai Kaidun	9,130	9,130	9,130
Vlinker Project Companies	—	1,441	1,441
Shanghai Yinchén	—	13,261	13,261
Shanghai Haoji	—	3,030	3,030
Shanghai Hanmo	—	48,184	48,184

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The recoverable amounts of the CGUs are determined based on the value-in-use calculations of the CGUs to which the goodwill is allocated. These calculations use pre-tax cash flow projections based on financial budgets of the CGUs approved by our management covering a five-year period. The key assumptions used by us in the value-in-use calculations include annual revenue growth rate for the five-year period, terminal growth rate and pre-tax discount rate. The basis used to determine the value assigned to the annual revenue growth rate is the average annual revenue growth rate achieved in the year immediately before the budget year, increased for expected market developments. The forecasted terminal growth rate is based on our senior management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs. The discount rates used reflect specific risks relating to the relevant units. The value assigned to the key assumptions are consistent with external information sources. The following tables describe each key assumption on which our management had based their cash flow projections to undertake impairment testing of goodwill:

As of December 31, 2020

	Annual revenue growth rate for the five-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Weike	9%-16%	3.0%	14.35%	5 years
Shanghai Kaidun	(6%)-4%	3.0%	14.41%	5 years

As of December 31, 2021

	Annual revenue growth rate for the five-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Weike	9%-12%	2.3%	14.52%	5 years
Shanghai Kaidun	(6%)-9%	2.3%	14.96%	5 years
Vlinker Project Companies	5%-20%	2.3%	14.95%	5 years
Shanghai Yinchen	3%-8%	2.3%	14.87%	5 years
Shanghai Haoji	0%-3%	2.3%	15.04%	5 years
Shanghai Hanmo	4%-9%	2.3%	14.60%	5 years

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As of December 31, 2022

	Annual revenue growth rate for the five-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Weike	9%-10%	2.3%	14.41%	5 years
Shanghai Kaidun	3%-7%	2.3%	15.04%	5 years
Vlinker Project Companies	8%-16%	2.3%	14.48%	5 years
Shanghai Yinchun	1%-2%	2.3%	14.59%	5 years
Shanghai Haoji	3%-15%	2.3%	14.74%	5 years
Shanghai Hanmo	3%-4%	2.3%	14.93%	5 years

Our management performed impairment testing for the goodwill and determined such goodwill was not impaired, since the headroom for the CGUs containing goodwill amounted to:

	As of December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>		
Weike	7,402	8,893	19,084
Shanghai Kaidun	3,291	9,004	7,387
Vlinker Project Companies	–	164,774	176,881
Shanghai Yinchun	–	6,769	9,150
Shanghai Haoji	–	4,725	4,920
Shanghai Hanmo	–	63,216	53,328

Sensitivity analysis has been performed based on the assumptions that revenue, terminal growth rate, or pre-tax discount rate has been changed. The following table sets forth the decreased headroom had the estimated key assumptions during the forecast period been changed as below:

Weike:

	As of December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>		
Revenue amount decreases by 1%	5,548	7,155	16,942
Terminal growth rate decreases by 0.5%	2,398	4,691	15,488
Pre-tax discount rate increases by 0.3%	3,844	5,824	16,211

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Shanghai Kaidun:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Revenue amount decreases by 1%	683	5,318	4,020
Terminal growth rate decreases by 0.5%	315	920	2,704
Pre-tax discount rate increases by 0.3%	964	3,523	3,945

Vlinker Project Companies:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Revenue amount decreases by 1%	–	1,316	3,077
Terminal growth rate decreases by 0.5%	–	59,965	78,837
Pre-tax discount rate increases by 0.3%	–	97,302	108,387

Shanghai Yincheng:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Revenue amount decreases by 1%	–	5,314	7,722
Terminal growth rate decreases by 0.5%	–	2,634	5,798
Pre-tax discount rate increases by 0.5%	–	4,405	6,956

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Shanghai Haoji:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Revenue amount decreases by 1%	–	1,553	648
Terminal growth rate decreases by 0.5%	–	2,552	2,982
Pre-tax discount rate increases by 0.3%	–	3,285	3,560

Shanghai Hanmo:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Revenue amount decreases by 1%	–	41,122	34,798
Terminal growth rate decreases by 0.5%	–	18,659	17,997
Pre-tax discount rate increases by 0.3%	–	31,409	27,802

As of December 31, 2020, 2021 and 2022, the estimated revenue, estimated terminal growth rate and pre-tax discount rate must change by the percentage set out below to remove the remaining headroom for CGUs containing goodwill, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount.

Weike:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	4.10%	5.30%	9.55%
Decrease in terminal growth rate	0.76%	1.12%	3.41%
Increase in pre-tax discount rate	0.64%	0.91%	2.28%

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Shanghai Kaidun:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	1.26%	2.48%	2.22%
Decrease in terminal growth rate	0.56%	0.56%	0.81%
Increase in pre-tax discount rate	0.43%	0.50%	0.36%

Vlinker Project Companies:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	–	1.01%	1.02%
Decrease in terminal growth rate	–	0.81%	0.94%
Increase in pre-tax discount rate	–	0.76%	0.81%

Shanghai Yinchun:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	–	4.80%	6.73%
Decrease in terminal growth rate	–	0.85%	1.50%
Increase in pre-tax discount rate	–	0.77%	1.35%

Shanghai Haoji:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	–	1.32%	1.15%
Decrease in terminal growth rate	–	1.16%	1.38%
Increase in pre-tax discount rate	–	1.04%	1.15%

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Shanghai Hanmo:

	As of December 31,		
	2020	2021	2022
Decrease in revenue	–	2.91%	2.93%
Decrease in terminal growth rate	–	0.73%	0.78%
Increase in pre-tax discount rate	–	0.61%	0.34%

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

Finance lease receivables

Our non-current finance lease receivables represent the lease payment to be received by us under finance leases, which is not due until one year later counting from the relevant date. The carrying amount of our non-current finance lease receivables increased by 59.7% from RMB132.4 million as of December 31, 2020 to RMB211.6 million as of December 31, 2021, primarily due to additional commercial subleases that we either newly signed or obtained through business acquisitions. The carrying amount of our non-current finance lease receivables remained stable as of December 31, 2021 and as of December 31, 2022 with the number reaching RMB211.6 million and RMB209.3 million, respectively.

Our current finance lease receivables represent the lease payment to be received by us under finance leases, which is due within one year counting from the relevant date. The carrying amount of our current finance lease receivables was RMB20.9 million, RMB33.6 million and RMB57.2 million as of December 31, 2020, 2021 and 2022, respectively. The increase over the Track Record Period was consistent with the expansion of our apartment operation business under the leased-and-operated model.

Other intangible assets

Our other intangible assets primarily include our software, and acquired management contracts that we took over as a result of our acquisitions.

The net carrying amount of our other intangible assets increased by 50.1% from RMB53.0 million as of December 31, 2020 to RMB79.6 million as of December 31, 2021, primarily due to our efforts to update our software and our acquisition of new subsidiaries. The net carrying amount of our other intangible assets increased by 20.6% from RMB79.6 million as of December 31, 2021 to RMB96.0 million as of December 31, 2022, primarily due to our efforts to upgrade our software and our acquisition of new subsidiaries.

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Investments in joint ventures and associates

Our investments in joint ventures and associates represent our share of net assets in joint ventures and share of net assets in associates. Our investments in joint ventures and associates increased by 171.6% from RMB65.9 million as of December 31, 2020 to RMB179.0 million as of December 31, 2021, primarily due to our investments in Shanghai Yanlu. Our investments in joint ventures and associates increased by 53.0% from RMB179.0 million as of December 31, 2021 to RMB273.9 million as of December 31, 2022, primarily due to our increased share of net assets in associates as our certain unlisted equity investment was reclassified as investment in associates because we gained significant influence over the invested entity.

The following table sets forth our investments in joint ventures and associates as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Share of net assets in joint ventures	16,277	41,084	42,670
Share of net assets in associates	49,632	137,916	231,247
Total	65,909	179,000	273,917

Financial assets at FVTPL

Our non-current financial assets at FVTPL consist of unlisted investments and debt instruments. Our non-current financial assets at FVTPL decreased by 63.9% from RMB851.8 million as of December 31, 2020 to RMB307.3 million as of December 31, 2021, primarily due to the significant decrease in our unlisted equity investments as we acquired Vlinker Project Companies in 2021, the interest in which was previously recorded under unlisted equity investments in 2020. Our non-current financial assets at FVTPL decreased by 18.6% from RMB307.3 million as of December 31, 2021 to RMB250.0 million as of December 31, 2022, primarily due to the reclassification of our certain unlisted equity investment as investment in associates because we gained significant influence over the invested company.

Our current financial assets at FVTPL represent the wealth management products that we purchased. We had current financial assets at FVTPL of nil, RMB11.1 million and nil as of December 31, 2020, 2021 and 2022, respectively.

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The following table presents the breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Current:			
Wealth management products	–	11,052	–
Non-current:			
Unlisted investments, at fair value	831,886	285,438	225,960
Debt instruments, at fair value	19,888	21,878	24,065
Total	851,774	318,368	250,025

In terms of investments in financial assets at FVTPL, we mainly make minority investments in unlisted companies in the rental apartment industry. Leveraging our experience and expertise in rental apartment management and operation, we are capable of effectively identifying quality market players and assets in the same industry. Through our investment in other rental apartment operators, we are able to receive relatively considerable returns, diversify revenue streams and maintain frequent communications with those investee companies, which lays the foundation for our potential future expansion in the industry. Our investment team has deep industry knowledge accumulated from years of operation and management of rental apartments and our controlling shareholder prior to the [REDACTED], Warburg Pincus, frequently provides us valuable investment advice and industry insights, which all empower us to make accurate assessments of potential investment opportunities and facilitate the valuation process. All such investments that exceed RMB50 million have to be eventually evaluated and decided by our Board. After the [REDACTED], the investment in these assets will be subject to compliance with Chapter 14 of the Listing Rules.

Loan receivables

Our loan receivables consist of our loans to related parties and loans to third parties. The balances of the loans to related parties as of December 31, 2020, 2021 and 2022 were subject to interest. Our loan receivables decreased by 88.3% from RMB120.9 million as of December 31, 2020 to RMB14.1 million as of December 31, 2021, primarily due to the repayment of the aforementioned loan. Our loan receivables decreased by 33.0% from RMB14.1 million as of December 31, 2021 to RMB9.5 million as of December 31, 2022, primarily due to the repayment of loans that we provided. As of December 31, 2022, our loans to third parties and loans to related parties amounted to RMB4.6 million and RMB5.0 million,

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respectively. As of February 28, 2023, none of our loans to third parties outstanding as of December 31, 2022 nor our loans to related parties outstanding as of December 31, 2022 had been settled. The following table sets forth a breakdown of our loans to related parties by the type of related parties:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Loans to associates	12,329	6,962	5,000
Loans to a fellow subsidiary	100,000	—	—
Total	112,329	6,962	5,000

Our loans to related parties decreased by 93.8% from RMB112.3 million as of December 31, 2020 to RMB7.0 million as of December 31, 2021 due to the loan repayments made by our associates and a fellow subsidiary in 2021. Our loans to related parties further decreased by 28.2% from RMB7.0 million as of December 31, 2021 to RMB5.0 million as of December 31, 2022 due to the write-off of approximately RMB2.0 million as a result of the liquidation of an associate. Our loans to associates were non-trade in nature, unsecured and subject to interest. Our loans to associates amounting to RMB5.0 million as of December 31, 2020, 2021 and 2022 were repayable on demand. Our loans to a fellow subsidiary were unsecured, with an interest rate of 12% per annum and maturity of 19 days. The maximum amount of loans due from related parties for the years ended December 31, 2020, 2021 and 2022 was RMB112.3 million, RMB166.3 million and RMB517.0 million, respectively.

The General Lending Provisions (《貸款通則》), which were promulgated in 1996 and became effective in the same year, stipulate that enterprises shall not engage in lending or disguised lending financing business in violation of laws and regulations. However, according to the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Laws in the Hearing of Private Lending Cases (the second revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)》), the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions as long as certain requirements are satisfied and there is no violation of mandatory provisions stipulated in the Civil Code (《民法典》) and Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Laws in the Hearing of Private Lending Cases. Our loans to related parties in China do not fall into these specific circumstances.

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Furthermore, during the Track Record Period and up to the Latest Practicable Date, (i) we have not been subject to any administrative penalty or administrative investigation with regard to the loans to related parties; (ii) we are not engaged in the business of providing private lending and the purpose of loans to related parties is not to collect interest; (iii) the interest rates of loans to related parties do not exceed the interest rate stipulated in the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Laws in the Hearing of Private Lending Cases (four times of the one-year LPR); and (iv) the related parties are enterprises or enterprises that have direct or indirect equity relations with us, instead of non-related third parties. In addition, our PRC Legal Advisors made a telephone inquiry on September 20, 2022 with the Business Management Department of the People’s Bank of China (Beijing). According to the response, the People’s Bank of China only supervises the lending of commercial banks, while the lending between enterprises is not within the supervision scope of the People’s Bank of China. Based on the foregoing, as advised by our PRC Legal Advisors, the risk that we will be subject to administrative penalty under relevant laws and regulations with respect to the loans to related parties is remote.

Other non-current assets

Our other non-current assets consist of rental deposit, loan deposit, others and allowance for credit loss. Our other non-current assets increased by 79.7% from RMB71.1 million as of December 31, 2020 to RMB127.9 million as of December 31, 2021, primarily due to the increase in rental deposit paid by us as we expanded our business operations during the years. Our other non-current assets increased by 9.3% from RMB127.9 million as of December 31, 2021 to RMB139.8 million as of December 31, 2022, primarily due to the increase in rental deposit paid by us as we rented more leased-and-operated apartments to expand our operations.

Deferred tax assets

Our deferred tax assets are recognized if deductible temporary differences, such as impairment of financial assets and the carryforward of unused tax losses, are used to offset future taxable profit. Our deferred tax assets increased by 45.0% from RMB126.9 million as of December 31, 2020 to RMB184.1 million as of December 31, 2021. Our deferred tax assets further increased by 19.0% from RMB184.1 million as of December 31, 2021 to RMB219.1 million as of December 31, 2022. The increase of our deferred tax assets during the Track Record Period was primarily due to the increase in deferred tax credited to profit arising from both losses available for offsetting against future taxable profits and impairment of financial assets.

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Trade receivables

We provide credit terms primarily to (i) some corporate customers of our blue collar dormitories, (ii) third party merchants of our commercial lease, and (iii) our franchisees and entrusting parties. Our trade receivables also includes receivables that we took over as a result of acquisitions. The credit periods of trade receivables that we grant under the leased-and-operated model and the manachised and third-party managed model are set forth below:

- Under the leased-and-operated model, we normally do not grant our customers any credit period as we generally require them to pay in advance, usually in an amount that equals one month’s or three months’ rent, in addition to a security deposit. Nevertheless, we may offer long-standing corporate customers a credit period of one to three months.
- Under the manachised and third-party managed model, we normally offer our business partners a credit period of three months. However, in exceptional cases, we may decide to extend such credit period for the benefit of our business partners.

Our trade receivables increased by 256.0% from RMB12.0 million as of December 31, 2020 to RMB42.7 million as of December 31, 2021 primarily due to the acquired trade receivables that we took over as a result of our acquisition. Our trade receivables decreased by 29.4% from RMB42.7 million as of December 31, 2021 to RMB30.1 million as of December 31, 2022, primarily because one of our franchisees began to pay us royalties on a monthly basis.

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

	As of December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>		
Trade receivables	14,578	45,932	37,393
Impairment allowance	(2,594)	(3,272)	(7,267)
Total	11,984	42,660	30,126

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An aging analysis of our trade receivables as of the end of each of the years comprising the Track Record Period, based on the invoice date and net of loss allowance, is as follows:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Within 1 year	10,070	38,982	28,265
1 to 2 years	1,914	1,764	1,861
2 to 3 years	–	1,914	–
Total	11,984	42,660	30,126

The following table sets forth the number of turnover days for our trade receivables for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Trade receivable turnover days			
Leased-and-operated model	6	9	10
Manachised and third-party managed model	121	128	134

Our trade receivables turnover days under the leased-and-operated model increased from 6 days in 2020 to 9 days in 2021, primarily because of our completed acquisitions at the end of 2021, which increased the carrying amount of our trade receivables as of December 31, 2021 under the leased-and-operated model. Our trade receivables turnover days under the leased-and-operated model slightly increased from 9 days in 2021 to 10 days 2022, primarily due to the growth in the revenue contribution of our corporate customers as we normally grant a credit period of one to three months only to long-standing corporate customers instead of individual customers.

Our trade receivables turnover days under the manachised and third-party managed model increased from 121 days in 2020 to 128 days in 2021, primarily because we provided certain trustworthy partners with more flexible payment schedules over the years. Our trade receivables turnover days under the manachised and third-party managed model increased from 128 days in 2021 to 134 days in 2022, primarily because of our acquisition of a company in October 2022 which brought us several management agreements. Correspondingly, we negotiated with the relevant entrusting parties for the concrete arrangements of our business cooperation under such management agreements, which in turn caused a delay in the settlement of the royalties.

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We perform an impairment analysis at the end of each year during the Track Record Period using a provision matrix or assess individually to measure expected credit losses. As of December 31, 2020, 2021 and 2022, respectively, the balances of RMB1,682,000, RMB1,855,000 and RMB5,274,000 were with special risks, for which the impairment losses were assessed individually and fully recognized. The provision rates used in the provision matrix are based on the days from the billing date for customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As of February 28, 2023, RMB17.3 million, or 46.2% of our trade receivables outstanding as of December 31, 2022, had been settled. We believe that there is no material recoverability issue for trade receivables, primarily for the following reasons: (i) the outstanding balances of trade receivables were mainly due from corporate customers. Corporate customers have relatively long payment credit, whereas they are primarily prominent and creditworthy companies, most of which were in good financial standing, and nothing has come to our attention that causes us to believe that they are in financial distress; and (ii) the amount of provision for trade receivables was measured by applying a scientific assessment model, in which various considerations had been accounted for under the expected credit losses model, such as the aging of receivables and aging trends, the creditworthiness and specific risk exposure of a particular customer, and macroeconomic factors that may affect a customer’s ability to pay. We believe the assessment model provided a concrete basis to formulate the amount of provision (if required). Moreover, the financial standing of each corporate customer was monitored closely, and if any signal of defaults had been identified, rational actions would have been taken, including legal actions, to collect the payments.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets primarily consist of prepayments to suppliers, deductible value-added tax recoverable, loan receivables from shareholders, other receivables from a shareholder, interest receivables, amount due from associates and joint ventures and other receivables.

Our prepayments, other receivables and other assets increased by 16.2% from RMB344.6 million as of December 31, 2020 to RMB400.3 million as of December 31, 2021, primarily due to the increase in prepayments to suppliers as we scaled up our operations under the leased-and-operated model, deductible value-added tax recoverable and loan receivables from shareholders, which was partially offset by the decrease in other receivables. Our prepayments, other receivables and other assets decreased by 69.9% from RMB400.3 million as of December 31, 2021 to RMB120.5 million as of December 31, 2022, primarily due to (i) the settlement of the FortuNews Loans and the KWJ Loan by virtue of the FortuNews Holdings Share Surrender and the KWJ Investment Unwinding, respectively, (ii) the decrease in deductible value-added tax recoverable, and (iii) the decrease in the amount of prepayments to suppliers as we managed to adjust our payment with certain suppliers from ex ante payment to ex post payment in connection with our strategic acquisitions conducted at the end of 2021.

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The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Prepayments to suppliers	15,915	41,619	21,051
Deductible value-added tax recoverable ⁽¹⁾	86,912	100,622	66,943
Loan receivables from shareholders	189,866	206,396	–
Other receivables from a shareholder	13,789	13,789	–
Interest receivables	2,815	6,477	1,422
Amount due from associates and joint ventures	8,132	2,063	4,531
Other receivables ⁽²⁾	41,998	34,485	19,096
Others	–	826	10,884
	352,697	406,277	123,927
Impairment allowance	(14,875)	(5,996)	(3,454)
Total	344,552	400,281	120,473

Notes:

- (1) Deductible value-added tax recoverable is input VAT generated in the process of goods or long-term assets purchased, which shall be deducted from out VAT to reduce the payment of VAT.
- (2) Other receivables mainly include petty cash, security deposit, and advance payments for construction projects.

Both loan receivables from shareholders and amount due from associates and joint ventures are non-trade in nature. As discussed in the next paragraph, loan receivables from shareholders have been waived, and, as such, there is no further need for settlement. On the other hand, amount due from associates and joint ventures will be settled prior to the [REDACTED].

The loan receivables from shareholders consist of loans and interest receivables due from FortuNews Holdings Ltd. (a company indirectly controlled by Ocean Link. The general partner of Ocean Link is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. Zheng Nanyan) and KWJ Investment Management Limited (a company wholly owned by Ms. Liu Jia). The outstanding principal and accrued interest amounts of loan receivables from shareholders have been fully waived after June 30, 2022, which was the consideration for the repurchase of certain shares owned by the shareholders respectively. As confirmed by Walkers (Hong Kong), our legal advisors as to Cayman Islands law, the laws of the Cayman Islands do not prohibit a Cayman

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Islands exempted company from providing financial assistance to its shareholders so long as the directors have discharged their fiduciary duties in approving such financial assistance. The loans extended to FortuNews Holdings and KWJ Investment were a form of incentive granted to Mr. ZHENG Nanyan and Ms. LIU Jia, respectively. For more details, see “History and Corporate Structure – Our Establishment, Major Shareholding Changes and Development of Our Group – 11. Series D+ Financing” and “History and Corporate Structure – Our Establishment, Major Shareholding Changes and Development of Our Group – 12. Subscription of Shares by KWJ Investment.” Our Directors believed that the loan arrangements were beneficial to the long-term business development of our Group, as they incentivized Mr. ZHENG Nanyan and Ms. LIU Jia by aligning their interests as Directors with our interests and those of our Shareholders. Consequently, our Directors were also of the view that the terms of the FortuNews Loans and the KWJ Loan were fair, reasonable, and in the best interests of ours and our Shareholders as a whole. Based on the above, we believe that the loans extended to FortuNews Holdings and KWJ Investment were not inconsistent with any relevant laws and regulations.

As of February 28, 2023, (i) RMB10.2 million, or 48.2% of prepayments to suppliers outstanding as of December 31, 2022, (ii) none of amount due from associates and joint ventures as of December 31, 2022, and (iii) RMB2.1 million, or 10.8% of other receivables outstanding as of December 31, 2022, had been settled.

Cash and bank balances

Our cash and bank balances amounted to RMB348.5 million, RMB682.5 million and RMB414.0 million as of December 31, 2020, 2021 and 2022, respectively.

Liabilities

Trade payables

Our trade payables primarily represent daily payables to constructors in charge of construction and renovation of our apartments and suppliers of furniture and appliances for our apartments, which are unsecured and non-interest-bearing. Our trade payables increased by 28.7% from RMB63.5 million as of December 31, 2020 to RMB81.8 million as of December 31, 2021, which was in line with the expansion of our business operations over the year. Our trade payables increased by 25.8% from RMB81.8 million as of December 31, 2021 to RMB102.8 million as of December 31, 2022, primarily due to the increase in project payments owed to constructors as we planned to open more leased-and-operated apartment communities.

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An aging analysis of our trade payables based on the invoice date is as follows:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Within one year	42,129	49,383	72,317
Over one year	21,393	32,379	30,504
Total	63,522	81,762	102,821

In 2020, 2021 and 2022, the turnover days of our trade payables were 132 days, 157 days and 150 days, respectively. The turnover days of our trade payables increased from 132 days in 2020 to 157 days in 2021, primarily because of our strategic acquisitions conducted at the end of 2021, which increased the outstanding balance of our trade payables as of December 31, 2021. Our trade payables turnover days decreased from 157 days in 2021 to 150 days in 2022, primarily because the impact of strategic acquisitions on our trade payables turnover days decreased in 2022.

As of February 28, 2023, RMB32.1 million, or 31.2% of our trade payables outstanding as of December 31, 2022, had been settled.

Other payables and accruals

Our other payables and accruals primarily consist of (i) advances from residents, (ii) contract liabilities, (iii) staff cost payables, (iv) interest payables, (v) other tax payables, (vi) deposit payables, (vii) consideration payables, (viii) accrued expenses, and (ix) others. Our other payables and accruals increased by 63.8% from RMB505.1 million as of December 31, 2020 to RMB827.3 million as of December 31, 2021. This increase of other payables and accruals was generally in line with the increase of apartments that we operated and our overall business expansion. Our other payables and accruals decreased by 9.7% from RMB827.3 million as of December 31, 2021 to RMB747.3 million as of December 31, 2022, primarily due to the decrease in advances that we charged from residents as more residents chose to pay on a monthly basis during the pandemic.

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The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Advances from tenants ⁽¹⁾	116,017	208,696	154,473
Contract liabilities	9,549	17,958	13,655
Staff cost payables	22,532	51,720	36,413
Interest payables	27,868	13,836	17,141
Other tax payables	4,457	7,901	2,101
Deposit payables ⁽²⁾	88,792	150,258	147,417
Consideration payables ⁽³⁾	67,798	122,711	183,163
Share redemption	–	49,043	50,000
Accrued expenses ⁽⁴⁾	47,646	51,035	53,216
Amount due to non-controlling shareholders of a subsidiary	–	30,000	10,000
Amount due to third parties	–	10,174	–
Loan from a fellow subsidiary	39,149	–	–
Amount due to fellow subsidiaries	40,379	44,186	–
Amount due to a joint venture	15	5,630	–
Others ⁽⁵⁾	40,917	64,137	79,730
Total	505,119	827,285	747,309

Notes:

- (1) Advances from tenants represent the prepaid rents received from our tenants.
- (2) Deposit payables represent the security deposits paid by our tenants.
- (3) Consideration payables represent the equity consideration owed to the original shareholders of acquired entities.
- (4) Accrued expenses primarily represent accrued security costs, cleaning costs, electricity costs, bandwidth charges, maintenance costs, energy costs, property management fees and related expenses.
- (5) Others primarily include quality guarantee retention money received from suppliers, litigation costs payables and other account payables.

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Our advances from tenants increased by 79.9% from RMB116.0 million as of December 31, 2020 to RMB208.7 million as of December 31, 2021, primarily because of the increase of rental apartments operated by us under the leased-and-operated model. Our advances from tenants decreased by 26.0% from RMB208.7 million as of December 31, 2021 to RMB154.5 million as of December 31, 2022, primarily because more residents chose to pay rents on a monthly basis during the COVID-19 outbreaks. Our deposit payables increased by 69.2% from RMB88.8 million as of December 31, 2020 to RMB150.3 million as of December 31, 2021, primarily because of the increase of rental apartment operated by us under the leased-and-operated model. Our deposit payables largely remained stable from December 31, 2021 to December 31, 2022 with the amount reaching RMB150.3 million and RMB147.4 million, respectively.

Our consideration payables increased by 81.0% from RMB67.8 million as of December 31, 2020 to RMB122.7 million as of December 31, 2021, primarily due to our strategic acquisitions conducted during the period to consolidate our leading position in the centralized rental apartment industry. Our consideration payables increased by 49.3% from RMB122.7 million as of December 31, 2021 to RMB183.2 million as of December 31, 2022, primarily because of our acquisitions conducted in December 2022. Our accrued expenses increased by 7.1% from RMB47.6 million as of December 31, 2020 to RMB51.0 million as of December 31, 2021, primarily due to the expansion of our apartment network during the period. Our accrued expenses increased by 4.3% from RMB51.0 million as of December 31, 2021 to RMB53.2 million as of December 31, 2022, primarily because we deferred the payment of electricity costs, property management fees and other costs for our leased-and-operated apartments in Shanghai during the COVID-19 outbreak in the spring of 2022. Our others part of other payables and accruals increased by 56.7% from RMB40.9 million as of December 31, 2020 to RMB64.1 million as of December 31, 2021, primarily due to the enlarged scale of our business operations and the impact of certain other payables, such as litigation cost payables. The others portion in other payables and accruals increased by 24.3% from RMB64.1 million as of December 31, 2021 to RMB79.7 million as of December 31, 2022, primarily because of our acquisition of a company in October 2022.

As of February 28, 2023, RMB6.9 million, or 50.5% of our contract liabilities outstanding as of December 31, 2022, had been settled.

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings consist of interest-bearing bank loans and other borrowings. Our current interest-bearing bank and other borrowings amounted to RMB1,210.7 million, RMB1,091.1 million and RMB1,330.2 million as of December 31, 2020, 2021 and 2022, respectively. Our non-current interest-bearing bank and other borrowings amounted to RMB195.2 million, RMB1,159.4 million and RMB1,083.7 million as of December 31, 2020, 2021 and 2022, respectively.

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Lease liabilities

Our lease liabilities represent the present value of the lease payments that we are contractually obligated to make over the remaining lease term. Our lease liabilities increased by 54.4% from RMB4,923.1 million as of December 31, 2020 to RMB7,603.2 million as of December 31, 2021, primarily due to (i) our acquisition of new apartment communities, (ii) new leases that we entered into and (iii) accretion of interest recognized during the year, partially offset by the payments made by us during the year and the COVID-19-related rent concessions received from landlords. Our lease liabilities increased by 5.4% from RMB7,603.2 million as of December 31, 2021 to RMB8,010.9 million as of December 31, 2022, primarily because of the new leases that we entered into for our apartment operation business under the leased-and-operated model.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	As of/For the Year Ended December 31,		
	2020	2021	2022
Gross profit margin ⁽¹⁾	82.9%	86.1%	85.8%
Net gearing ratio ⁽²⁾	11.7%	11.2%	14.3%

Notes:

- (1) Gross profit margin equals gross profit divided by the revenue during the year.
- (2) Net gearing ratio equals net debt divided by total assets. Net debt represents interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from proceeds from Preferred Share issuances, bank borrowings and cash generated from operating activities. We had cash and bank balances of RMB348.5 million, RMB682.5 million and RMB414.0 million as of December 31, 2020, 2021 and 2022, respectively.

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We had net current liabilities of RMB1,374.4 million, RMB1,537.9 million and RMB2,423.6 million as of December 31, 2020, 2021 and 2022, respectively. Our net current liabilities position as of each of these dates was primarily because we recorded significant amounts of (i) current portion of lease liabilities in connection with the adoption of IFRS 16 throughout the Track Record Period, which amounted to RMB425.9 million, RMB717.8 million and RMB874.6 million as of December 31, 2020, 2021 and 2022, respectively, (ii) interest-bearing bank and other borrowings, and (iii) other payables and accruals that are mostly related to our business nature, mainly consisting of advances from residents, deposit payables, accrued expenses, consideration payables and staff cost payables.

Cash Flows

The following table sets forth our cash flows for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB'000)		
Net cash generated from operating activities	658,543	1,047,513	1,187,309
Net cash used in investing activities	(275,043)	(776,934)	(214,409)
Net cash (used in)/generated from financing activities	(269,899)	69,953	(1,276,665)
Net (decrease)/increase in cash and cash equivalents	113,601	340,531	(303,765)
Cash and cash equivalents at beginning of year	214,870	317,914	656,296
Cash and cash equivalents at end of the year	317,914	656,296	345,575

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Net cash generated from operating activities

Net cash generated from operating activities represents cash generated from operating activities minus corporate income tax paid. Cash generated from operating activities primarily comprises our profit before income tax adjusted by non-cash items and changes in working capital.

In 2022, our net cash generated from operating activities was RMB1,187.3 million, which was due to the adjustment of non-cash and non-operating items and changes in working capital. More specifically, our loss before tax of RMB253.6 million was adjusted by (i) the add-back of non-cash and non-operating items, primarily comprising changes in fair value of investment properties of RMB776.6 million and finance costs of RMB635.8 million, partially offset by gain on financial assets at FVTPL of RMB19.9 million, interest income from finance lease receivables of RMB18.7 million and other interest income of RMB17.1 million, and (ii) changes in working capital, which primarily comprised a decrease in trade payables, accruals and other payables of RMB151.6 million and an increase in long-term receivables of RMB15.5 million, partially offset by a decrease in prepayments, other receivables and other assets of RMB97.6 million and a decrease in trade receivables of RMB13.0 million.

In 2021, our net cash generated from operating activities was RMB1,047.5 million, which was primarily attributable to our profit before tax of RMB396.5 million, as adjusted by (i) the add-back of non-cash and non-operating items, primarily comprising finance costs of RMB501.3 million and changes in fair value of investment properties of RMB241.4 million, partially offset by gain on financial assets at FVTPL of RMB29.5 million, share of profits and losses of joint ventures and associates of RMB27.9 million, other interest income of RMB24.1 million, and interest income from finance lease receivables of RMB13.6 million, and (ii) changes in working capital, which primarily comprised a decrease in trade payables, accruals and other payables of RMB43.0 million and an increase in trade receivables of RMB15.7 million, partially offset by a decrease in prepayments, other receivables and other assets of RMB36.5 million.

In 2020, our net cash generated from operating activities was RMB658.5 million, which was due to the adjustment of non-cash and non-operating items and changes in working capital. More specifically, our loss before tax of RMB262.6 million was adjusted by (i) the add-back of non-cash and non-operating items, primarily comprising changes in fair value of investment properties of RMB496.7 million and finance costs of RMB423.1 million, partially offset by gain on financial assets at FVTPL of RMB38.1 million and other interest income of RMB19.0 million, and (ii) changes in working capital, which primarily comprised a decrease in prepayments, other receivables and other assets of RMB38.6 million and an increase in trade payables, accruals and other payables of RMB12.9 million, partially offset by an increase in long-term receivables of RMB8.6 million and a decrease in long-term payables of RMB5.0 million.

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Net cash used in investing activities

In 2022, our net cash used in investing activities was RMB214.4 million, which was primarily attributable to the net cash used in acquisition of subsidiaries of RMB100.6 million and additions to investment properties of RMB97.3 million, partially offset by the net cash generated from receipts of deferred consideration of finance lease of RMB34.5 million and proceeds from disposal of financial assets at FVTPL of RMB11.1 million.

In 2021, our net cash used in investing activities was RMB776.9 million, which was primarily attributable to the net cash used in acquisition of subsidiaries of RMB897.1 million, repayment of shareholder loans to previous shareholders of certain subsidiaries of RMB310.2 million according to relevant share purchase agreements, and additions to investment properties of RMB120.6 million, partially offset by the net cash generated from proceeds from disposal of financial assets at FVTPL of RMB554.6 million as a result of our disposal of entire interest in Vlinker Creator Space Operations and repayment from a fellow subsidiary of RMB100.0 million.

In 2020, our net cash used in investing activities was RMB275.0 million, which was primarily attributable to the net cash used in additions to investment properties of RMB187.7 million and loans to a fellow subsidiary of RMB100.0 million, partially offset by net cash generated from repayment from financial assets at FVTPL of RMB20.0 million and receipt of deferred consideration of finance lease of RMB18.8 million.

Net cash (used in)/generated from financing activities

In 2022, our net cash used in financing activities was RMB1,276.7 million, which was primarily attributable to repayment of bank loans and other borrowings of RMB1,201.1 million, principal portion of lease payments of RMB607.2 million, interest portion of lease payments of RMB440.4 million and interest paid of RMB179.7 million, partially offset by proceeds from bank loans and other borrowings of RMB1,198.1 million and proceeds from issuance of ordinary shares of RMB13.8 million.

In 2021, our net cash generated from financing activities was RMB70.0 million, which was primarily attributable to proceeds from bank loans and other borrowings of RMB2,176.5 million and proceeds from issuance of Preferred Shares of RMB258.4 million, partially offset by repayment of bank loans and other borrowings of RMB1,356.6 million, principal portion of lease payments of RMB547.9 million, interest portion of lease payments of RMB376.4 million and interest paid of RMB134.2 million.

In 2020, our net cash used in financing activities was RMB269.9 million, which was primarily attributable to repayment of bank loans and other borrowings of RMB551.4 million, interest portion of lease payments of RMB303.0 million, principal portion of lease payments of RMB239.4 million and interest paid of RMB117.6 million, partially offset by proceeds from issuance of Preferred Shares of RMB510.8 million and proceeds from bank loans and other borrowings of RMB443.8 million.

	As of December 31,			As of February 28,
	2020	2021	2022	2023
	(RMB'000)			(Unaudited)
Current assets				
Inventories	–	483	–	–
Loan receivables	104,930	9,477	9,475	9,600
Trade receivables	11,984	42,660	30,126	33,802
Prepayments, other receivables and other assets	344,552	400,281	120,473	130,839
Finance lease receivables	20,922	33,649	57,248	58,986
Financial assets at FVTPL	–	11,052	–	–
Cash and bank balances	348,469	682,459	413,998	341,446
Total current assets	830,857	1,180,061	631,320	574,673
Current liabilities				
Trade payables	63,522	81,762	102,821	67,845
Other payables and accruals	505,119	827,285	747,309	745,248
Interest-bearing bank and other borrowings	1,210,732	1,091,088	1,330,195	1,595,858
Lease liabilities	425,903	717,794	874,612	859,198
Total current liabilities	2,205,276	2,717,929	3,054,937	3,268,148
Net current liabilities	(1,374,419)	(1,537,868)	(2,423,617)	(2,693,475)

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During the Track Record Period and up to February 28, 2023, our net current liabilities increased over this period of time, the details of which are set forth below:

- Our net current liabilities increased by 11.9% from RMB1,374.4 million as of December 31, 2020 to RMB1,537.9 million as of December 31, 2021, mainly due to (i) the increase in other payables and accruals along with the expansion of our apartment operation business in China, and (ii) the growth in the current portion of lease liabilities as we further scaled up our apartment operation business under the leased-and-operated model.
- Our net current liabilities increased by 57.6% from RMB1,537.9 million as of December 31, 2021 to RMB2,423.6 million as of December 31, 2022, which was caused by a combination of the decrease in our total current assets and the increase in our total current liabilities, among which:
 - (i) Our total current assets decreased by 46.5% from RMB1,180.1 million as of December 31, 2021 to RMB631.3 million as of December 31, 2022, primarily because (a) our loan receivables from shareholders decreased from RMB206.4 million as of December 31, 2021 to nil as of December 31, 2022 as the FortuNews Loans and the KWJ Loan had been settled by virtue of the FortuNews Holdings Share Surrender and the KWJ Investment Unwinding, respectively, the impact of which was one-off and non-recurring for our Group; and (b) our cash and bank balances decreased by 39.3% from RMB682.5 million as of December 31, 2021 to RMB414.0 million as of December 31, 2022, primarily due to our payment of considerations in 2022 for our strategic acquisitions conducted in 2021 and additions to investment properties.
 - (ii) Our total current liabilities increased by 12.4% from RMB2,717.9 million as of December 31, 2021 to RMB3,054.9 million as of December 31, 2022, primarily because (a) our current portion of interest-bearing bank and other borrowings increased by 21.9% from RMB1,091.1 million as of December 31, 2021 to RMB1,330.2 million as of December 31, 2022 as a larger amount of bank and other borrowings fell due within one year from the relevant date; and (b) our current portion of lease liabilities increased by 21.8% from RMB717.8 million as of December 31, 2021 to RMB874.6 million as of December 31, 2022 since we leased more apartment properties to expand our business operations in China, including apartment properties that we already leased as of December 31, 2022 but were not launched as of the same date.
- Our net current liabilities increased by 11.0% from RMB2,423.6 million as of December 31, 2022 to RMB2,693.5 million as of February 28, 2023, mainly because of the increase in the current portion of interest-bearing bank and other borrowings.

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Working Capital Sufficiency

We recorded net current liabilities of RMB1,374.4 million, RMB1,537.9 million and RMB2,423.6 million as of December 31, 2020, 2021 and 2022, and RMB2,693.5 million as of February 28, 2023, respectively. In connection with the adoption of IFRS 16, we recognized lease liabilities for future fixed lease payments in current liabilities and non-current liabilities. Meanwhile, we recognized investment properties representing lease-hold interests to earn rental income (within one year and beyond) entirely in non-current assets. As such, IFRS 16 resulted in us having less current assets and more current liabilities, which represents a de facto mismatch between current liabilities and current assets throughout the Track Record Period. Such a mismatch, together with our borrowings, payables and accruals, led to our net current liability position.

A net current liabilities position may pose certain risks for our operations, including risks related to our working capital sufficiency. For more details, please refer to “Risk Factors - Risks Related to Our Business and Industry - Our net current liabilities may expose us to certain liquidity risks and may restrain our operational flexibility as well as affect our ability to expand our business” in this document. In addition, due to the evolving industry and business dynamics, we are not able to predict exactly when we will be able to achieve a net current assets position. Nevertheless, for the following reasons, we believe that we are able to improve our net current liabilities position and that our working capital sufficiency is assured:

- ***Increasing our net cash generated from operating activities.*** In 2020, 2021 and 2022, our net cash generated from operating activities amounted to RMB658.5 million, RMB1,047.5 million and RMB1,187.3 million, respectively. During the Track Record Period, we recorded consistent and increasing net cash generated from operating activities despite the recurring outbreaks of COVID-19 which caused significant disruptions to our business operations in China. While it is difficult to foresee the future development of the COVID-19 pandemic and its further impact, we believe the increased preparedness of the Chinese society has created favorable conditions for our continued business operations. With the rental apartment industry in China gradually recovering from the downer in recent years, we believe we are able to benefit from the anticipated increase in the average rental rate of our apartment products and the anticipated improvement of the average occupancy rate of our rental apartments, leveraging our strong brand reputation in the market and effective selling and marketing strategies. We also plan to further expand our apartment operation business in Tier 1 cities and other core cities in China, seizing the great opportunities created by China’s ongoing urbanization process for the rental apartment industry. Meanwhile, as our business presence deepens in China, the number of our mature apartments also increases continually. In 2020, 2021 and 2022, we had 171, 175 and 213 mature apartment communities, respectively, corresponding to 26,520, 27,313 and 40,250 mature apartments, respectively. In light of these favorable factors, we believe we are able to continually increase our net cash generated from operating activities as a key source of our working capital.

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- ***Optimizing the structure of our bank and other borrowings.*** Leveraging our established business presence in China and strong relationship with banks and financial institutions, since the second half of 2022, we have been proactively replacing our original shorter-term loans and borrowings with longer-term equivalents, such that our indebtedness would comprise a higher portion of non-current borrowings, which would in turn improve our net current liabilities position. Our loan replacing efforts can be demonstrated by: (i) in April 2023, we reached an agreement with a bank consortium consisting of reputable banks to replace a US\$80.0 million loan (approximately RMB550.5 million), which will be due in May 2023, by a three-year term loan of the same size; (ii) in October 2022, we replaced a shorter-term loan with an outstanding balance of US\$58.0 million (approximately RMB399.1 million) as of June 30, 2022, which would have become due in June 2024, with a relatively longer-term loan; and (iii) we have agreed with a partner bank in principle to extend the term of a loan of RMB150.0 million from one year to three years, of which the initial tranche of RMB50.0 million was replaced in March 2023. The remaining RMB100.0 million is expected to be replaced with a term of three years within 2023 in accordance with the original due dates of the remaining tranches of the loan. Going forward, we will continue to closely monitor the maturity dates of our bank loans and other borrowings and aim to replace shorter-term loans with longer-term loans, leveraging our business expansion, market position and our listed company status.
- ***Ensuring ready access to additional bank and other borrowings.*** Building on our leading market position and continuously growing business scale, we are committed to maintaining our strong business relationships with banks so that our fund demand could be satisfied in an effective and timely manner on an as-needed basis. As of February 28, 2023, we had unutilized bank facilities and negotiated credit arrangements with banking institutions of RMB863.0 million, of which we had already utilized RMB149.0 million as of the Latest Practicable Date. We believe our ability to obtain financing effectively will allow us to improve our net current liabilities position while safeguarding our liquidity.
- ***Managing our receivables and payables more prudently and rigorously.*** We have established and maintained robust financial management practices to strive for timely collection of payments owed to us and favorable payment terms for amounts owed by us. Such practices primarily involve improving credit and payment terms, negotiating better terms with suppliers and customers, and implementing more efficient invoicing and payment processes. For example, in April 2023, upon negotiations with relevant parties, we managed to defer the payment of additional capital contributions at an amount of RMB40.0 million in an investee company to no earlier than the second half of 2024. Meanwhile, we also reached an agreement with relevant parties which allows us to settle the acquisition consideration of RMB125.0 million in connection with Opal Entities by the end of 2024. Both of these two account payable items were recorded as current portion of consideration payables as of December 31, 2022 in our audited financial statements.

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We are of the view that our capital and liquidity requirements are closely monitored. Our monthly management accounts will be prepared in a timely manner and will be reviewed by our Directors and our senior management. The monthly management accounts will be compared against the budget, and any material deviations will be explained and followed up immediately. Our senior management will closely review the working capital requirements, which will be supplemented by monitoring any long outstanding receivables and payment schedules for our lessors and other suppliers. If a shortfall of working capital is foreseen, we will adopt various measures to address the issue, such as hastening the collection of our outstanding receivables, increasing our bank facilities, delaying our non-urgent payments, etc. We confirm that there had not been any material default on our part in the payment of trade and other payables or bank and other borrowings, nor had there been any breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Based on the above, we are of the view that we possess sufficient working capital, including sufficient cash and liquidity assets, supplemented by strong fund-raising capabilities to meet our present requirements and for the next 12 months from the date of this document. Based on the review of the Group’s financial information, financial documents and relevant due diligence documents, discussions with the Directors and the Directors’ confirmation, the Joint Sponsors concur with the Directors’ view above.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2020	2021	2022	2023
	(RMB'000)			(Unaudited)
Interest-bearing bank and other borrowings				
Current:				
Bank loans – secured	372,494	779,343	844,697	851,881
Bank loans – unsecured	174,298	106,000	178,178	208,977
Other borrowings – secured	663,940	205,745	307,320	535,000
Non-current:				
Bank loans – secured	96,591	568,008	608,950	599,986
Other borrowings – secured	98,576	591,350	474,710	233,030
Lease liabilities				
Current portion	425,903	717,794	874,612	859,198
Non-current portion	4,497,194	6,885,410	7,136,254	7,123,510
Other indebtedness				
Other payables and accruals	39,149	10,174	125,000	125,000
Other non-current liabilities	–	56,870	–	–
Total	6,368,145	9,920,694	10,549,721	10,536,582

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Interest-bearing Bank and Other Borrowings

The weighted average interest rate for our interest-bearing bank and other borrowings as at December 31, 2020, 2021 and 2022 was 6.91%, 6.00% and 6.72%, respectively. We had outstanding interest-bearing bank and other borrowings of RMB1,405.9 million, RMB 2,250.4 million, RMB2,413.9 million and RMB2,428.9 million as of December 31, 2020, 2021 and 2022, and February 28, 2023, respectively.

During the Track Record Period, we were subject to certain financial covenants in respect of our bank borrowings and bank facilities, such as interest coverage ratio, gearing ratio and consolidated tangible net worth. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were compliant with all of these financial covenants in all the material aspects.

Lease liabilities

As of December 31, 2020, 2021 and 2022, and February 28, 2023, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB4,923.1 million, RMB7,603.2 million, RMB8,010.9 million and RMB7,982.7 million, respectively, in relation to the corresponding lease liabilities.

Other Indebtedness

Our other indebtedness includes other payables and accruals and other non-current liabilities. As of December 31, 2020, 2021 and 2022, and February 28, 2023, we had other indebtedness of RMB39.1 million, RMB67.0 million, RMB125.0 million, and RMB125.0 million, respectively.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of February 28, 2023.

CAPITAL EXPENDITURES

Our capital expenditures are primarily related to the renovation and decoration of our apartment communities and purchase of items of property, plant and equipment, which amounted to RMB200.9 million, RMB133.4 million and RMB120.1 million, respectively, in 2020, 2021 and 2022. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from our operating activities and financing activities.

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We plan to finance such expenditure primarily with our existing cash, net cash generated from operating activities, [REDACTED] from the [REDACTED], and bank borrowings if necessary.

CONTRACTUAL COMMITMENTS

Our contracted capital commitments as of December 31, 2020, 2021 and 2022 but not yet incurred are as follows.

	As of December 31,		
	2020	2021	2022
	(RMB'000)		
Contracted, but not provided for:			
Leasehold improvements of			
investment properties	62,846	33,492	87,513
Capital contributions payable	161,972	106,716	96,023
	224,818	140,208	183,536

Our contracted capital commitments were primarily related to the construction and renovation of our leased-and-operated apartments and our promise to continue our investment in joint ventures and associates.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, we did not have any material contingent liabilities or guarantees, or legal, arbitration or administrative proceedings pending or threatened against us that we expect would have material adverse impact on our financial position or results of operation.

TRANSACTIONS WITH RELATED PARTIES

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, see Note 40 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

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DIVIDENDS

No dividends had been paid or declared by our Company during the Track Record Period. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder’s meeting. Under the Companies Act, the distribution of shareholder dividends takes the form of distribution of surplus. A distribution of surplus may be made up to the amount calculated in accordance with the formula set forth in the Companies Act. Under the Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to the Shareholders out of either our profits or our share premium account, provided this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. However, no dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity’s registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations and the Articles of Association, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations. Our accumulated losses position as of January 1, 2020 was mainly due to the fact that economies of scale were not effectively achieved as our business scale was rather limited.

DISTRIBUTABLE RESERVES

As of December 31, 2022, we did not have any reserves available for distribution to our Shareholders.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our principal financial instruments comprise cash and cash equivalents, restricted cash and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations.

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The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Our Directors review and approve policies for managing each of these risks and they are summarized below:

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our Group’s long-term debt obligations with floating interest rates.

If interest rates had been 100 basis points higher and all other variables are held constant, our Group’s interest charge would have increased by approximately RMB5,395,000, RMB11,023,000 and RMB12,021,000 for the years ended December 31, 2020, 2021 and 2022, respectively. This is mainly attributable to our Group’s exposure to interest rates on our variable-rate bank and other borrowings.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD-RMB and HKD-RMB exchange rate, with all other variables held constant, of our profit or loss before tax (due to changes in the fair values of monetary assets and liabilities) and our equity.

	Increase/ (decrease) in USD/RMB	Increase/ (decrease) in profit/ (loss) before tax	Increase/ (decrease) in equity
	<i>rate %</i>	<i>RMB’000</i>	<i>RMB’000</i>
2020			
If the RMB weakens against the USD	5	6,251	6,251
If the RMB strengthens against the USD	(5)	(6,251)	(6,251)
If the RMB weakens against the HKD	5	(14,079)	(14,079)
If the RMB strengthens against the HKD	(5)	14,079	14,079
2021			
If the RMB weakens against the USD	5	(23,448)	(23,448)
If the RMB strengthens against the USD	(5)	23,448	23,448
If the RMB weakens against the HKD	5	(25,214)	(25,214)
If the RMB strengthens against the HKD	(5)	25,214	25,214

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	Increase/ (decrease) in USD/RMB	Increase/ (decrease) in profit/ (loss) before tax	Increase/ (decrease) in equity
	<i>rate %</i>	<i>RMB'000</i>	<i>RMB'000</i>
2022			
If the RMB weakens against the USD	5	56	56
If the RMB strengthens against the USD	(5)	(56)	(56)
If the RMB weakens against the HKD	5	(27,172)	(27,172)
If the RMB strengthens against the HKD	(5)	27,172	27,172

Credit Risk

We have no concentration of credit risk. Our cash and cash equivalents are mainly deposited with state-owned banks in Mainland China. The carrying amounts of the trade receivables, other receivables, restricted cash, cash and cash equivalents included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk.

We expect the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term.

We trade only with recognized and credit worthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within us as the customer bases of our trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

PROPERTY VALUATION

In accordance with the requirement of Rule 5.07 of the Listing Rules, our property valuer, Jones Lang LaSalle, has valued the top thirty properties of our Group's leased properties in terms of the ROU asset value as of December 31, 2022. Since the properties valued were leased by us for rental apartment business and we claim no right to assign, transfer or dispose of these properties, our property valuer attributed no commercial value to the property interests represented by the valued properties. Details of the valuation are summarized in Appendix V to this document.

As of December 31, 2022, the aggregate carrying amount of these thirty properties valued by our property valuer stood at RMB5.5 billion.

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[REDACTED]

Our [REDACTED] in connection with the [REDACTED] are estimated to be approximately [REDACTED] or [REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised). The percentage of [REDACTED] out of [REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised) is expected to be approximately [REDACTED]. Our [REDACTED] consist of (i) [REDACTED] (including incentives) of [REDACTED], (ii) fees and expenses of legal advisors and accountants of [REDACTED], and (iii) other fees and expenses of [REDACTED]. All the [REDACTED] were or will be borne by our Company and no amount of [REDACTED] was or will be borne by the [REDACTED].

During the Track Record Period, we incurred [REDACTED] of [REDACTED], of which [REDACTED] was charged to our consolidated statements of profit or loss, while the remaining amount of [REDACTED] was included in prepayments and will be subsequently charged to equity upon completion of the [REDACTED]. We expect to incur additional [REDACTED] of approximately [REDACTED] after the Track Record Period, of which approximately [REDACTED] will be charged to the consolidated statements of profit or loss and approximately [REDACTED] is expected to be recognized as a deduction in equity directly upon the completion of the [REDACTED].

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [REDACTED] on our consolidated net tangible assets attributable to owners of our Company as of December 31, 2022 as if the [REDACTED] had taken place on that date.

The unaudited [REDACTED] statement of our adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not provide a true picture of our consolidated net tangible assets attributable to owners of our Company had the [REDACTED] been completed as of December 31, 2022 or at any future date.

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[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022 and up to the Latest Practicable Date.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business – Our Strategies” in this document for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in relation to the [REDACTED], assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED], and that the [REDACTED] is not exercised.

We intend to use the [REDACTED] we will receive from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for business expansion and strategic acquisitions, with a view to increasing our market share and solidifying our leading position in China’s centralized rental apartment industry. We plan to further expand our apartment network around the country and seize the business opportunities presented by the growth potential of our industry. We also intend to seek more opportunities for industry consolidation, further enhancing our ability in catering to diversified demands of urban residents. The detailed breakdown of the [REDACTED] to be allocated is as follows:
 - (i) Approximately [REDACTED] of the [REDACTED], or [REDACTED], is expected to be used to launch more apartment communities around the country. According to Frost & Sullivan, the size of centralized rental apartment industry is expected to increase from RMB51.1 million in 2022 to RMB136.6 million in 2027. Faced with an ever-increasing demand for centralized rental apartments, we seek to enlarge our operations by opening more conveniently located apartment communities. For more details, see “Business – Our Strategies – Expand our geographical coverage and deepen penetration in core cities” and “Business – Our Strategies – Develop the manachised and third-party manage model to further strengthen overall resilience of our business.” Although we will launch more apartment communities under both the leased-and-operated model and the manachised and third-party managed model, we expect a majority of the proceeds allocated to this purpose will be used on the launch of apartment communities under the leased-and-operated model.

FUTURE PLANS AND USE OF [REDACTED]

We target to enlarge our apartment offerings and enhance the accessibility of our apartment communities. To satisfy the various rental needs of our potential and current residents of different background as well as corporate customers, we will make efforts to increase the supply of both white-collar apartments and blue-collar dormitories. By providing more white-collar apartments and blue-collar dormitories in carefully selected locations, we believe we will better reap the benefits of economies of scale and address the increasing demand for quality rental solutions. In the future, we will maintain stable expansion in Tier 1 cities to consolidate our leading position there while deepening our footprint in other core cities with great potential, especially those cities as part of or surrounding major city clusters in China. In 2022, the penetration rate of institutionalized rental apartments in Tier 1 cities in China was 10.3%. We believe our plan to further expand in Tier 1 cities despite fierce competition is commercially reasonable based on the following considerations: (a) the penetration rate of institutionalized rental apartments in the overall rental apartment market in Tier 1 cities will continue to increase according to Frost & Sullivan; (b) the demand for rental solutions continues to be high in these cities; (c) stronger spending power of residents in these cities provides unique market opportunities for our apartment offerings; (d) expansion in these cities is expected to further boost our brand awareness and competitive position; and (e) current competitive landscape in these cities favors our continued expansion there.

We plan to expand our business presence particularly in Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing and other major Chinese cities, primarily based on the following considerations: (a) these cities are leading in China in terms of gross domestic product per capita, therefore providing the necessary market conditions for us to rent our apartments at a premium; (b) there are more floating populations in these cities than in other Chinese cities, which indicates that the demand for rental apartments is higher in such selected cities; and (c) given that the ratio of housing price to per capita income is also higher in these cities, the greater difficulties in home ownership give a further boost to demand for rental solutions therein.

We plan to launch more than 20,000 leased-and-operated apartments in the next three years. Most of these apartments are expected to be one-bedroom apartments, which will be located in the core areas of our selected cities or around residential quarters with convenient transportation. Specifically for the sourcing of apartment properties for the development of leased-and-operated apartments, we typically require the gross floor area of a potential apartment property to be no fewer than 3,000 square meters and enter into leases with landlords for at least ten years. Our target apartment properties are generally located in Tier 1 cities and other core cities, and they are expected to help us achieve a leading position in local areas and expand our influence in specific locations. As we further develop our leased-and-operated business model, we

FUTURE PLANS AND USE OF [REDACTED]

expect to incur necessary costs which are primarily comprised of renovation costs and upfront costs, such as organization costs, costs for appointing on-site managers, costs for model houses and deposits paid to our landlords. We expect to cover the aforementioned costs with the [REDACTED] that we will receive from the [REDACTED], and if there is any financing gap, we plan to fill the gap by utilizing our other financial resources, such as operating cash inflow and bank loans.

In the selected cities in which we plan to further increase our business presence, government authorities have adopted and implemented favorable policies for the further development of the rental apartment industry in recent years, such as encouraging the provision of rental solutions as a method to address residential needs and increasing the supply of available properties for apartment operation business. Based on the above, our Directors are of the view that there is an adequate supply of apartment properties in the market for us to further develop our business under the leased-and-operated model.

While we believe we do not face any significant risk of cannibalization among our apartment communities, we still have put in place concrete measures to further reduce any potential cannibalization risk. These concrete measures primarily include: (i) we have developed a diverse portfolio of apartment products, including white-collar apartments and blue-collar dormitories as well as apartment offerings of different price levels, which address the rental needs of different customer types; (ii) despite the existence of certain mega projects as outliers, the size of our single apartment community is usually modest, with around 200 apartments in operation; (iii) we target apartment properties located in city districts where customer demand for rental solutions is high during the process of property sourcing, such as neighborhoods around prominent office building clusters or critical transportation junctions; and (iv) we determine the physical distance amongst our new apartment communities and existing ones based on market analyses, taking into consideration the overall demand for our apartment offerings in the local market and the performance of our local or surrounding apartment communities (if any).

- (ii) Approximately [REDACTED] of the [REDACTED], or [REDACTED], is expected to be used to acquire businesses that complement our business operations. According to Frost & Sullivan, the centralized rental apartment market in China is very fragmented with the top five players in aggregate accounting for only 15.0% of the total market in 2022 in terms of the number of apartments in operation. Leveraging our leading operating capabilities and strong brand power, we believe we are an attractive option for small to medium sized rental apartment operators seeking opportunities for business combination. By acquiring businesses that we deem beneficial for our apartment operation business, we expect to not only expand our apartment

FUTURE PLANS AND USE OF [REDACTED]

network efficiently but also deepen our presence in a geographic region cost-effectively. For more details, see “Business – Our Strategies – Expand our geographical coverage and deepen penetration in core cities.”

We have no intention to use any portion of the [REDACTED] to settle the payments for the acquisitions referred to in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Post-Track Record Period Acquisitions”. As of the Latest Practicable Date, we had not identified any other target of potential acquisition. However, we have established a set of criteria over the years which provide guidance for our efforts in seeking and fulfilling acquisitions. We summarize our criteria as follows:

Targets. We have a preference for small and medium sized target companies that help us enlarge geographic coverage and deepen penetration rate. We believe there is a large number of such small and medium sized target companies in the market. According to Frost & Sullivan, there were over 1,000 small and medium sized centralized rental apartment operators in China in 2022.

Size of transaction. We expect the apartments available for rent at each apartment community to be more than 150 and the acquisition transaction to add no fewer than 300 apartments to our apartment network.

Cities and locations. Our target companies are typically located in Tier 1 cities and other core cities, including cities as part of or surrounding major city clusters in China, such as the Beijing-Tianjin-Hebei Region, the Yangtze River Delta Area, the Greater Bay Area and the Sichuan-Chongqing Circle, where we see the potential to strategically deepen our penetration and increase market share.

Given that (i) our criteria for selecting the targets of strategic acquisitions were distilled from our deep knowledge of the rental apartment market in China and our extensive experience in industry consolidation and integration and (ii) according to Frost & Sullivan, there were over 100 small and medium sized centralized rental apartment operators that satisfied our acquisition criteria in 2022, our Directors are of the view that there are adequate targets that can meet our acquisition criteria in China.

FUTURE PLANS AND USE OF [REDACTED]

Valuation method. We typically pay a competitive consideration calculated based on the Enterprise Value/EBITDA of a specific target company or project for acquisition or strategic investment.

Compliance. We do not consider companies and projects that had records of material non-compliance incidents.

We expect the costs that we will incur for initiating further strategic acquisitions to primarily include considerations that we have to pay and upfront costs for upgrading and renovating rental apartments. We expect to cover the aforementioned costs with the [REDACTED] that we will receive from the [REDACTED], and if there is any financing gap, we plan to fill the gap by utilizing our other financial resources, such as operating cash inflow and bank loans.

We believe that the lack of brand recognition and lack of economies of scale is a shared challenge faced by small and medium sized apartment operators. Moreover, they are often burdened by limited bargaining power in pricing and persistently high operating costs. Therefore, we expect many of these apartment operators to be under pressure and thus incentivized to seek opportunities for business combination. Based on the above, our Directors are of the view that there is an adequate number of small and medium sized target companies available in the market, which provide us with opportunities to consolidate our market share via strategic acquisitions.

- (iii) Approximately [REDACTED] of the [REDACTED], or [REDACTED], is expected to be used to enrich our offerings of value-added services as we reinforce our image as an industry-leading lifestyle brand. According to Frost & Sullivan, the market size of the value-added services related to the rental apartment industry is estimated to grow markedly, reaching RMB10.5 billion in 2027. Since we operate our business with a large scale and enjoy long-term affinity with our residents, we stand ready to tap into the daily life needs of our residents and launch more value-added services. The purposes of expanding the scope of value-added services provided by us mainly include satisfying the diversified daily life needs of our residents and improving the satisfaction of our residents with the rental solutions provided by us. For more details, see “Business – Our Strategies – Continue product innovation and enrich value-added service offerings.”

In particular, we plan to invest in the development and establishment of a digitalized life service platform focusing on community services. Through such a platform, among other things, our residents will be able to participate in community-based group purchase, receive job information, and get access to moving help, car rental and pet care. We also plan to assist our corporate customers with their recruitment practice by granting them access to our

FUTURE PLANS AND USE OF [REDACTED]

platform where they can post job information and collect applications. To support on our overall business planning on value-added services, we will also invest more in hiring staff with related skills and expertise. The expected costs to be incurred by us for this commercial plan are mostly employee costs, costs for innovating and maintaining a digital life service platform, selling and marketing expenses, and costs for introducing and maintaining services provided by third parties.

- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for our technology infrastructure upgrade and our apartment product innovation. Over the years, our advanced technology platform has helped us achieve orderly and smooth expansion and laid a solid foundation for our industry-leading operating capabilities. Since we conduct business in a highly competitive industry and expect to increase our market share in the following years, we are determined to further enhance our technological superiority by continual innovation and iteration. We plan to focus our research and development efforts on both (a) our software infrastructure, primarily including the digitalized supply chain management system, the management system of franchisees and entrusting parties, OMS and business intelligence system, which is intended to further improve our operational efficiency, and (b) our hardware facilities, primarily including the further efficient utilization of smart locks, smart access control and smart meters, which is intended to facilitate the daily life of our residents and optimize our management of apartment communities. The research and development of involved technologies and products will be based on our existing technology infrastructure and products or prototypes.

In the same vein, as potential and current residents’ demand for quality rental solutions is evolving, we will continue to innovate our apartment products. We require each of our product lines to be upgraded every 36 months and have set up a clear step-by-step plan to guide the whole process. Our Mofang Apartment is currently in its 4.0 version and our Unit 9 Apartment is in its 2.0 version. We plan to further upgrade the design and layout of our apartment products through research and development efforts to address the evolving demands of urban residents and maintain the attractiveness and competitiveness of our apartment offerings. Our continual innovation of apartment products will be built upon the current design and style applied to our apartments.

- (i) Approximately [REDACTED] of the [REDACTED], or [REDACTED], is expected to be used to enlarge our investment in research and development efforts in connection with our technology infrastructure. For more details, see “Business – Our Strategies – Continue product innovation and enrich value-added service offerings.”

FUTURE PLANS AND USE OF [REDACTED]

We plan to establish a digitalized supply chain management system based on cutting-edge internet technologies, which optimizes our supply chain efficiency and empowers our franchisees and entrusting parties. We tend to efficiently consolidate the resources of upstream and downstream, and ultimately promote information and resource sharing and create an all-win prospect for the rental apartment industry. The digitalized supply chain management system will be centered upon essential products and services for the rental apartment industry, including but not limited to construction materials, daily consumables and renovation services. Such a system will connect factories and distributors with rental apartment operators and other relevant players, which is likely to give a further boost to the development of the rental apartment industry and related industries. By promoting the full circulation of industry resources and enhancing transparency over the parties involved in transactions, the digitalized supply chain management system is able to facilitate transactions between industry participants at appropriate price and settlement terms and provide support for the orderly development of the entire rental apartment industry. Such system will also benefit our own daily operations and daily analytics, as we are able to optimize our supply chain management and gain more insights into the industry.

As a crucial link of our general goal to further develop our manachised and third-party managed model, we plan to build up a management system of franchisees and entrusting parties. The management system is able to process applications from potential franchisees and entrusting parties, thus providing effective help for the expansion of our apartment operation business under the manachised and third-party managed model. Such system is also able to provide accurate profiling of our franchisees and entrusting parties by collecting and analyzing background information about these partners, the terms of manachise agreements or management agreements, these partners' compliance with contract terms and the performance of relevant apartment communities. Based on the profiling generated by the management system, we can rate the credibility of our partners and provide corresponding credit authorization in an objective and scientific manner. By providing effective guidance for the negotiations of payment and settlement terms, the management system facilitates seamless payment and clearing between our franchisees and entrusting parties and us.

Our upgrade plan for OMS is focused on three primary areas, including community-based operation, value-added services and smart marketing. Specifically, we plan to (a) extend the application of our OMS from apartment communities to a comprehensive community-based environment, which encompasses scenarios including apartment rental, commercial sublease, advertising space rental, property management and parking lot management; (b) provide more value-added services, such as group purchase, pet care, cleaning services, car rental and move-out assistance to our customers with the

FUTURE PLANS AND USE OF [REDACTED]

help of OMS; and (c) strengthen the efficiency of our self-developed marketing channel and third-party marketing avenues by establishing a close-loop customer life cycle management system and building a tag system for our customers to enhance our ability to serve and retain our customers.

We plan to upgrade our business intelligence system by incorporating more data sources, optimizing predictive analytics capabilities and improving data visualization. We believe an updated business intelligence system is able to help us improve our profitability at the apartment community level and make commercially intelligent strategies and decisions more effectively. Our ability in big data analytics is one of our core strengths in technological field and we leverage big data in every major step in our decision-making process. We intend to introduce more industry information and market data to our big data platform by steps, so that we can continually improve the accuracy and reliability of our analytical models, such as our proprietary “7-Dimension” model and our GIS simulation system. In the future, we expect our big data platform to play a greater role in enhancing the profitability of our apartment projects and helping us make informed business decisions.

We endeavor to elevate the automation and digitalization level at our apartment communities to further refine the living experiences of our residents. To this end, we plan to integrate the utilization and management of smart locks, smart access control and smart meters. By making research and development efforts on this front, we hope the (de-)authorization of door access and (de-)activation of smart meters would become immediate and automated from the beginning to the end of a rental contract.

We also plan to upgrade the Mofang WeChat Mini Program and Mofang Life App, such as optimizing our app and mini program interface, adding new functions and hiring additional members for the operation team.

- (ii) Approximately [REDACTED] of the [REDACTED], or [REDACTED], is expected to be used to in research and development efforts in connection with our product innovation. Our mission is to foster an inclusive community of residents with quality rental solutions. Therefore, we prepare to continually innovate our product offerings and keep increasing our competitiveness and always stay in the forefront of the industry. For more details, see “Business – Our Strategies – Continue product innovation and enrich value-added service offerings.”

Our apartment product innovation focuses on four dimensions, including aesthetics, functionality, smartness and health, to satisfy the relentless pursuit of urban residents for a better rental life experience. First, we will refine the design and decoration of our apartments to accommodate the preference of younger generations and their social needs. With the harmonious combination

FUTURE PLANS AND USE OF [REDACTED]

of shapes, materials and lightening, we will continue to ensure our common space are infused with vigor, brightness and fashion and our apartments are characterized by softness, warmth and comfort. Second, in light of the life habits of our residents, when we design our apartment products, we tend to add various facilities and amenities available at our apartment communities, such as gyms, laundries, office space and entertainment space. Third, we intend to include diversified smarter living elements in our product. Fourth, in upholding our commitment to the safety and health of our residents and adhering to our ESG policies, we build in requirements for green and safe construction practice since our initial product design phase.

- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for our continual selling and marketing efforts to further promote our brand awareness and deepen our penetration rate in core cities in which we operate. Since we plan to further develop the franchised and third-party managed model and continuously enlarge our resident base, sales and marketing efforts are indispensable. We believe that, with the further expansion of our apartment network, we will be able to conduct sales and marketing activities in an increasingly cost-efficient manner. For more details, see “Business – Our Strategies – Increase brand awareness and strengthen brand portfolio.”

We intend to increase the number of our specialized staff members in our marketing department, so that our sales and marketing efforts around the country can keep pace with our business expansion plans. We believe that enhanced membership programs will facilitate the interactions between members and our diverse apartment brands and promote the loyalty of our members towards our apartment offerings. We thus plan to strengthen our membership programs, including Mofang Magic Club (魔力會) and Qi Shi Hui (企仕薈), and increase our engagement with our potential and current residents.

To further develop our Mofang Magic Club (魔力會) system, we plan to mainly focus on the following dual aspects:

- (i) establish a members-only platform which integrates value-added services offered to our residents to enhance their rental experiences. Through preliminary marketing efforts and regular sales promotions, we intend to cultivate this platform to be an integral part of our members’ daily lives. Our members may, among others, order room cleaning services, participate in community group buying activities, and purchase various coupons offered by our business partners via this platform. By establishing such a platform, we are able to provide more benefits for our Mofang Magic Club (魔力會) members, which is expected to enhance our residents’ loyalty. Meanwhile, with more loyal residents choosing the apartment products offered by us, more business partners are likely to join our platform and provide additional products and services to our members. In the meantime, we are also able to deepen the

FUTURE PLANS AND USE OF [REDACTED]

mutually beneficial relationships with business partners along the supply chain of the rental apartment industry as well as consumer goods enterprises, as we work together with them to bring more benefits to our respective stakeholders and enhance our respective membership base; and

- (ii) conduct a variety of offline activities specifically for our members. In addition to our traditional events held inside our apartment communities, we plan to organize outdoor activities on a regular basis. Through the conduct of such member activities, we expect that a group of residents will become our core members as they actively join these activities. We plan to invite these core members to be our key opinion customers, who may play an important role in further enhancing our brand image, such as by proving timely feedback to help us improve the quality of our products and services and assisting us in holding more interactive and entertaining activities for our residents.

To further enhance our Qi Shi Hui (企仕薈) system, we plan to continue our work on the following two aspects:

- (i) continue to expand the membership base. We plan to approach more multinational companies as well as domestic large and medium-sized enterprises to introduce more members to our corporate membership program. By continually improving and upgrading the rental solutions that we provide to employees of our corporate members, such as the offering of exclusive privileges, we expect to maintain our attractiveness for our corporate members; and
- (ii) assist our corporate members in managing and serving their employees. We may provide additional services for corporate members in various scenarios. For instance, we can help these corporate members maintain a record of the health conditions of their employees during special periods and distribute holiday gifts to their employees on their behalf at request. By taking care of the employees of our corporate members and by improving their living conditions, we believe we are able to contribute to the team building and management of our corporate members.

Our expected costs for the further development of our membership programs are comprised mostly of research and development costs for our membership platform, operational and maintenance costs, marketing expenses and member privileges. In addition, we intend to further cultivate our self-developed sales and marketing channels, broadening the exposure of our quality apartment product and service offerings. Furthermore, we will continue to hold regular meetings and other events for current and potential franchisees and entrusting parties with the purpose to further increase our brand awareness among potential partners.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for working capital and general corporate purpose. We expect to have increasing needs of working capital as a result of the rapid expansion of our business, as we enrich our apartment portfolio along with increasingly diversified service offerings.

The table below sets forth the expected implementation timetable of the planned use of the [REDACTED] that we will receive from the [REDACTED], assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED], and that the [REDACTED] is not exercised:

Use of [REDACTED]	For the Year Ended December 31,			Total
	2023	2024	2025	
	<i>(HK\$ in millions)</i>			
Business expansion and strategic acquisitions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Launch more apartment communities around the country	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Acquire businesses that complement our business operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enrich our offerings of value-added services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Technology infrastructure upgrade and product innovation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
R&D efforts in connection with technology infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
R&D efforts in connection with product innovation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Continual selling and marketing efforts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purpose	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND USE OF [REDACTED]

In the event that the [REDACTED] is fixed at the high or low end of the indicative [REDACTED] range, the [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the mid-point of the [REDACTED] Range, we will increase or decrease the allocation of the [REDACTED] to the above purposes on a pro rata basis.

If the [REDACTED] is exercised in full, the additional [REDACTED] that we will receive will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range. In such event, we intend to apply the additional [REDACTED] to the above purpose in the proportions stated above.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds as short-term interest-bearing deposits with licensed commercial banks and/or authorized financial institutions in Hong Kong and the PRC (as defined under the SFO, the Law of the People’s Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

We estimate that the [REDACTED] to the [REDACTED] from the sale of the [REDACTED] pursuant to the [REDACTED], assuming that the [REDACTED] is not exercised, will be approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range). We will not receive [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED], whether or not the [REDACTED] is exercised. All the [REDACTED] were or will be borne by our Company and no amount of [REDACTED] was or will be borne by the [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report on Cubic City Service Apartment Group Holdings Limited prepared for the purpose of incorporation in this document received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CUBIC CITY SERVICE APARTMENT GROUP HOLDINGS LIMITED AND MORGAN STANLEY ASIA LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Cubic City Service Apartment Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-[●]] to [I-[●]], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-[●]] to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information.

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ACCOUNTANTS’ REPORT

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note [11] to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The Historical Financial Information of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
REVENUE	5	948,988	1,471,090	1,714,139
Cost of services provided and products sold		(162,593)	(203,760)	(243,818)
Gross profit		786,395	1,267,330	1,470,321
Other income and gains	5	48,013	92,518	73,231
Changes in fair value of investment properties, net		(496,734)	(241,420)	(776,647)
Changes in fair value of financial assets and liabilities at fair value through profit or loss (“FVTPL”)		38,070	29,544	19,859
Selling and distribution expenses		(42,679)	(50,250)	(70,337)
Administrative expenses		(175,195)	(211,718)	(271,105)
Other expenses		(8,709)	(16,124)	(74,210)
Finance costs	7	(423,103)	(501,296)	(635,835)
Share of profits and loss of joint ventures and associates		11,389	27,933	11,113
(LOSS)/PROFIT BEFORE TAX	6	(262,553)	396,517	(253,610)
Income tax credit/(expense)	10	32,276	(94,580)	7,003
(LOSS)/PROFIT FOR THE YEAR		(230,277)	301,937	(246,607)
Attributable to:				
Owners of the Company		(228,686)	289,396	(203,974)
Non-controlling interests		(1,591)	12,541	(42,633)
		(230,277)	301,937	(246,607)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY				
Basic (RMB Yuan)	12	(0.37)	0.44	(0.31)
Diluted (RMB Yuan)	12	(0.37)	0.43	(0.31)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		204,709	77,644	(330,827)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company		(190,264)	(70,087)	284,622
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		14,445	7,557	(46,205)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(215,832)	309,494	(292,812)
Attributable to:				
Owners of the parent		(214,241)	296,953	(250,179)
Non-controlling interests		(1,591)	12,541	(42,633)
		(215,832)	309,494	(292,812)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2020	2021	2022
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	28,845	18,280	30,414
Investment properties	14	6,800,843	11,636,599	12,071,287
Right-of-use assets	15	26,812	34,958	15,825
Goodwill	16	16,040	81,956	81,956
Finance lease receivables	17	132,446	211,572	209,326
Other intangible assets	18	53,036	79,611	96,006
Investments in joint ventures and associates	19	65,909	179,000	273,917
Financial assets at FVTPL	20	851,774	307,316	250,025
Loan receivables	21	15,923	4,659	–
Other non-current assets	22	71,149	127,856	139,794
Deferred tax assets	30	126,949	184,109	219,092
Total non-current assets		8,189,726	12,865,916	13,387,642
CURRENT ASSETS				
Inventories	23	–	483	–
Loan receivables	21	104,930	9,477	9,475
Trade receivables	24	11,984	42,660	30,126
Prepayments, other receivables and other assets	25	344,552	400,281	120,473
Finance lease receivables	17	20,922	33,649	57,248
Financial assets at FVTPL	20	–	11,052	–
Cash and bank balances	26	348,469	682,459	413,998
Total current assets		830,857	1,180,061	631,320
CURRENT LIABILITIES				
Trade payables	27	63,522	81,762	102,821
Other payables and accruals	28	505,119	827,285	747,309
Interest-bearing bank and other borrowings	29	1,210,732	1,091,088	1,330,195
Lease liabilities	15	425,903	717,794	874,612
Total current liabilities		2,205,276	2,717,929	3,054,937
NET CURRENT LIABILITIES		(1,374,419)	(1,537,868)	(2,423,617)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,815,307	11,328,048	10,964,025
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	29	195,167	1,159,358	1,083,660
Deferred tax liabilities	30	200,018	580,714	621,572
Long-term lease liabilities	15	4,497,194	6,885,410	7,136,254
Other non-current liabilities	31	62,177	111,278	55,254
Total non-current liabilities		4,954,556	8,736,760	8,896,740
Net assets		1,860,751	2,591,288	2,067,285
EQUITY				
Equity attributable to owners of the parent				
Share capital	32	4	4	4
Reserves	34	1,825,958	2,444,229	1,961,781
		1,825,962	2,444,233	1,961,785
Non-controlling interests		34,789	147,055	105,500
Total equity		1,860,751	2,591,288	2,067,285

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to owners of the parent								
	Share capital	Share premium*	Other reserve*	Share option reserve*	Foreign currency translation reserve*	Accumulated losses*	Non-controlling		Total equity
							Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019									
and 1 January 2020	4	2,619,756	–	21,054	43,772	(1,153,283)	1,531,303	26,714	1,558,017
Loss for the year	–	–	–	–	–	(228,686)	(228,686)	(1,591)	(230,277)
Other comprehensive income	–	–	–	–	14,445	–	14,445	–	14,445
Total comprehensive income/(loss) for the year	–	–	–	–	14,445	(228,686)	(214,241)	(1,591)	(215,832)
Non-controlling interests arising from business combination	38(a)	–	–	–	–	–	–	9,666	9,666
Share-based compensation	33	–	–	14,891	–	–	14,891	–	14,891
Reclassification of Series C preferred shares	32(a)	–	(44,327)	–	–	–	(44,327)	–	(44,327)
Issuance of ordinary shares	32(b)	–	27,579	–	–	–	27,579	–	27,579
Issuance of preferred shares	32(c)	–	510,757	–	–	–	510,757	–	510,757
At 31 December 2020									
and 1 January 2021	4	3,113,765	–	35,945	58,217	(1,381,969)	1,825,962	34,789	1,860,751

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Attributable to owners of the parent							Non-controlling interests	Total equity
		Share capital	Share premium*	Other reserve*	Share option reserve*	Foreign currency translation reserve*	Accumulated losses*	Total		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2020										
and 1 January 2021		4	3,113,765	–	35,945	58,217	(1,381,969)	1,825,962	34,789	1,860,751
Profit for the year		–	–	–	–	–	289,396	289,396	12,541	301,937
Other comprehensive income		–	–	–	–	7,557	–	7,557	–	7,557
Total comprehensive income for the year		–	–	–	–	7,557	289,396	296,953	12,541	309,494
Non-controlling interests arising from business combination	38(g)	–	–	–	–	–	–	–	99,725	99,725
Share-based compensation	33	–	–	–	16,275	–	–	16,275	–	16,275
Net capital injection in the subsidiaries acquired under common control		–	–	46,612	–	–	–	46,612	–	46,612
Issuance of preferred shares	32(d)	–	258,431	–	–	–	–	258,431	–	258,431
At 31 December 2021										
and 1 January 2022		4	3,372,196	46,612	52,220	65,774	(1,092,573)	2,444,233	147,055	2,591,288

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Attributable to owners of the parent							
		Share capital	Share premium*	Other reserve*	Share option reserve*	Foreign currency translation reserve*	Accumulated losses*	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021									
and 1 January 2022		4	3,372,196	46,612	52,220	65,774	(1,092,573)	2,444,233	2,591,288
Loss for the year		-	-	-	-	-	(203,974)	(203,974)	(246,607)
Other comprehensive loss		-	-	-	-	(46,205)	-	(46,205)	(46,205)
Total comprehensive loss for the year		-	-	-	-	(46,205)	(203,974)	(250,179)	(292,812)
Net capital injection in the subsidiaries acquired under common control		-	-	41,454	-	-	-	41,454	41,454
Consideration for the subsidiaries acquired under common control [#]	38.2(a)	-	-	(125,000)	-	-	-	(125,000)	(125,000)
Contribution from non-controlling interests		-	-	-	-	-	-	1,078	1,078
Share-based compensation	33	-	-	-	66,267	-	-	66,267	66,267
Repurchase of ordinary shares	32(e)	-	(14,808)	-	-	-	-	(14,808)	(14,808)
Repurchase of preferred shares	32(f)	-	(200,182)	-	-	-	-	(200,182)	(200,182)
At 31 December 2022		4	3,157,206	(36,934)	118,487	19,569	(1,296,547)	1,961,785	2,067,285

In December 2022, the Company acquired a 100% interest in Opal Gem Group Limited and Opal Gem Holding Limited from its then shareholder that under common control. The purchase consideration for the acquisition was in the form of cash of RMB125,000,000. Refer to note 38.2(a) to the Historical Financial Information for the details.

* These reserve accounts comprise the reserves of RMB1,825,958,000, RMB2,444,229,000 and RMB1,961,781,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2020	2021	2022
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax:		(262,553)	396,517	(253,610)
Adjustments for:				
Finance costs	7	423,103	501,296	635,835
Other interest income	5	(18,998)	(24,055)	(17,117)
Interest income from finance lease receivables	5	(7,523)	(13,605)	(18,705)
Depreciation of property, plant and equipment	13	4,397	4,206	3,314
Depreciation of right-of-use assets	15	5,353	6,668	5,434
Amortisation of other intangible assets	18	5,962	15,086	24,448
(Reversal of impairment)/impairment of trade receivables	24	(32)	(2,114)	5,448
Impairment of other receivables	25	875	2,205	395
Impairment/(reversal of impairment) of loan receivables	21	25	1,850	(59)
Impairment of finance lease receivables	17	1,257	983	2,204
Impairment of other non-current assets	22	221	633	296
Gain on disposal of investment properties		(384)	(912)	–
Gain on disposal of right-of-use assets	5	–	–	(9,413)
Loss on disposal of items of property, plant and equipment		15	144	388
Loss on disposal of other intangible assets		160	–	484
Gain on bargain purchase	38(d)	–	(11,693)	–
Equity-settled share option expense	33	14,891	16,275	66,267
Share of profits and losses of joint ventures and associates	19	(11,389)	(27,933)	(11,113)
Gain on financial assets and liabilities at fair value through profit or loss		(38,070)	(29,544)	(19,859)
Foreign exchange differences, net	6	3,159	363	49,157
Changes in fair value of investment properties	14	496,734	241,420	776,647
Rent concessions to lessees	17	1,798	–	5,250
Decrease/(increase) in inventories		619,001	1,077,790	1,245,691
Decrease/(increase) in trade receivables		152	(483)	483
Decrease in prepayments, other receivables and other assets		3,425	(15,729)	12,977
Increase/(decrease) in trade payables, accruals and other payables		38,597	36,486	97,585
Increase in long-term receivables		12,901	(43,015)	(151,614)
(Decrease)/increase in long-term payables		(8,599)	(4,168)	(15,501)
		(4,972)	(360)	402
Cash generated from operations		660,505	1,050,521	1,190,023
Corporate income tax paid		(1,962)	(3,008)	(2,714)
Net cash flows from operating activities		658,543	1,047,513	1,187,309

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	<i>Notes</i>	Year ended 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(13,264)	(12,853)	(22,776)
Additions to investment properties		(187,678)	(120,561)	(97,331)
Additions to other intangible assets		(2,311)	(2,813)	(687)
Acquisition of subsidiaries		(13,797)	(897,121)	(100,601)
Additions to investments in associates		(3,900)	(95,224)	(10,693)
Proceeds from divestment of an associate		4,487	16,795	–
Loans to associates	40(a)	–	(54,000)	–
Loans to fellow subsidiaries	40(a)	(100,000)	–	(510,000)
Loans to non-controlling shareholders		(500)	(2,100)	–
Advances from/(repayment to) a joint venture		–	5,630	(5,630)
Repayment from fellow subsidiaries		–	100,000	510,000
Repayment from associates	40(a)	–	59,367	–
(Repayment to)/advances from fellow subsidiaries	40(a)	(2,759)	3,807	–
Repayment of loans from non-controlling shareholders		1,360	1,600	4,720
Repayment from financial assets at fair value through profit or loss		20,000	–	–
Receipts of finance lease receivables		18,812	35,918	34,470
Purchases of financial assets at fair value through profit or loss		–	(63,650)	–
Proceeds from disposal of interest in a joint venture		1,603	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	554,619	11,052
Repayment to the then shareholders of subsidiaries acquired		–	(310,212)	(29,324)
Interest received		2,904	3,864	2,391
Net cash flows used in investing activities		<u>(275,043)</u>	<u>(776,934)</u>	<u>(214,409)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares		–	–	13,789
Proceeds from issuance of preferred shares		510,757	258,431	–
Prepaid [REDACTED]		–	(826)	(10,884)
Disinvestment from a shareholder		–	–	(6,897)
Capital injection in the subsidiaries acquired under common control		–	46,612	–
Capital contribution from non-controlling interests		–	–	1,078
Proceeds from bank loans and other borrowings		443,837	2,176,530	1,198,103
Repayment of bank loans and other borrowings		(551,437)	(1,356,632)	(1,201,134)
(Increase in)/release of restricted cash		(13,034)	4,392	(42,260)
Increase in pledged bank deposits for bank loans		–	–	(1,124)
Interest paid		(117,602)	(134,199)	(179,747)
Interest portion of lease payments	15	(303,000)	(376,409)	(440,395)
Principal portion of lease payments	15	(239,420)	(547,946)	(607,194)
Net cash flows (used in)/from financing activities		<u>(269,899)</u>	<u>69,953</u>	<u>(1,276,665)</u>

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>113,601</u>	<u>340,531</u>	<u>(303,765)</u>
Cash and cash equivalents at beginning of year		214,870	317,914	656,296
Effects of foreign exchange rate changes, net		(10,557)	(2,149)	(6,956)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>317,914</u>	<u>656,296</u>	<u>345,575</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	26	348,469	682,459	413,998
Restricted cash	26	<u>(30,555)</u>	<u>(26,163)</u>	<u>(68,423)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u><u>317,914</u></u>	<u><u>656,296</u></u>	<u><u>345,575</u></u>

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ACCOUNTANTS’ REPORT

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2020	2021	2022
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries		27,520	43,797	67,954
Total non-current assets		<u>27,520</u>	<u>43,797</u>	<u>67,954</u>
CURRENT ASSETS				
Prepayments, other receivables and other assets	25	3,461,478	3,812,678	3,896,342
Cash and bank balances	26	<u>15,350</u>	<u>16,717</u>	<u>22,934</u>
Total current assets		<u>3,476,828</u>	<u>3,829,395</u>	<u>3,919,276</u>
CURRENT LIABILITIES				
Trade payables, accruals and other payables	28	20,316	59,314	69,508
Interest-bearing bank and other borrowings	29	<u>336,059</u>	<u>511,843</u>	<u>557,947</u>
Total current liabilities		<u>356,375</u>	<u>571,157</u>	<u>627,455</u>
NET CURRENT ASSETS		<u>3,120,453</u>	<u>3,258,238</u>	<u>3,291,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,147,973</u>	<u>3,302,035</u>	<u>3,359,775</u>
NON-CURRENT LIABILITIES				
Other non-current liabilities		<u>45,385</u>	<u>–</u>	<u>–</u>
Total non-current liabilities		<u>45,385</u>	<u>–</u>	<u>–</u>
Net assets		<u><u>3,102,588</u></u>	<u><u>3,302,035</u></u>	<u><u>3,359,775</u></u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	32	4	4	4
Reserves	34	<u>3,102,584</u>	<u>3,302,031</u>	<u>3,359,771</u>
Total equity		<u><u>3,102,588</u></u>	<u><u>3,302,035</u></u>	<u><u>3,359,775</u></u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands. The registered office address of the Company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were primarily involved in the provision of apartment rental and related services.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

English name	Chinese name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
City Dragon Investment Group Limited	–	2015/11/23 British Virgin Islands	USD1	100%	–	Investment holding
MoFang Investment Group Limited	–	2016/02/03 British Virgin Islands	USD1	100%	–	Investment holding
Cubic City Service Apartment International Holdings Co., Ltd.	–	2012/05/17 British Virgin Islands	USD1	100%	–	Investment holding
HangFang Investment Group Limited	–	2016/02/03 British Virgin Islands	USD1	100%	–	Investment holding
Magic (China) Investment Holding Limited	–	2016/01/07 British Virgin Islands	USD1	100%	–	Investment holding
MoFang Service Group Limited	魔樣生活集團有限公司	2012/05/30 Hong Kong	HKD1	–	100%	Investment holding
City Dragon Management Limited	–	2016/03/09 Hong Kong	HKD1	–	100%	Investment holding
Yi He Wan Chuang Investment Management Group Limited	宜合萬創投資管理集團有限公司	2015/09/04 Hong Kong	HKD1	–	100%	Investment holding
HangFang Investment Management Limited	–	2016/03/09 Hong Kong	HKD1	–	100%	Investment holding
MoFang Investment Management Limited	–	2016/03/09 Hong Kong	HKD1	–	100%	Investment holding
Cubic City (China) Investment Co., Ltd.	魔方(中國)投資有限公司 ^(a)	2012/06/21 PRC/Mainland China	USD336,973,235	–	100%	Provision of apartment rental services
Mofang (Shanghai) Apartment Management Co., Ltd.	魔方(上海)公寓管理有限公司 ^(b)	2013/08/23 PRC/Mainland China	RMB1,000,000,000	–	100%	Provision of apartment rental services
Mofang (Guangzhou) Apartment Management Co., Ltd.	魔方(廣州)公寓管理有限公司 ^(b)	2014/04/02 PRC/Mainland China	RMB250,000,000	–	100%	Provision of apartment rental services
Shanghai Mohui Enterprise Management Consulting Co., Ltd.	上海魔慧企業管理諮詢有限公司 ^(d)	2021/01/18 PRC/Mainland China	RMB80,000,000	–	100%	Provision of apartment rental services

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English name	Chinese name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Mofang (Nanjing) Enterprise Management Consulting Co., Ltd.	魔方(南京)企業管理諮詢有限公司	2015/12/16 PRC/Mainland China	RMB730,000,000	–	100%	Provision of apartment rental services
Mofang (Shenzhen) Apartment Management Co., Ltd.	魔方(深圳)公寓管理有限公司	2016/09/06 PRC/Mainland China	RMB50,000,000	–	100%	Provision of apartment rental services
Mofang Yiju (Hangzhou) Enterprise Management Co., Ltd.	魔方億居(杭州)企業管理有限公司	2016/08/16 PRC/Mainland China	RMB50,000,000	–	100%	Provision of apartment rental services
Shanghai Mofang Hotel Management Co., Ltd.	上海魔方酒店管理有限公司	2016/07/08 PRC/Mainland China	RMB10,000,000	–	100%	Provision of apartment rental services
City Mofang (Beijing) Apartment Management Co., Ltd.	城市魔方(北京)公寓管理有限公司	2014/08/14 PRC/Mainland China	RMB15,000,000	–	100%	Provision of apartment rental services
City Mofang (Beijing) Property Management Co., Ltd.	城市魔方(北京)物業管理有限公司	2016/08/31 PRC/Mainland China	USD7,500,000	–	100%	Provision of apartment rental services
Shanghai Zunlun Enterprise Management Consulting Co., Ltd.	上海尊倫企業管理諮詢有限公司	2017/06/23 PRC/Mainland China	RMB50,000,000	–	100%	Investment holding
Shanghai Shengzhao Enterprise Management Co., Ltd.	上海盛照企業管理有限公司	2016/04/13 PRC/Mainland China	RMB75,000,000	–	100%	Provision of apartment rental services
Shanghai Xier Enterprise Management Consulting Co., Ltd.	上海熙爾企業管理諮詢有限公司	2017/06/15 PRC/Mainland China	RMB50,000,000	–	100%	Provision of apartment rental services
Mofang (Chengdu) Enterprise Management Co., Ltd.	魔方(成都)企業管理有限公司	2016/12/22 PRC/Mainland China	RMB10,000,000	–	100%	Provision of apartment rental services
Shanghai Manyue Hotel Management Co., Ltd.	上海蔓越酒店管理有限公司	2017/07/31 PRC/Mainland China	RMB20,000,000	–	100%	Provision of apartment rental services
Shanghai Shengsheng Asset Management Co., Ltd.	上海盛升資產管理有限公司	2015/11/30 PRC/Mainland China	RMB40,000,000	–	100%	Provision of apartment rental services
Mofang Apartment Management (Wuhan) Co., Ltd.	魔方公寓管理(武漢)有限公司	2016/11/17 PRC/Mainland China	RMB10,000,000	–	100%	Provision of apartment rental services
Shanghai Shengmu Asset Management Co., Ltd.	上海盛沐資產管理有限公司	2015/11/12 PRC/Mainland China	RMB40,000,000	–	100%	Provision of apartment rental services
Shanghai Shengyi Enterprise Management Co., Ltd.	上海盛熠企業管理有限公司	2015/12/28 PRC/Mainland China	RMB50,000,000	–	100%	Provision of apartment rental services
Shanghai Shengjiang Investment Management Co., Ltd.	上海盛疆投資管理有限公司	2016/03/09 PRC/Mainland China	RMB50,000,000	–	100%	Provision of apartment rental services
Mofang (Xi'an) Apartment Rental Co., Ltd.	魔方(西安)公寓住房租賃有限公司	2017/01/10 PRC/Mainland China	RMB10,000,000	–	100%	Provision of apartment rental services

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English name	Chinese name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Hengshuo Apartment Hotel Co., Ltd.	上海恒碩公寓酒店有限公司	2006/06/30 PRC/Mainland China	RMB42,000,000	–	100%	Provision of apartment rental services
Shanghai Shengdie Enterprise Management Co., Ltd.	上海盛迭企業管理有限公司	2017/04/06 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services
Shanghai Shengpai Investment Management Co., Ltd.	上海盛派投資管理有限公司	2016/03/02 PRC/Mainland China	RMB28,000,000	–	100%	Provision of apartment rental services
Shanghai Shenggu Enterprise Management Co., Ltd.	上海盛汨企業管理有限公司	2016/07/09 PRC/Mainland China	RMB17,000,000	–	100%	Provision of apartment rental services
Shanghai Shengduo Asset Management Co., Ltd.	上海盛鐸資產管理有限公司	2015/12/30 PRC/Mainland China	RMB24,000,000	–	100%	Provision of apartment rental services
Shanghai Shengliang Enterprise Management Co., Ltd.	上海盛梁企業管理有限公司	2016/11/04 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services
Shanghai Hemao Enterprise Management Co., Ltd.	上海和懋企業管理有限公司	2016/09/08 PRC/Mainland China	RMB13,000,000	–	100%	Provision of apartment rental services
Shanghai Hexie Industrial Co., Ltd.	上海和總實業有限公司	2016/06/23 PRC/Mainland China	RMB18,000,000	–	100%	Provision of apartment rental services
Shanghai Shengchong Corporate Management Co., Ltd.	上海盛翀企業管理有限公司	2016/09/01 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services
Shanghai Shengjian Apartment Management Co., Ltd.	上海盛踐公寓管理有限公司	2019/04/16 PRC/Mainland China	RMB3,000,000	–	100%	Provision of apartment rental services
Shanghai Moyu Investment Management Co., Ltd.	上海魔域投資管理有限公司	2014/12/12 PRC/Mainland China	USD6,000,000	–	100%	Provision of apartment rental services
City Magic (Beijing) Technical Co., Ltd.	城市魔方(北京)科技有限公司	2016/01/13 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services
Shanghai Jinghong Yuanyu Apartment Management Co., Ltd. (“Shanghai Jinghong”)	上海景閣遠寓公寓管理有限公司	2019/05/13 PRC/Mainland China	RMB40,000,000	–	100%	Provision of apartment rental services
Shanghai Qingteng Property Management Co., Ltd.	上海慶騰物業管理有限公司	2016/07/08 PRC/Mainland China	RMB3,000,000	–	100%	Provision of apartment rental services
Mofang Bingkang (Hangzhou) Enterprise Management Co., Ltd.	魔方濱康(杭州)企業管理有限公司	2016/12/12 PRC/Mainland China	RMB50,010,000	–	100%	Provision of apartment rental services
Shanghai Yincheng Industrial Co., Ltd. (“Shanghai Yincheng”)	上海胤臣實業有限公司	2010/12/08 PRC/Mainland China	RMB500,000	–	100%	Provision of apartment rental services
Shanghai Mashen Enterprise Management Consulting Co., Ltd.	上海瑪申企業管理諮詢有限公司	2018/07/13 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services

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ACCOUNTANTS’ REPORT

English name	Chinese name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Hanlei Enterprise Management Consulting Co., Ltd.	上海涵磊企業管理諮詢有限公司	2017/08/08 PRC/Mainland China	RMB50,000,000	–	100%	Investment holding
Shenzhen Yixin Apartment Management Co., Ltd.	深圳市宜鑫公寓管理有限公司	2015/11/10 PRC/Mainland China	RMB5,000,000	–	100%	Provision of apartment rental services
Pulemen apartment management (Beijing) Co., Ltd.	普樂門公寓管理(北京)有限公司	2011/08/23 PRC/Mainland China	RMB26,720,000	–	100%	Provision of apartment rental services
Shanghai Kangli Apartment Management Co., Ltd.	上海康利公寓管理有限公司	2020/05/11 PRC/Mainland China	RMB100,000	–	100%	Provision of apartment rental services
Shenzhen Weike Apartment Investment Management Co., Ltd.	深圳微客公寓投資管理有限公司	2015/10/20 PRC/Mainland China	RMB62,615,680	–	80%	Provision of apartment rental services
Beijing Huizhan Asset Management Co., Ltd. (“Huizhan”)	北京輝展資產管理有限公司 ^(c)	2012/10/19 PRC/Mainland China	RMB5,000,000	–	80%	Provision of apartment rental services
Shanghai Kaidun Hotel Management Co., Ltd. (“Shanghai Kaidun”)	上海凱頓酒店管理有限公司	2005/06/02 PRC/Mainland China	RMB12,668,290	–	51%	Provision of apartment rental services
Shanghai Hanmo Enterprise Management Co., Ltd. (“Shanghai Hanmo”)	上海瀚墨企業管理有限公司	2014/10/08 PRC/Mainland China	RMB30,607,635	–	60%	Provision of apartment rental services
Shanghai Haoji Apartment Management Co., Ltd. (“Shanghai Haoji”)	上海灝吉公寓管理有限公司	2020/09/10 PRC/Mainland China	RMB6,600,000	–	100%	Provision of apartment rental services
Shanghai Mo’er Asset Management Co., Ltd.	上海摩珥資產管理有限公司	2015/06/12 PRC/Mainland China	RMB10,000,000	–	100%	Provision of apartment rental services

Notes:

- The statutory financial statements of Cubic City (China) Investment Co., Ltd. for the years ended 31 December 2020 and 2021 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP. No audited financial statements have been prepared for this entity for the year ended 31 December 2022.
- The statutory financial statements for the year ended 31 December 2020 prepared under PRC GAAP were audited by Shenzhen Sijie Certified Public Accountants (General Partnership) (深圳思傑會計師事務所(普通合夥)). No audited financial statements have been prepared for this entity for the year ended 31 December 2022.
- The statutory financial statements for the year ended 2020 prepared under PRC GAAP were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership) (北京東審會計師事務所(特殊普通合夥)). No audited financial statements have been prepared for this entity for the year ended 31 December 2021 and 2022.
- The statutory financial statements for the year ended 31 December 2021 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP. No audited financial statements have been prepared for this entity for the year ended 31 December 2022.

The English names of the companies registered in the PRC referred to above in this note represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

APPENDIX I

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2.1 BASIS OF PRESENTATION

In December 2022, the Company entered into a share purchase agreement with several fellow subsidiaries of Warburg Pincus LLC, (“Warburg Pincus”), the ultimate holding company, to acquire 100% equity interests of Opal Gem Holdings Limited and Opal Gem Group Limited (“**Opal Entities**”) for an aggregate purchase price of RMB125,000,000 in cash. Opal Entities were set up by Warburg Pincus, which is principally engaged in investment holding. The acquisition of Opal Entities were made as part of the Group’s strategy to support its business.

Since the Group and Opal Entities are under common control of Warburg Pincus, the Group’s acquisition of Opal Entities have been accounted for as a combination of entities under common control with the pooling of interest method applied as if such acquisition had been completed at the date when the Group and Opal Entities came under the common control of the ultimate holding company. The assets and liabilities of Opal Entities were included using the existing book values from the ultimate holding company’s perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisition. The results and cash flows of Opal Entities were included since the date when Opal Entities and the Group came under the common control of the ultimate holding company. The contribution from the ultimate holding company to Opal Entities and the consideration payable for the acquisition of Opal Entities are accounted for as an equity transaction in other reserve in the consolidated statement of changes in equity.

2.2 BASIS OF PREPARATION

Notwithstanding that the Group recorded net current liabilities of RMB2,423,617,000 as at 31 December 2022, the Historical Financial Information has been prepared on a going concern basis. The Group assesses its liquidity by its ability to generate cash from operating activities. The directors of the Company have reviewed the Group’s working capital forecast, which covers a period of twelve months from 31 December 2022. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations when they fall due and to sustain its operations for the next twelve months from 31 December 2022.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, 2021 and 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
IFRS 17	<i>Insurance Contracts</i> ¹
Amendment to IFRS 17	<i>Insurance Contracts</i> ^{1.5}
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> ⁶
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2.4}
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

- 1 Effective for annual periods beginning on or after 1 January 2023
- 2 Effective for annual periods beginning on or after 1 January 2024
- 3 No mandatory effective date yet determined but available for adoption
- 4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
- 5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
- 6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group’s financial position and financial performance.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

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Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group

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Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	over the shorter of the lease term and the estimated useful lives of the
Leasehold improvements	assets
Electronic equipment	11.88%
Furniture	11.88%
Motor vehicles	11.88%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	5 years
Manachise and management agreements	3-9.92 years

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Manachise and management agreements are in connection with the Company’s acquisitions of subsidiaries and the amortization periods i.e. the estimated useful life of 3 to 9.92 years are based on the residual lease terms when acquired.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Research and development costs which do not meet these criteria are expensed when incurred.

Manachise and management agreements

Manachise and management agreements represent the fair value of third-party managed apartment services agreements arising from the acquisition of subsidiaries which is amortised over the remaining period of 3-9.92 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	8 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group’s policy for “investment properties”.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for

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termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office, motor vehicles, equipment and green plants (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and potted plants that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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The Group’s financial liabilities include trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories mainly include merchandises and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

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Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from investment property operating leases

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

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(b) Provision of apartment management services

Apartment management services are rendered to customers under the leased-and-operated model (直營), which mainly include security, cleaning, repair and maintenance. The Group charges apartment management service fees at a fixed rate per room on a monthly basis. The revenue is recognised over time as the tenants simultaneously receive and consume the benefits in relation to the services provided by the Group.

(c) Provision of manachised and third-party managed apartment services

Manachised and third-party managed apartment services are rendered to customers under the managed-and-manachised model (委管加盟), which mainly include designating managers, training on-site employees and running daily operations related to, among others, technology support, customer service, sales and marketing while retaining the brands of the Group or using the brands of third parties.

Revenue from manachised and third-party managed apartment services mainly consists of fixed franchise fees and variable fees charged at a percentage of gross revenue. The revenue is recognised over time as the franchisee simultaneously receives and consumes the benefits in relation to the services provided by the Group.

(d) Provision of value-added services

Valued-added services included parking service, elevator advertising services and etc.

(e) Provision of consulting services

Consulting services mainly include technical advice and guidance provided for apartment construction and renovation, operation management, market development strategy.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the Historical Financial Information.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification of preferred shares

The Group has issued series of preferred shares which are classified as equity instruments. The Group has determined, based on their contractual terms, that they contain no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

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Research and development expenditure

Development costs are capitalised in accordance with the accounting policy for research and development expenditure in note 2.3 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Recognition of share-based compensation expenses

The Group set up the share option schemes and granted options to employees, directors, and other eligible persons. The fair value of the options is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including dividend yield, expected volatility, risk-free interest rate and expected life are made by the directors and third-party valuer, detailed of which are disclosed in note 33.

Fair value of investment properties

Investment properties, including the leasehold properties held as right-of-use assets, are carried in the consolidated statement of financial position at their fair value, details of which are disclosed in note 14. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent and professionally qualified valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group’s investment properties included in the consolidated statement of financial position and the corresponding adjustments to the changes in fair value reported in profit or loss.

The net carrying amounts of the Group’s right-of-use assets included in investment properties as at 31 December 2020, 2021 and 2022 were RMB6,800,843,000, RMB11,636,599,000 and RMB12,071,287,000 respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Useful lives of intangible assets

The Group’s management determines the estimated useful lives and the related amortisation charge for the Group’s intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and, therefore, amortisation charge in the future periods.

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Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 30 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2020, 2021 and 2022 were RMB16,040,000, RMB81,956,000 and RMB81,956,000. Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of unlisted equity investments and debt investments

The unlisted equity investments and debt investments have been valued based on the expected cash flows discounted at current rates applicable to items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows, discount rates and sustainable growth rate, and hence they are subject to uncertainty. The Group classifies the fair value of the investment as Level 3. The fair value of the unlisted equity investment as at 31 December 2020, 2021 and 2022 was RMB831,886,000, RMB285,438,000 and RMB225,960,000 respectively. The fair value of the debt investment as at 31 December 2020, 2021 and 2022 was RMB19,888,000, RMB21,878,000 and RMB24,065,000 respectively. Further details are included in note 20 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each of Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 24 and note 25 to the financial statements.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into a business unit based on their services and has one reportable operating segment which is the long-term apartment rental services segment.

During the Relevant Periods, the Group was principally engaged in the provision of long-term apartment rental services in Mainland China.

Geographical information

Since approximately all of the Group’s non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about a major customer

All the revenues derived from single external customers were less than 10% of the Group’s total revenues during the years ended 31 December 2020, 2021 and 2022.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Leased-and-operated model			
Apartment rental services	860,650	1,292,793	1,504,857
Apartment management services	52,005	96,662	121,140
	<u>912,655</u>	<u>1,389,455</u>	<u>1,625,997</u>
Manachised and third-party managed model	<u>18,681</u>	<u>37,849</u>	<u>41,630</u>
Others			
Commercial subleasing	5,621	21,691	23,818
Value-added services	9,432	10,769	13,362
Consulting services and sale of products	2,599	11,326	9,332
	<u>17,652</u>	<u>43,786</u>	<u>46,512</u>
	<u>948,988</u>	<u>1,471,090</u>	<u>1,714,139</u>
Revenue from investment property operating leases			
Apartment rental services	860,650	1,292,793	1,504,857
Commercial subleasing	5,621	21,691	23,818
Revenue from contracts with customers	82,717	156,606	185,464
	<u>948,988</u>	<u>1,471,090</u>	<u>1,714,139</u>

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Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Types of services			
Apartment management services	52,005	96,662	121,140
Manachised and third-party managed apartment services	18,681	37,849	41,630
Value-added services	9,432	10,769	13,362
Consulting services and sale of products	2,599	11,326	9,332
Total revenue from contracts with customers	<u>82,717</u>	<u>156,606</u>	<u>185,464</u>
Geographical market			
Mainland China	<u>82,717</u>	<u>156,606</u>	<u>185,464</u>
Total revenue from contracts with customers	<u>82,717</u>	<u>156,606</u>	<u>185,464</u>
Timing of revenue recognition			
Services transferred over time	81,427	153,411	182,962
Products transferred at a point in time	1,290	3,195	2,502
Total revenue from contracts with customers	<u>82,717</u>	<u>156,606</u>	<u>185,464</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods:			
Apartment management services	5,887	6,947	14,908
Manachised and third-party managed apartments revenue	840	569	1,035
	<u>6,727</u>	<u>7,516</u>	<u>15,943</u>

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Apartment management services

The performance obligation is satisfied over time as services are rendered and service contracts are typically for periods of one month or more, and are billed based on the time incurred.

Manachised and third-party managed apartment services

The performance obligation is satisfied over time as services are rendered and service contracts are typically for periods of 3 years or more, and are billed based on the time incurred.

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Value-added services

The performance obligation is satisfied over time as services are rendered and service contracts are typically for periods of one month or more, and are billed based on the time incurred.

Consulting services

The performance obligation is satisfied over time as services are rendered and service contracts are typically for periods of one month or more, and are billed based on the time incurred.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

The consideration received from customers in advance allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:			
Within 1 year	7,516	15,943	12,284
After 1 year	2,033	2,015	1,371
	<u>9,549</u>	<u>17,958</u>	<u>13,655</u>

	Note	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
<u>Other income</u>				
Other interest income		18,998	24,055	17,117
Compensation income		6,433	4,842	944
Finance lease interest income		7,523	13,605	18,705
Government grants*		11,354	35,542	19,240
Bank interest income		1,480	1,633	4,621
Others		1,841	236	3,191
		<u>47,629</u>	<u>79,913</u>	<u>63,818</u>
<u>Gains</u>				
Gain on bargain purchase	38(d)	–	11,693	–
Gain on disposal of right-of-use assets		–	–	9,413
Gain on disposal of investment properties		384	912	–
		<u>384</u>	<u>12,605</u>	<u>9,413</u>
		<u>48,013</u>	<u>92,518</u>	<u>73,231</u>

* The government grants were mainly provided by Shanghai Municipal Bureau of Housing and Hangzhou Municipal Bureau of Housing for local rental housing industry development purpose. The government grants were income-related, and there are no unfulfilled conditions or contingencies relating to these grants.

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6. (LOSS)/PROFIT BEFORE TAX

The Group’s (loss)/profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	2020	2021	2022
		RMB’000	RMB’000	RMB’000
Cost of services provided and products sold		162,593	203,760	243,818
Depreciation of property, plant and equipment	13	4,397	4,206	3,314
Depreciation of right-of-use assets	15	5,353	6,668	5,434
Amortisation of other intangible assets*	18	5,962	15,086	24,448
Auditor’s remuneration		2,093	2,285	1,763
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (excluding directors’ remuneration) (note 8):				
Wages, salaries and bonuses		124,715	179,556	183,978
Pension scheme contributions		15,312	39,295	54,207
Foreign exchange differences, net		3,159	363	49,157
(Reversal of impairment)/impairment of trade receivables, net	24	(32)	(2,114)	5,448
Impairment of other receivables, net	25	875	2,205	395
Impairment/(reversal of impairment) of loan receivables, net	21	25	1,850	(59)
Impairment of other non-current assets	22	221	633	296
Impairment of finance lease receivables	17	1,257	983	2,204
Penalties		1,294	9,029	4,595
Changes in fair value of investment properties	14	496,734	241,420	776,647
Changes in fair value of financial assets at fair value through profit or loss		(38,070)	(29,544)	(19,859)
Rent concessions from lessors**	15	(27,943)	(10,995)	(69,104)
Rent concessions to lessees	17	1,798	–	5,250

* These items for the Relevant Periods are included in “Cost of services provided and products sold” and “Administrative expenses” in profit or loss.

** These items for the Relevant Periods are included in “Changes in fair value of investment properties” in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Interest on borrowings, other payables and long term payables	120,103	124,887	195,440
Interest on lease liabilities (note 15(b))	303,000	376,409	440,395
	<u>423,103</u>	<u>501,296</u>	<u>635,835</u>

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8. DIRECTORS’ REMUNERATION

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	—	—	385
Performance related bonuses	—	—	—
Equity-settled share option expense	—	—	16,860
Pension scheme contributions	—	—	34
	—	—	17,279

During the Relevant Periods, no payments were made by the Group to the directors of the Company as an inducement to join the Group or as compensation for loss of office.

(a) Independent non-executive directors

The Company did not have any independent non-executive directors at any time during the Relevant Periods.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Directors

Year ended 31 December 2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. ZHENG Nanyan	—	—	—	—	—
Mr. PERLMAN Jeffrey David	—	—	—	—	—
Ms. NG Ellen Hoi Ying (note (iii))	—	—	—	—	—
Mr. ZHANG Qiqi	—	—	—	—	—
Ms. ZHANG Yuzheng (note (iv))	—	—	—	—	—
Ms. LI Xiaomei	—	—	—	—	—
Mr. LIM Meng Ann	—	—	—	—	—
Mr. GAGNON Joseph Raymond (note (i))	—	—	—	—	—
Mr. ZHANG Wei (note (ii))	—	—	—	—	—
	—	—	—	—	—

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Year ended 31 December 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors:					
Mr. ZHENG Nanyan	—	—	—	—	—
Mr. PERLMAN Jeffrey David	—	—	—	—	—
Ms. NG Ellen Hoi Ying	—	—	—	—	—
Mr. ZHANG Qiqi	—	—	—	—	—
Ms. ZHANG Yuzheng	—	—	—	—	—
Ms. LI Xiaomei	—	—	—	—	—
Mr. LIM Meng Ann	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
Ms. LIU Jia (note (v))	—	385	—	8,268	34	8,687
	<u>—</u>	<u>385</u>	<u>—</u>	<u>8,268</u>	<u>34</u>	<u>8,687</u>
Directors:						
Mr. ZHENG Nanyan	—	—	—	8,592	—	8,592
Mr. PERLMAN Jeffrey David	—	—	—	—	—	—
Ms. NG Ellen Hoi Ying	—	—	—	—	—	—
Mr. ZHANG Qiqi	—	—	—	—	—	—
Ms. ZHANG Yuzheng	—	—	—	—	—	—
Ms. Li Xiaomei	—	—	—	—	—	—
Mr. LIM Meng Ann	—	—	—	—	—	—
	<u>—</u>	<u>385</u>	<u>—</u>	<u>16,860</u>	<u>34</u>	<u>17,279</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (i) Mr. GAGNON Joseph Raymond was initially assigned by Warburg Pincus and resigned from Warburg Pincus due to personal reasons, and hence resigned as our Director on July 29, 2020.
- (ii) Mr. ZHANG Wei was initially assigned by Warburg Pincus and resigned from Warburg Pincus due to personal reasons, and hence resigned as our Director on July 29, 2020.
- (iii) Ms. NG Ellen Hoi Ying was appointed on July 29, 2020.
- (iv) Ms. ZHANG Yuzheng was appointed on July 29, 2020.
- (v) Ms. LIU Jia was appointed on September 25, 2022.

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9. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees for the years ended 31 December 2020 and 2021 are directors. The five highest paid employees for the year end 31 December 2022 included two directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2020, 2021 and 2022 of the remaining highest paid employees represented as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,332	3,390	2,806
Performance related bonuses	800	2,315	–
Equity-settled share option expense	9,146	9,546	6,637
Pension scheme contributions	214	607	402
	<u>14,492</u>	<u>15,858</u>	<u>9,845</u>

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2020	2021	2022
RMB1,500,001 to RMB2,000,000	1	–	–
RMB2,000,001 to RMB2,500,000	2	2	–
RMB2,500,001 to RMB3,000,000	–	1	2
RMB3,500,001 to RMB4,000,000	1	1	–
RMB4,000,001 to RMB4,500,000	–	–	–
RMB4,500,001 to RMB5,000,000	1	1	1
	<u>5</u>	<u>5</u>	<u>3</u>

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to these highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The provision for Mainland China corporate income tax has been provided at the applicable tax rate of 25% during the Relevant Periods on the assessable profits of the Company’s subsidiaries in Mainland China.

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current			
Current income tax charge	2,156	3,206	2,717
Deferred			
Relating to origination and reversal of temporary differences	(34,432)	91,374	(9,720)
Total tax (credit)/charge for the year	<u>(32,276)</u>	<u>94,580</u>	<u>(7,003)</u>

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A reconciliation of the tax expense applicable to the operating results at the statutory rate for Mainland China in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	(262,553)	396,517	(253,610)
Tax at the statutory tax rate of 25%	(65,638)	99,129	(63,403)
Effect of different tax rates in different jurisdictions	566	2,224	9,931
Tax effect of share of results of joint ventures and associates	(2,847)	(6,983)	(2,778)
Expenses not deductible for tax purposes	3,828	5,220	3,088
Temporary differences not recognised	4,112	4,677	17,663
Reversal the deferred tax liabilities in respect of FVTPL when it was acquired as a subsidiary	–	(17,995)	–
Tax losses not recognised	17,096	4,542	40,817
Exchange differences on intragroup balances recognized in other comprehensive income*	10,607	3,766	(12,321)
Total tax (credit)/charge for the year	(32,276)	94,580	(7,003)

* In the opinion of the directors, certain intragroup balances are unlikely to be repaid in the foreseeable future and are considered as part of the Company’s net investments in these subsidiaries.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit or loss for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods.

The calculation of the diluted earnings/(loss) per share amounts is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Relevant Periods, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(228,686)	289,396	(203,974)
<u>Shares</u>			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	618,678,484	661,727,274	659,608,140
Effect of dilution – weighted average number of ordinary shares			
Written put option	2,935,795	3,051,157	2,525,579
Share options	8,410,489	8,126,215	9,600,901
	630,024,768	672,904,646	671,734,620

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The Group had potential dilutive shares throughout the year related to written put option and share options. Due to the Group’s negative financial results in 2020 and 2022, written put option and share options have anti-dilutive effect on the Group’s loss per share of each of the two years. Accordingly, the diluted loss per share of 2020 and 2022 are equivalent to the basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Electronic equipment RMB'000	Furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:						
Cost	24,919	6,376	3,150	2,468	8,551	45,464
Accumulated depreciation	(11,532)	(2,923)	(1,472)	(1,358)	–	(17,285)
Net carrying amount	13,387	3,453	1,678	1,110	8,551	28,179
At 1 January 2020, net of accumulated depreciation	13,387	3,453	1,678	1,110	8,551	28,179
Additions	756	159	39	–	12,310	13,264
Disposals	–	(15)	–	–	–	(15)
Depreciation provided during the year	(2,982)	(747)	(376)	(292)	–	(4,397)
Transfer to intangible assets	–	–	–	–	(8,186)	(8,186)
At 31 December 2020, net of accumulated depreciation	11,161	2,850	1,341	818	12,675	28,845
At 31 December 2020:						
Cost	25,675	6,519	3,189	2,468	12,675	50,526
Accumulated depreciation	(14,514)	(3,669)	(1,848)	(1,650)	–	(21,681)
Net carrying amount	11,161	2,850	1,341	818	12,675	28,845
	Leasehold improvements RMB'000	Electronic equipment RMB'000	Furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:						
Cost	25,675	6,519	3,189	2,468	12,675	50,526
Accumulated depreciation	(14,514)	(3,669)	(1,848)	(1,650)	–	(21,681)
Net carrying amount	11,161	2,850	1,341	818	12,675	28,845
At 1 January 2021, net of accumulated depreciation	11,161	2,850	1,341	818	12,675	28,845
Additions	1,300	55	20	–	11,478	12,853
Disposals	–	–	–	(144)	–	(144)
Depreciation provided during the year	(2,913)	(701)	(351)	(241)	–	(4,206)
Transfer to intangible assets	–	–	–	–	(19,068)	(19,068)
At 31 December 2021, net of accumulated depreciation	9,548	2,204	1,010	433	5,085	18,280
At 31 December 2021:						
Cost	26,975	6,574	3,209	2,009	5,085	43,852
Accumulated depreciation	(17,427)	(4,370)	(2,199)	(1,576)	–	(25,572)
Net carrying amount	9,548	2,204	1,010	433	5,085	18,280

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	Leasehold improvements <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022:						
Cost	26,975	6,574	3,209	2,009	5,085	43,852
Accumulated depreciation	(17,427)	(4,370)	(2,199)	(1,576)	–	(25,572)
Net carrying amount	<u>9,548</u>	<u>2,204</u>	<u>1,010</u>	<u>433</u>	<u>5,085</u>	<u>18,280</u>
At 1 January 2022, net of accumulated depreciation	9,548	2,204	1,010	433	5,085	18,280
Additions	529	394	7	373	21,473	22,776
Disposals	(45)	(343)	–	–	–	(388)
Depreciation provided during the year	(2,402)	(465)	(240)	(207)	–	(3,314)
Transfer to intangible assets	–	–	–	–	(6,940)	(6,940)
At 31 December 2022, net of accumulated depreciation	<u>7,630</u>	<u>1,790</u>	<u>777</u>	<u>599</u>	<u>19,618</u>	<u>30,414</u>
At 31 December 2022:						
Cost	27,459	6,074	3,216	2,382	19,618	58,749
Accumulated depreciation	(19,829)	(4,284)	(2,439)	(1,783)	–	(28,335)
Net carrying amount	<u>7,630</u>	<u>1,790</u>	<u>777</u>	<u>599</u>	<u>19,618</u>	<u>30,414</u>

14. INVESTMENT PROPERTIES

	<i>RMB'000</i>
At 1 January 2020	<u>6,951,118</u>
Additions	689,718
Acquisition of subsidiaries	72,896
Net loss from fair value adjustments	(496,734)
Decrease	<u>(416,155)</u>
At 31 December 2020 and 1 January 2021	<u>6,800,843</u>
Additions	542,578
Acquisition of subsidiaries	4,545,593
Net loss from fair value adjustments	(241,420)
Decrease	<u>(10,995)</u>
At 31 December 2021 and 1 January 2022	<u>11,636,599</u>
Additions	1,177,127
Acquisition of subsidiaries	274,087
Net loss from fair value adjustments	(776,647)
Decrease	<u>(239,879)</u>
At 31 December 2022	<u>12,071,287</u>

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The net carrying amounts of the Group’s right-of-use assets included in investment properties as at 31 December 2020, 2021 and 2022 were RMB6,800,843,000, RMB11,636,599,000 and RMB12,071,287,000 respectively.

Investment property of RMB155,784,000, nil and nil as at 31 December 2020, 2021 and 2022, respectively, were pledged for other borrowings (note 29).

The fair values of the Group’s investment properties as at 31 December 2020, 2021 and 2022 have been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Inc, a firm of independent qualified professional valuers not connected to the Group.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. The Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties consist of apartments situated in Mainland China.

During the Relevant Periods, all of the Group’s investment properties were within Level 3 of the fair value hierarchy as the valuation was arrived at by reference to certain significant unobservable inputs. There were no transfers among Levels 1, 2 and 3 during the Relevant Periods.

At the end of each of the Relevant Periods, the Group:

- verified all major inputs to the independent valuation reports;
- assessed property valuation movements when comparing to the prior year valuation reports; and
- held discussions with the independent professional appraiser.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties held as at the end of each of the Relevant Periods:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs		
			As at 31 December		
			2020	2021	2022
Apartment	Income approach	Prevailing market rents	RMB756-10,726 per room per month	RMB750-11,000 per room per month	RMB880-10,900 per room per month
		Reversionary capitalisation rate	4.75%-5.25%	4.75%-5.25%	4.75%-5.25%
Others	Income approach	Prevailing market rents	RMB65-272 per square metre per month	RMB64-304 per square metre per month	RMB67-380 per square metre per month
		Reversionary capitalisation rate	4.25%-5.25%	4.25%-5.25%	4.25%-5.25%

Prevailing market rents are estimated based on the independent professional appraiser’s view of recent letting transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value is. Reversionary capitalisation rate is estimated by the independent professional appraiser based on the risk profile of the properties being valued. The higher the rate, the lower the fair value is.

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15. LEASES

The Group as lessee

The Group has lease contracts for various items of buildings used in its operations. Buildings generally have lease terms of 5 to 20 years.

(a) *Right-of-use assets*

Excluding the balances included in investment properties as at 31 December 2020, 2021 and 2022, of RMB6,800,843,000, RMB11,636,599,000 and RMB12,071,287,000 respectively, the carrying amount of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Right-of-use assets Buildings RMB’000
As at 1 January 2020	32,165
Depreciation charge	(5,353)
As at 31 December 2020 and 1 January 2021	26,812
Acquisition of subsidiaries	14,814
Depreciation charge	(6,668)
As at 31 December 2021 and 1 January 2022	34,958
Depreciation charge	(5,434)
Disposal of right-of-use assets	(13,380)
Rent concessions from lessors	(319)
As at 31 December 2022	15,825

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at 1 January	4,994,862	4,923,097	7,603,204
New leases	489,942	423,777	1,052,342
Additions as a result of acquisition of subsidiaries	85,404	2,815,271	202,712
Accretion of interest recognised during the year	303,000	376,409	440,395
Payments	(542,420)	(924,355)	(1,047,589)
Rent concessions from lessors*	(27,943)	(10,995)	(69,423)
Termination of leases	(379,748)	—	(170,775)
Carrying amount at year end	4,923,097	7,603,204	8,010,866
Analysed into:			
Current portion	425,903	717,794	874,612
Non-current portion	4,497,194	6,885,410	7,136,254

* The Group accounts for rent concessions received from lessors as lease modifications.

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

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The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Interest on lease liabilities	303,000	376,409	440,395
Depreciation charge of right-of-use assets	5,353	6,668	5,434
Decrease in fair value of right-of-use assets included in investment properties, net*	496,734	241,420	776,647
Total amount recognised in profit or loss	805,087	624,497	1,222,476

* Rent concessions from lessors for the Relevant Periods are included in these items.

The total cash outflow for leases is disclosed in note 36 to the Historical Financial Information.

The Group as lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Within one year	6,922	19,684	24,188
After one year but within two years	5,742	16,681	14,758
After two years but within three years	3,977	10,061	10,218
After three years but within four years	2,619	6,813	3,728
After four years but within five years	306	2,246	902
After five years	–	476	–
	19,566	55,961	53,794

16. GOODWILL

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
At beginning of year	6,910	16,040	81,956
Acquisition of subsidiaries (note 38)	9,130	65,916	–
At end of year	16,040	81,956	81,956

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Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units (the “CGU”) for impairment testing:

- Weike apartments rental services cash-generating unit (“Weike”)
- Shanghai Kaidun apartments rental services cash-generating unit (“Shanghai Kaidun”)
- Vlinker Project Companies apartments rental services cash-generating unit (“Vlinker Project Companies”)
- Shanghai Yinchun apartments rental services cash-generating unit (“Shanghai Yinchun”)
- Shanghai Haoji apartments rental services cash-generating unit (“Shanghai Haoji”)
- Shanghai Hanmo and Unit 9 apartments rental services cash-generating unit (“Shanghai Hanmo and Unit 9”)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

Apartments rental services cash-generating unit

	<i>Notes</i>	As at 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Weike		6,910	6,910	6,910
Shanghai Kaidun	38.1(a)	9,130	9,130	9,130
Vlinker Project Companies	38.1(b)	N/A	1,441	1,441
Shanghai Yinchun	38.1(c)	N/A	13,261	13,261
Shanghai Haoji	38.1(f)	N/A	3,030	3,030
Shanghai Hanmo and Unit 9	38.1(g)	N/A	48,184	48,184

The key assumptions used in the CGU value-in-use calculations are as follows:

As of 31 December 2020

	Annual revenue growth rate for the 5-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Apartments rental services cash-generating unit:				
Weike	9%-16%	3.0%	14.35%	5 years
Shanghai Kaidun	(6%)-4%	3.0%	14.41%	5 years

As of 31 December 2021

	Annual revenue growth rate for the 5-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Apartments rental services cash-generating unit:				
Weike	9%-12%	2.3%	14.52%	5 years
Shanghai Kaidun	(6%)-9%	2.3%	14.96%	5 years
Vlinker Project Companies	5%-20%	2.3%	14.95%	5 years
Shanghai Yinchun	3%-8%	2.3%	14.87%	5 years
Shanghai Haoji	0%-3%	2.3%	15.04%	5 years
Shanghai Hanmo	4%-9%	2.3%	14.60%	5 years

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As of 31 December 2022

	Annual revenue growth rate for the 5-year period	Terminal growth rate	Pre-tax discount rate	Period of cash flow projections
Apartments rental services cash-generating unit:				
Weike	9%-10%	2.3%	14.41%	5 years
Shanghai Kaidun	3%-7%	2.3%	15.04%	5 years
Vlinker Project Companies	8%-16%	2.3%	14.48%	5 years
Shanghai Yinchen	1%-2%	2.3%	14.59%	5 years
Shanghai Haoji	3%-15%	2.3%	14.74%	5 years
Shanghai Hanmo	3%-4%	2.3%	14.93%	5 years

Annual revenue growth rate for the 5-year period – The basis used to determine the value assigned to the annual revenue growth rate is the average annual revenue growth rate achieved in the year immediately before the budget year, increased for expected market development.

Terminal growth rate – The forecasted terminal growth rate is based on senior management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Pre-tax Discount rate – The pre-tax discount rates used reflect specific risks relating to the relevant units.

The values assigned to the key assumptions are consistent with external information sources.

Sensitivity analysis and headroom

	As at 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
The recoverable amounts			
Weike	72,620	70,053	71,910
Shanghai Kaidun	75,982	104,849	66,718
Vlinker Project Companies	N/A	1,712,735	1,725,320
Shanghai Yinchen	N/A	105,606	88,580
Shanghai Haoji	N/A	37,925	44,397
Shanghai Hanmo	N/A	603,399	587,061
Headroom			
Weike	7,402	8,893	19,084
Shanghai Kaidun	3,291	9,004	7,387
Vlinker Project Companies	N/A	164,774	176,881
Shanghai Yinchen	N/A	6,769	9,150
Shanghai Haoji	N/A	4,725	4,920
Shanghai Hanmo	N/A	63,216	53,328
Sensitive test headroom decreased to Weike			
Revenue amount decreases by 1%	5,548	7,155	16,942
Terminal growth rate decreases by 0.5%	2,398	4,691	15,488
Pre-tax discount rate increases by 0.3%	3,844	5,824	16,211
Shanghai Kaidun			
Revenue amount decreases by 1%	683	5,318	4,020
Terminal growth rate decreases by 0.5%	315	920	2,704
Pre-tax discount rate increases by 0.3%	964	3,523	3,945
Vlinker Project Companies			
Revenue amount decreases by 1%	N/A	1,316	3,077
Terminal growth rate decreases by 0.5%	N/A	59,965	78,837

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	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Pre-tax discount rate increases by 0.3%	N/A	97,302	108,387
Shanghai Yincheng			
Revenue amount decreases by 1%	N/A	5,314	7,722
Terminal growth rate decreases by 0.5%	N/A	2,634	5,798
Pre-tax discount rate increases by 0.3%	N/A	4,405	6,956
Shanghai Haoji			
Revenue amount decreases by 1%	N/A	1,553	648
Terminal growth rate decreases by 0.5%	N/A	2,552	2,982
Pre-tax discount rate increases by 0.3%	N/A	3,285	3,560
Shanghai Hanmo			
Revenue amount decreases by 1%	N/A	41,122	34,798
Terminal growth rate decrease by 0.5%	N/A	18,659	17,997
Pre-tax discount rate increases by 0.3%	N/A	31,409	27,802

Sensitivity to changes in assumption

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount. By applying a certain basis point increase in the discount rate, decrease in the revenue and terminal growth rate as follows would result in the recoverable amount of each cash-generating unit being approximately equal to its carrying value.

	As at 31 December		
	2020 Basis point	2021 Basis point	2022 Basis point
Weike			
Decrease in revenue	410	530	955
Decrease in terminal growth rate	76	112	341
Increase in pre-tax discount rate	64	91	228
Shanghai Kaidun			
Decrease in revenue	126	248	222
Decrease in terminal growth rate	56	56	81
Increase in pre-tax discount rate	43	50	36
Vlinker Project Companies			
Decrease in revenue	N/A	101	102
Decrease in terminal growth rate	N/A	81	94
Increase in pre-tax discount rate	N/A	76	81
Shanghai Yincheng			
Decrease in revenue	N/A	480	673
Decrease in terminal growth rate	N/A	85	150
Increase in pre-tax discount rate	N/A	77	135
Shanghai Haoji			
Decrease in revenue	N/A	132	115
Decrease in terminal growth rate	N/A	116	138
Increase in pre-tax discount rate	N/A	104	115
Shanghai Hanmo			
Decrease in revenue	N/A	291	293
Decrease in terminal growth rate	N/A	73	78
Increase in pre-tax discount rate	N/A	61	34

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17. FINANCE LEASE RECEIVABLES

The carrying amount of finance lease receivables and the movements during the Relevant Periods are as follows:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Carrying amount at 1 January	127,320	158,654	253,163
Additions	9,668	2,006	44,572
Acquisition of subsidiaries	37,471	114,816	–
Accretion of interest recognised during the year	7,523	13,605	18,705
Receipts	(18,812)	(35,918)	(34,470)
Rent concessions to lessees	(1,798)	–	(5,250)
Finance lease receivables reduced due to termination of the leases	(2,718)	–	–
	<u>158,654</u>	<u>253,163</u>	<u>276,720</u>
Impairment allowance	<u>(5,286)</u>	<u>(7,942)</u>	<u>(10,146)</u>
	<u>153,368</u>	<u>245,221</u>	<u>266,574</u>
Analysed into:			
Current portion	20,922	33,649	57,248
Non-current portion	<u>132,446</u>	<u>211,572</u>	<u>209,326</u>

The movements in the loss allowance for impairment of finance lease receivables are as follows:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
At beginning of year	4,029	5,286	7,942
Acquisition of subsidiary	–	1,673	–
Impairment losses, net (<i>note 6</i>)	<u>1,257</u>	<u>983</u>	<u>2,204</u>
At end of year	<u>5,286</u>	<u>7,942</u>	<u>10,146</u>

18. OTHER INTANGIBLE ASSETS

	Software	Manachise and management agreements	Total
	RMB'000	RMB'000	RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	17,531	—	17,531
Additions	2,311	—	2,311
Transfer from construction in progress	8,186	—	8,186
Acquisition of a subsidiary	170	30,960	31,130
Disposal	(160)	—	(160)
Amortisation provided during the year	(4,724)	(1,238)	(5,962)
At 31 December 2020	23,314	29,722	53,036

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	Software RMB’000	Manachise and management agreements RMB’000	Total RMB’000
At 31 December 2020 and 1 January 2021			
Cost	36,771	30,960	67,731
Accumulated amortisation	(13,457)	(1,238)	(14,695)
Net carrying amount	23,314	29,722	53,036
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	23,314	29,722	53,036
Additions	2,813	–	2,813
Transfer from construction in progress	19,068	–	19,068
Acquisition of a subsidiary	–	19,780	19,780
Amortisation provided during the year	(9,773)	(5,313)	(15,086)
At 31 December 2021	35,422	44,189	79,611
At 31 December 2021 and 1 January 2022			
Cost	58,652	50,740	109,392
Accumulated amortisation	(23,230)	(6,551)	(29,781)
Net carrying amount	35,422	44,189	79,611
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	35,422	44,189	79,611
Additions	687	–	687
Transfer from construction in progress	6,940	–	6,940
Acquisition of a subsidiary	–	33,700	33,700
Disposal	(484)	–	(484)
Amortisation provided during the period	(11,122)	(13,326)	(24,448)
At 31 December 2022	31,443	64,563	96,006
At 31 December 2022			
Cost	65,732	84,440	150,172
Accumulated amortisation	(34,289)	(19,877)	(54,166)
Net carrying amount	31,443	64,563	96,006

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Year ended 31 December		
	2020 RMB’000	2021 RMB’000	2022 RMB’000
Share of net assets in joint ventures	16,277	41,084	42,670
Share of net assets in associates	49,632	137,916	231,247
	65,909	179,000	273,917

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The loans to joint ventures and associates are disclosed in note 40 to the Historical Financial Information.

As at 31 December 2020, 2021 and 2022, the Group’s material joint venture and associate are as follows:

Name of entity*	Country of incorporation/ registration and business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activity	Classified as investment in
		Year ended 31 December			Year ended 31 December				
		2020	2021	2022	2020	2021	2022		
Shanghai Yimofang Hotel Management Company Limited 上海詒魔方公寓管理有限公司 (“Yimofang”)	The PRC	50%	50%	50%	50%	50%	50%	Hotel management	Joint venture
Yan Lu (Shanghai) Equity Investment Fund Management Partnership (Limited Partnership) 燕鷺(上海)股權投資基 金管理合夥企業(有限合夥) (“Yan Lu”)	The PRC	71%	72%	72%	71%	72%	72%	Investment management	Associate
Zhuhai Hengqin Huaqin Industrial Investment Partnership (Limited Partnership) 珠海橫琴華琴實業投資合夥企業(有 限合夥) (“Huaqin”)	The PRC	N/A	N/A	20%	N/A	N/A	20%	Rental of apartments	Associate

* The English name is for identification only. The official name of the entity is in Chinese.

The following table illustrates the aggregate financial information of the Group’s joint ventures and associates that are not individually material:

	Year ended 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Share of (loss)/profit and total comprehensive (loss)/income for the year	(1,442)	(1,156)	1,617
Aggregate carrying amount of the Group’s interests in these joint ventures and associates	916	1,493	3,456

Yimofang, Yan Lu and Huaqin are considered material for the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yimofang adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Year ended 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Current assets	2,120	6,110	13,367
Non-current assets	101,779	132,614	131,913
Current liabilities	20,465	2,486	5,835
Non-current liabilities	50,879	54,070	54,105
Net assets	<u>32,555</u>	<u>82,168</u>	<u>85,340</u>
Reconciliation to the Group’s interest in the joint venture:			
Proportion of the Group’s ownership	50%	50%	50%
Carrying amount of the investment	<u>16,277</u>	<u>41,084</u>	<u>42,670</u>
Revenue	–	6,764	8,376
Profit for the year	<u>24,754</u>	<u>31,414</u>	<u>3,172</u>

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The following table illustrates the summarised financial information in respect of Yan Lu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current assets	10,893	7,606	8,624
Non-current assets	98,205	232,257	211,692
Current liabilities	40,098	50,999	5,368
Net assets	69,000	188,864	214,948
Reconciliation to the Group’s interest in the associate:			
Proportion of the Group’s ownership	71%	72%	72%
Group’s share of net assets of the associate	48,716	136,423	154,680
Carrying amount of the investment	48,716	136,423	154,680
Revenue	–	–	–
(Loss)/profit for the year	(1,064)	18,702	11,023

The following table illustrates the summarised financial information in respect of Huaqin adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Year ended 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current assets	N/A	N/A	126,212
Non-current assets	N/A	N/A	1,755,217
Current liabilities	N/A	N/A	146,797
Non-current liabilities	N/A	N/A	1,397,697
Net assets	N/A	N/A	336,935
Reconciliation to the Group’s interest in the associate:			
Proportion of the Group’s ownership	N/A	N/A	20%
Group’s share of net assets of the associate	N/A	N/A	73,111
Carrying amount of the investment	N/A	N/A	73,111
Revenue	N/A	N/A	330,691
Profit for the year	N/A	N/A	345,429

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current			
Wealth management products	—	11,052	—
Non-Current			
Unlisted equity investments, at fair value	831,886	285,438	225,960
Debt instruments, at fair value	19,888	21,878	24,065
	<u>851,774</u>	<u>318,368</u>	<u>250,025</u>

Unlisted investments measured at fair value as at the end of each of the Relevant Periods are as follows:

Name of entity*	Country of incorporation/ registration and business	Proportion of ownership interest			Proportion of voting rights			Principal activity
		held by the Group			held by the Group			
		Year ended 31 December			Year ended 31 December			
		2020	2021	2022	2020	2021	2022	
Vlinker Creator Space Operations Management Group Co., Ltd. 微領地創客空間運營管理集團股份有限公司 (“Vlinker Creator Space Operations”)	The PRC	31%	–	–	31%	–	–	Rental of apartments
Guangzhou Wowqu apartment management Co., Ltd. 廣州窩趣公寓管理有限公司 (“Wowqu”)	The PRC	26%	26%	26%	26%	26%	26%	Rental of apartments
Zhuhai Hengqin Huaqin Industrial Investment Partnership (Limited Partnership) 珠海橫琴華琴實業投資合夥企業(有限合夥) (“Huaqin”)	The PRC	–	19%	N/A	–	19%	N/A	Rental of apartments

Vlinker Creator Space Operations and Wowqu are in the form of ordinary shares with preferred rights. They are subordinated to the other holders of ordinary shares in the same investee company. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at the amount of the higher of the fair value of the shares held by the Group and the guaranteed predetermined fixed amount upon the occurrence of redemption events which are outside control of the issuers. Accordingly, these investments in associates are not determined to be in-substance ordinary shares (i.e. not carrying rights that are substantially the same as the investee’s ordinary shares and providing returns associated with those ordinary shares) and are accounted for as hybrid financial instruments, which are measured at fair value through profit or loss in accordance with IFRS 9.

Huaqin ceased to be measured at financial assets at fair value through profit or loss, and was transferred to investments in an associate on 31 December 2022 as a result of the Group obtaining significant influence over Huaqin.

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21. LOAN RECEIVABLES

The carrying amount of loan receivables and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loans to related parties (<i>note 40(b)</i>)	112,329	6,962	5,000
Loans to third parties	8,820	9,320	4,600
	<u>121,149</u>	<u>16,282</u>	<u>9,600</u>
Impairment allowance	(296)	(2,146)	(125)
	<u>120,853</u>	<u>14,136</u>	<u>9,475</u>
Analysed into:			
Current portion	104,930	9,477	9,475
Non-current portion	15,923	4,659	–
	<u>120,853</u>	<u>14,136</u>	<u>9,475</u>

The movements in the impairment allowance for loan receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	271	296	2,146
Impairment losses/(reversal of impairment losses), net (<i>note 6</i>)	25	1,850	(59)
Amount written off as uncollectible	–	–	(1,962)
	<u>296</u>	<u>2,146</u>	<u>125</u>

22. OTHER NON-CURRENT ASSETS

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Rental deposits	58,288	117,794	131,411
Loan deposits due from a shareholder (<i>note 40(b)</i>)	12,230	6,374	4,500
Loan deposits due from third parties	–	2,450	3,000
Others	1,630	2,870	2,695
	<u>72,148</u>	<u>129,488</u>	<u>141,606</u>
Impairment allowance	(999)	(1,632)	(1,812)
	<u>71,149</u>	<u>127,856</u>	<u>139,794</u>

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The movements in the loss allowance for impairment of other non-current assets are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	778	999	1,632
Impairment losses, net (<i>note 6</i>)	221	633	296
Amount written off as uncollectible	—	—	(116)
	<u> </u>	<u> </u>	<u> </u>
At end of year	999	1,632	1,812
	<u> </u>	<u> </u>	<u> </u>

23. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Merchandises	—	483	—
Less: provision for inventories	—	—	—
	<u> </u>	<u> </u>	<u> </u>
	—	483	—
	<u> </u>	<u> </u>	<u> </u>

24. TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables	14,578	45,932	37,393
Impairment allowance	(2,594)	(3,272)	(7,267)
	<u> </u>	<u> </u>	<u> </u>
	11,984	42,660	30,126
	<u> </u>	<u> </u>	<u> </u>

The business of apartment leasing services is normally settled on an advance receipt basis, where the lessees are required to make rental payments in advance for several months and pay a security deposit as well. However, in the case of long-standing customers with good repayment history, the Group may offer these customers credit terms.

An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the billing date and net of loss allowance, is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 1 year	10,070	38,982	28,265
1 to 2 years	1,914	1,764	1,861
2 to 3 years	—	1,914	—
	<u> </u>	<u> </u>	<u> </u>
	11,984	42,660	30,126
	<u> </u>	<u> </u>	<u> </u>

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The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	2,861	2,594	3,272
(Reversal of impairment losses)/impairment losses, net (<i>note 6</i>)	(32)	(2,114)	5,448
Acquisition of a subsidiary	–	3,192	–
Amount written off as uncollectible	(235)	(400)	(1,453)
	<u>2,594</u>	<u>3,272</u>	<u>7,267</u>
At end of year	<u>2,594</u>	<u>3,272</u>	<u>7,267</u>

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix or assessed individually to measure expected credit losses. As at 31 December 2020, 2021 and 2022, for the balances of RMB1,682,000, RMB1,855,000 and RMB5,274,000 with special risks, respectively, which the impairment losses were assessed individually and fully recognised. The provision rates used in the provision matrix are based on the days from the billing date for customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

	As at 31 December		
	2020	2021	2022
Expected credit loss rate	17.8%	7.1%	19.4%
Gross carrying amount (RMB'000)	14,578	45,932	37,393
Expected credit losses (RMB'000)	2,594	3,272	7,267

The expected credit loss rate for the year ended at 31 December 2021 has decreased significantly in response to the increase in the balance of trade receivables from corporate customers due to business expansion, who are credit worthy and have a favourable repayment capacity.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	15,915	41,619	21,051
Deductible value-added tax recoverable	86,912	100,622	66,943
Loan receivables from shareholders* (<i>note 40(b)</i>)	189,866	206,396	–
Other receivables from a shareholder (<i>note 40(b)</i>)	13,789	13,789	–
Amount due from associates and joint ventures (<i>note 40(b)</i>)	8,132	2,063	4,531
Interest receivables	2,815	6,477	1,422
Other receivables	41,998	34,485	19,096
Others	–	826	10,884
	<u>359,427</u>	<u>406,277</u>	<u>123,927</u>
Impairment allowance	<u>(14,875)</u>	<u>(5,996)</u>	<u>(3,454)</u>
	<u>344,552</u>	<u>400,281</u>	<u>120,473</u>

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- * The loan receivables from shareholders consist of loans and interest receivables due from FortuNews Holdings Ltd. (a company indirectly controlled by Ocean Link. The general partner of Ocean Link is Ocean Voyage L.P.. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. ZHENG Nanyan) and KWJ Investment Management Limited (a company wholly owned by Ms. Liu Jia). Loans to FortuNews Holdings Ltd. and KWJ Investment Management Limited (“FortuNews Loan” and “KWJ Loan” respectively) bear interest at 9.0% and 5.0% per annum, respectively, and are secured. The Company has repurchased 22,496,548 Series C preferred shares and 2,095,660 ordinary shares from FortuNews Holdings Ltd. and KWJ Investment Management Limited in July and August 2022, respectively, to settle the outstanding principal and accrued interest amounts of the shareholder loans.

The movements in the impairment allowance for other receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	14,000	14,875	5,996
Impairment losses, net (<i>note 6</i>)	875	2,205	395
Acquisition of a subsidiary	–	68	–
Amount written off as uncollectible	–	(11,152)	(2,937)
	<u>14,875</u>	<u>5,996</u>	<u>3,454</u>
At end of year	<u>14,875</u>	<u>5,996</u>	<u>3,454</u>

For other receivables due from related parties, the Group makes periodic individual assessment on the recoverability of these amounts based on the historical loss records, adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The Group has assessed that the credit risk of these other receivables has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

For other receivables due from third parties, the Group determined the expected credit loss rate by considering the nature and historical default rates, adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The Group applied the average 2%-7% expected credit loss rate to these other receivables for the years ended 31 December 2020 and 2021. As at 31 December 2022, for the balance of RMB3,109,000 with special risks, impairment losses were assessed individually and fully recognised.

Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	–	819	–
Loan receivables from shareholders	189,867	206,396	–
Other receivables from a shareholder	13,789	13,789	–
Amounts due from subsidiaries	3,260,470	3,594,139	3,886,584
Other receivables	474	464	9,764
	<u>3,464,600</u>	<u>3,815,607</u>	<u>3,896,348</u>
Impairment allowance	<u>(3,122)</u>	<u>(2,929)</u>	<u>(6)</u>
	<u>3,461,478</u>	<u>3,812,678</u>	<u>3,896,342</u>

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26. CASH AND BANK BALANCES

Group

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Cash and bank balances	348,469	682,459	413,998
Less: Restricted cash*	30,555	26,163	68,423
	<u>317,914</u>	<u>656,296</u>	<u>345,575</u>
Cash and cash equivalents			
Denominated in:			
RMB	204,866	650,932	389,378
United States dollars (“USD”)	128,253	22,552	7,287
Hong Kong dollars (“HKD”)	15,350	8,975	17,333
	<u>348,469</u>	<u>682,459</u>	<u>413,998</u>

* Cash and bank balances of RMB30,555,000, RMB26,163,000 and RMB68,423,000 were restricted for use as at 31 December 2020, 2021 and 2022 respectively, among which RMB18,664,000, RMB19,385,000 and nil were restricted for loan as at 31 December 2020, 2021 and 2022 respectively. RMB2,187,000, RMB6,480,000 and RMB62,448,000 were restricted due to litigation as at 31 December 2020, 2021 and 2022 respectively.

The cash and bank balances of the Group denominated in RMB are not freely convertible into other currencies; however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Cash and bank balances	15,350	16,717	22,934
Cash and cash equivalents	<u>15,350</u>	<u>16,717</u>	<u>22,934</u>
Denominated in:			
United States dollars (“USD”)	5	7,747	5,606
Hong Kong dollars (“HKD”)	15,345	8,970	17,328
	<u>15,350</u>	<u>16,717</u>	<u>22,934</u>

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27. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at 31 December		
	2020 RMB’000	2021 RMB’000	2022 RMB’000
Within one year	42,129	49,383	72,317
Over one year	21,393	32,379	30,504
	<u>63,522</u>	<u>81,762</u>	<u>102,821</u>

The trade payables are unsecured, non-interest-bearing and are normally settled based on the progress of construction.

28. OTHER PAYABLES AND ACCRUALS

Group

	Notes	As at 31 December		
		2020 RMB’000	2021 RMB’000	2022 RMB’000
Advances from tenants		116,017	208,696	154,473
Contract liabilities	(a)	9,549	17,958	13,655
Staff cost payables		22,532	51,720	36,413
Interest payables		27,868	13,836	17,141
Other tax payables		4,457	7,901	2,101
Deposit payables		88,792	150,258	147,417
Consideration payable		67,798	122,711	183,163
Share redemption	32(a)	–	49,043	50,000
Accrued expenses		47,646	51,035	53,216
Amount due to non-controlling shareholders of a subsidiary		–	30,000	10,000
Amount due to third parties	(b)	–	10,174	–
Loan from a fellow subsidiary	40(b)	39,149	–	–
Amount due to fellow subsidiaries	40(b)	40,379	44,186	–
Amount due to a joint venture	40(b)	15	5,630	–
Others		40,917	64,137	79,730
		<u>505,119</u>	<u>827,285</u>	<u>747,309</u>

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2020 RMB’000	2021 RMB’000	2022 RMB’000
Short-term advances received from customers			
Apartment management services	6,947	14,908	10,125
Manachised and third-party managed apartment services	2,602	3,050	3,530
	<u>9,549</u>	<u>17,958</u>	<u>13,655</u>

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- (b) Amount due to third parties was unsecured and payable within one year. The interest rates ranged from nil to 18%.

Company

	As at 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Interest payables	11,757	1,712	7,631
Share redemption	–	49,043	50,000
Amount due to subsidiaries	8,559	8,559	8,559
Others	–	–	3,318
	<u>20,316</u>	<u>59,314</u>	<u>69,508</u>

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December 2020		
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	3.35-7.40	2021	372,494
Bank loans – unsecured	4.50-6.18	2021	174,298
Other borrowings – secured	6.00-9.50	2021	663,940
			<u>1,210,732</u>
Non-current			
Bank loans – secured	5.23-5.88	2022-2024	96,591
Other borrowings – secured	6.70-9.00	2022-2023	98,576
			<u>195,167</u>
			<u>1,405,899</u>

	As at 31 December 2021		
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	3.26-6.72	2022	779,343
Bank loans – unsecured	5.00-5.66	2022	106,000
Other borrowings – secured	7.40-10.00	2022	205,745
			<u>1,091,088</u>
Non-current			
Bank loans – secured	4.75-6.72	2023-2026	568,008
Other borrowings – secured	7.40-11.50	2023-2026	591,350
			<u>1,159,358</u>
			<u>2,250,446</u>

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As at 31 December 2022			
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	4.35-6.72	2023	844,697
Bank loans – unsecured	4.25-5.00	2023	178,178
Other borrowings – secured	7.40-11.50	2023	307,320
			<u>1,330,195</u>
Non-current			
Bank loans – secured	4.35-6.72	2024-2027	608,950
Other borrowings – secured	7.40-11.50	2024-2026	474,710
			<u>1,083,660</u>
			<u><u>2,413,855</u></u>

As at 31 December			
	2020 RMB’000	2021 RMB’000	2022 RMB’000
Analysed into:			
Bank and other loans repayable:			
Within one year or on demand	1,210,732	1,091,088	1,330,195
Over one year but within two years	159,067	510,328	563,650
Over two years but within five years	36,100	649,030	520,010
	<u>1,405,899</u>	<u>2,250,446</u>	<u>2,413,855</u>

Notes: Bank loans of RMB469,085,000, RMB1,347,351,000 and RMB1,453,647,000 as at 31 December 2020, 2021 and 2022, respectively, were secured by the rights of future rental fees collection and equity interests of certain subsidiaries of the Group.

Other borrowings of RMB762,516,000, RMB797,095,000 and RMB782,030,000 as at 31 December 2020, 2021 and 2022, respectively, were secured by investment properties (note 14), rights of future rental fees collection and equity interests of certain subsidiaries of the Group.

The Group’s borrowings of RMB539,521,000, RMB1,102,349,000 and RMB1,202,147,000 as at 31 December 2020, 2021 and 2022, respectively, were charged at floating interest rate.

The Group’s borrowings of RMB558,500,000, RMB310,481,000 and RMB450,000,000 as at 31 December 2020, 2021 and 2022, respectively, were loan from a shareholder (note 40(b)).

Company

As at 31 December 2020			
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	3.35	2021	296,910
Other borrowings – secured	8.00	2021	39,149
			<u>336,059</u>

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As at 31 December 2021			
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	3.26	2022	511,843
			<u>511,843</u>

As at 31 December 2022			
	Effective interest rates (%)	Maturity	RMB’000
Current			
Bank loans – secured	5.43	2023	557,947
			<u>557,947</u>

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax asset

	Impairment of financial assets RMB’000	Losses available for offsetting against future taxable profits RMB’000	Lease liabilities RMB’000	Total RMB’000
Gross deferred tax assets at 1 January 2020	5,485	62,258	1,299,474	1,367,217
Acquisition of subsidiaries	–	–	33,448	33,448
Deferred tax credited/(charged) to profit or loss	<u>528</u>	<u>58,678</u>	<u>(76,789)</u>	<u>(17,583)</u>
Gross deferred tax assets at 31 December 2020 and 1 January 2021	6,013	120,936	1,256,133	1,383,082
Acquisition of subsidiaries	1,233	9,942	703,817	714,992
Deferred tax (charged)/credited to profit or loss	<u>(1,999)</u>	<u>47,984</u>	<u>(17,892)</u>	<u>28,093</u>
Gross deferred tax assets at 31 December 2021 and 1 January 2022	5,247	178,862	1,942,058	2,126,167
Acquisition of subsidiaries	–	–	51,634	51,634
Deferred tax credited to profit or loss	<u>454</u>	<u>34,529</u>	<u>33,947</u>	<u>68,930</u>
Gross deferred tax assets at 31 December 2022	<u>5,701</u>	<u>213,391</u>	<u>2,027,639</u>	<u>2,246,731</u>

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Deferred tax liabilities

	Manachise and management agreements <i>RMB’000</i>	Investment properties and right-of-use assets <i>RMB’000</i>	Fair value adjustment of financial assets at FVTPL <i>RMB’000</i>	Total <i>RMB’000</i>
Gross deferred tax liabilities at 1 January 2020	–	1,434,517	28,771	1,463,288
Acquisition of a subsidiary	7,740	37,138	–	44,878
Deferred tax (credited)/charged to profit or loss	(310)	(61,223)	9,518	(52,015)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	7,430	1,410,432	38,289	1,456,151
Acquisition of subsidiaries	4,945	942,209	–	947,154
Deferred tax (credited)/charged to profit or loss	(1,328)	131,405	(10,610)	119,467
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	11,047	2,484,046	27,679	2,522,772
Acquisition of subsidiaries	8,425	58,804	–	67,229
Deferred tax (credited)/charged to profit or loss	(3,331)	62,704	(163)	59,210
Gross deferred tax liabilities at 31 December 2022	16,141	2,605,554	27,516	2,649,211

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	126,949	184,109	219,092
Net deferred tax liabilities recognised in the consolidated statement of financial position	(200,018)	(580,714)	(621,572)

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>
Tax losses	68,384	18,168	163,268
Temporary differences	16,448	18,708	70,652
	84,832	36,876	233,920

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The above tax losses arose in Mainland China, which were available for offsetting against future taxable profits in one to five years. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group’s subsidiaries.

31. OTHER NON-CURRENT LIABILITIES

	<i>Note</i>	As at 31 December		
		2020 RMB’000	2021 RMB’000	2022 RMB’000
Consideration payable for acquisition of a subsidiary		11,396	12,118	13,535
Manachised deposit		1,940	1,930	1,880
Amount due to third parties*		–	56,870	–
Deposits received from the commercial subleasing		3,456	11,510	10,791
Share redemption consideration payable to a non-controlling shareholder of a subsidiary		–	28,850	28,850
Share redemption consideration payable to a shareholder of the Company	32(a)	45,385	–	–
Others		–	–	198
		<u>62,177</u>	<u>111,278</u>	<u>55,254</u>

* The Group’s outstanding balance of RMB56,870,000 was due to Shenzhen Shilianjifang Asset Management Co., Ltd. (深圳世聯集房資產管理有限公司). This balance was unsecured, interest bearing at variable rate of prevailing Loan Prime Rate (“LPR”) and settled in August 2022.

32. SHARE CAPITAL

Shares

	Year ended 31 December		
	2020 RMB’000	2021 RMB’000	2022 RMB’000
Issued and fully paid:			
Ordinary shares	1	1	1
Preferred shares	3	3	3
	<u>4</u>	<u>4</u>	<u>4</u>

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A summary of movements in the Company’s share capital is as follows:

	Ordinary shares <i>Number of shares in issue</i>	Preferred shares <i>Number of shares in issue</i>	Total <i>Number of shares in issue</i>	Share capital <i>RMB’000</i>
At 1 January 2020	86,762,652	516,627,785	603,390,437	4
Reclassification of Series C preferred shares (a)	–	(5,112,475)	(5,112,475)	–
Issuance of ordinary shares (b)	4,191,319	–	4,191,319	–
Issuance of preferred shares (c)	–	52,391,870	52,391,870	–
At 31 December 2020 and 1 January 2021	90,953,971	563,907,180	654,861,151	4
Issuance of preferred shares (d)	–	26,380,368	26,380,368	–
At 31 December 2021 and 1 January 2022	90,953,971	590,287,548	681,241,519	4
Repurchase of ordinary shares (e)	(2,095,660)	–	(2,095,660)	–
Repurchase of preferred shares (f)	–	(22,496,548)	(22,496,548)	–
At 31 December 2022	88,858,311	567,791,000	656,649,311	4

Notes:

- (a) On September 11, 2020, the Company and HangFang Investment Limited (“HangFang”) entered into an agreement to entitle HangFang a conditional repurchase right to repurchase 5,112,475 Series C preferred shares with a consideration of RMB50,000,000. The 5,112,475 Series C preferred shares were reclassified as a liability at the present value of the share redemption consideration of RMB44,327,000.
- (b) On September 10, 2020, the Company, KWJ Investment and Ms. LIU Jia entered into a share subscription agreement, whereby KWJ Investment agreed to subscribe for 4,191,319 ordinary shares for a consideration of RMB27,578,879. KWJ Investment is an investment vehicle under the ownership and control of Ms. LIU Jia. On September 24, 2020, the Company allotted and issued such number of ordinary shares to KWJ Investment.
- (c) On September 11, 2020, the Company, Mordenite Gem Investment Limited (“Mordenite Gem”) and CDPQ (Asia) entered into a share subscription agreement, pursuant to which (i) Mordenite Gem agreed to subscribe for 38,420,705 Series E preferred shares for a consideration of RMB375,754,494.94 and (ii) CDPQ (Asia) agreed to subscribe for 13,971,165 Series E preferred shares for a consideration of RMB136,637,993.70. Mordenite Gem is controlled by certain investment funds advised or managed by Warburg Pincus LLC. On September 25, 2020, the Company allotted and issued (i) 38,420,705 Series E preferred shares to Mordenite Gem, and (ii) 13,971,165 Series E preferred shares to CDPQ (Asia).
- (d) On September 9, 2021, the Company and Peridot Gem Group Ltd. (“Peridot Gem Group”) entered into a share subscription agreement, pursuant to which Peridot Gem Group agreed to subscribe for 26,380,368 Series E preferred shares for a consideration of RMB258,000,000. Peridot Gem Group is controlled by certain investment funds advised or managed by Warburg Pincus LLC. On September 28, 2021, the Company allotted and issued 26,380,368 Series E preferred shares to Peridot Gem Group.
- (e) On 1 August 2022, the Company agreed to repurchase 2,095,660 ordinary shares from KWJ Investment Management Limited to settle the principal and accrued interest amounts on the KWJ Loan. Refer to note 25 to the Historical Financial Information for the details.
- (f) On 21 July 2022, the Company agreed to repurchased 22,496,548 Series C preferred shares from FortuNews Holdings Ltd. to settle the outstanding principal and accrued interest amounts of the FortuNews Loan. Refer to note 25 to the Historical Financial Information for the details.

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The Group has issued series of preferred shares which are classified as equity instruments. IAS 32 requires the issuer of a non-derivative financial instrument to evaluate the terms of the financial instrument to determine whether it contains both liability and equity components. IAS 32.16 provides clarification on an equity instrument by stating: the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met: (a) the instrument includes no contractual obligation either: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and (b) if the instrument will or may be settled in the issuer’s own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. According to contractual terms, the Company has the unconditional right to avoid delivering cash or another financial asset, which meets the requirement as provided by IAS 32.16 to be classified as equity instruments.

33. SHARE OPTION SCHEMES

The Company operates several share option schemes (the “Schemes”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Schemes include the Company’s directors, senior executives and other employees of the Group.

The Group accumulatively reserved 30,572,800, 38,514,283, 38,514,283 and 43,056,537 options as of 1 January 2020, 31 December 2020, 2021 and 2022. The Group classified the share-based payment transactions as equity-settled.

2017 Pre-[REDACTED] Share Option Plan

The 2017 Pre-[REDACTED] Share Option Plan became effective in January 2015 and, unless otherwise cancelled or amended, will continue to be in effect for a term of 8 years from the date of grant. The Group accumulatively granted 15,569,463 options under the 2017 Pre-[REDACTED] Share Option Plan as of 31 December 2020, 2021 and 2022.

2020 Pre-[REDACTED] Share Option Plan

The 2020 Pre-[REDACTED] Share Option Plan became effective in June 2019 and, unless otherwise cancelled or amended, will continue in effect for a term of 8 years from the date of grant. The Group accumulatively granted 15,653,270, 17,153,270 and 27,074,344 options under the 2020 Pre-[REDACTED] Share Option Plan as of 31 December 2020, 2021 and 2022.

Movements during the Relevant Periods

The following share options were outstanding under the Schemes as at the end of each of the Relevant Periods:

	Year ended 31 December					
	2020		2021		2022	
	Number	Weighted average exercise price RMB	Number	Weighted average exercise price RMB	Number	Weighted average exercise price RMB
At 1 January	30,072,733	4.78	31,222,733	4.84	32,722,733	5.02
Granted during the year	1,150,000	6.49	1,500,000	8.83	10,708,934	7.81
Forfeited during the year	—	—	—	—	(787,860)	7.06
At 31 December	<u>31,222,733</u>	4.84	<u>32,722,733</u>	5.02	<u>42,643,807</u>	5.68

The Group recognised share-based payment expenses of RMB14,891,000, RMB16,275,000 and RMB32,749,000 related to the above share options for the years ended 31 December 2020, 2021 and 2022, respectively.

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The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods as follows:

Number of options '000	As at 31 December 2020	
	Exercise price RMB per share	Exercise period
6,077	3.71/4.27/6.49	22-12-14 to 22-12-22
4,543	3.71/4.27	24-03-16 to 24-03-24
4,950	3.71/4.27	30-06-17 to 30-06-25
14,003	3.71/4.27/6.49/10.00	30-06-19 to 30-06-27
500	6.49	31-12-19 to 31-12-27
850	6.49	30-09-20 to 30-09-28
300	6.49	31-12-20 to 31-12-28
31,223		

Number of options '000	As at 31 December 2021	
	Exercise price RMB per share	Exercise period
6,077	3.71/4.27/6.49	22-12-14 to 22-12-22
4,543	3.71/4.27	24-03-16 to 24-03-24
4,950	3.71/4.27	30-06-17 to 30-06-25
14,003	3.71/4.27/6.49/10.00	30-06-19 to 30-06-27
500	6.49	31-12-19 to 31-12-27
850	6.49	30-09-20 to 30-09-28
300	6.49	31-12-20 to 31-12-28
1,500	6.49/10.00	30-09-21 to 30-09-29
32,723		

Number of options '000	As at 31 December 2022	
	Exercise price RMB per share	Exercise period
6,054	3.71/4.27/6.49	22-12-14 to 22-12-25
4,472	3.71/4.27	24-03-16 to 24-03-24
4,879	3.71/4.27	30-06-17 to 30-06-25
13,895	3.71/4.27/6.49/10.00	30-06-19 to 30-06-27
500	6.49	31-12-19 to 31-12-27
850	6.49	30-09-20 to 30-09-28
300	6.49	31-12-20 to 31-12-28
1,300	6.49/10.00	30-09-21 to 30-09-29
1,850	6.49	01-01-22 to 01-01-30
3,631	10.00	01-01-22 to 01-01-30
2,096	7.07	30-04-22 to 30-04-30
2,446	5.98	30-06-22 to 30-06-30
371	4.27/6.49/10.00	31-07-22 to 21-07-30
42,644		

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Fair value of share options

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

	Year ended 31 December		
	2020	2021	2022
Dividend yield (%)	–	–	–
Expected volatility (%)	42.77-43.00	43.69-43.70	43.37-43.77
Risk-free interest rate (%)	0.89	1.54	2.73
Expected life of options (years)	8	8	8
Weighted average fair value per share (RMB)	5.67	6.25	6.85

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Other share-based payment transactions

The Company has repurchased 22,496,548 Series C preferred shares and 2,095,660 ordinary shares from FortuNews Holdings Ltd. and KWJ Investment Management Limited in July and August 2022 respectively to settle the outstanding principal and accrued interest amounts of the shareholder loans. Refer to note 25 to the Historical Financial Information for the details. The fair value of the repurchased shares over the carrying amount of the shareholder loan amounted RMB33,518,000 was recognised as share-based payment expenses for the year ended 31 December 2022 accordingly.

34. RESERVES

(a) Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-7 to I-9 of the Historical Financial Information.

(b) Company

	Share premium RMB'000	Share option reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	<u>2,619,756</u>	<u>21,054</u>	<u>166,546</u>	<u>(23,449)</u>	<u>2,783,907</u>
Profit for the year	–	–	–	41	41
Other comprehensive loss – foreign currency translation	–	–	(190,264)	–	(190,264)
Share-based compensation	–	14,891	–	–	14,891
Reclassification of Series C preferred shares	(44,327)	–	–	–	(44,327)
Issuance of ordinary shares	27,579	–	–	–	27,579
Issuance of preferred shares	<u>510,757</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>510,757</u>
As at 31 December 2020 and 1 January 2021	<u>3,113,765</u>	<u>35,945</u>	<u>(23,718)</u>	<u>(23,408)</u>	<u>3,102,584</u>

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	Share premium <i>RMB’000</i>	Share option reserve <i>RMB’000</i>	Foreign currency translation reserve <i>RMB’000</i>	Accumulated losses <i>RMB’000</i>	Total <i>RMB’000</i>
Loss for the year	–	–	–	(5,172)	(5,172)
Other comprehensive loss					
– foreign currency translation	–	–	(70,087)	–	(70,087)
Share-based compensation	–	16,275	–	–	16,275
Issuance of preferred shares	258,431	–	–	–	258,431
As at 31 December 2021 and 1 January 2022	<u>3,372,196</u>	<u>52,220</u>	<u>(93,805)</u>	<u>(28,580)</u>	<u>3,302,031</u>
Loss for the year	–	–	–	(78,159)	(78,159)
Acquisition of a subsidiary	–	–	–	–	–
Other comprehensive income – foreign currency translation	–	–	284,622	–	284,622
Share-based compensation	–	66,267	–	–	66,267
Repurchase of ordinary shares	(14,808)	–	–	–	(14,808)
Repurchase of preferred shares	(200,182)	–	–	–	(200,182)
As at 31 December 2022	<u>3,157,206</u>	<u>118,487</u>	<u>190,817</u>	<u>(106,739)</u>	<u>3,359,771</u>

35. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group’s subsidiaries that have material non-controlling interests are set out below:

	As at 31 December		
	2020	2021	2022
Percentage of equity interest held by non-controlling interests:			
Huizhan	20%	20%	20%
Shanghai Hanmo*	N/A	40%	40%
	Year ended 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Loss)/profit for the year allocated to non-controlling interests:			
Huizhan	(2,618)	568	(2,319)
Shanghai Hanmo*	N/A	N/A	(11,497)

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	As at 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Accumulated balances of			
non-controlling interests at the reporting date:			
Huizhan	20,505	21,073	18,754
Shanghai Hanmo*	N/A	99,725	88,228

* Shanghai Hanmo was acquired on 31 December 2021.

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Hui Zhan
	RMB’000
Year ended 31 December 2020	
Revenue	34,310
Total expense	(16,853)
Loss for the year	(13,089)
Total comprehensive loss for the year	(13,089)
Current assets	30,575
Non-current assets	181,432
Current liabilities	16,161
Non-current liabilities	93,321
Net cash flow from operating activities	13,309
Net cash flow used in investing activities	(3,249)
Net cash flow used in financing activities	(12,226)
Net decrease in cash and cash equivalents	(2,166)

	Hui Zhan	Hanmo
	RMB’000	RMB’000
Year ended 31 December 2021		
Revenue	39,876	–
Total expense	(23,671)	–
Profit for the year	2,841	–
Total comprehensive income for the year	2,841	–
Current assets	38,086	30,102
Non-current assets	168,986	1,758,131
Current liabilities	21,867	202,599
Non-current liabilities	79,839	1,307,890
Net cash flow from operating activities	15,390	–
Net cash flow from investing activities	2,418	–
Net cash flow used in financing activities	(11,352)	–
Net increase in cash and cash equivalents	6,456	–

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	Hui Zhan RMB'000	Hanmo RMB'000
Year ended 31 December 2022		
Revenue	41,555	164,473
Total expense	(53,151)	(196,515)
Loss for the year	(11,596)	(32,042)
Total comprehensive loss for the year	(11,596)	(32,042)
Current assets	113,200	15,270
Non-current assets	137,860	1,514,751
Current liabilities	90,170	1,187,279
Non-current liabilities	67,120	97,049
Net cash flow from operating activities	21,462	106,891
Net cash flow used in investing activities	(53)	(27,467)
Net cash flow used in financing activities	(6,585)	(568,711)
Net increase/(decrease) in cash and cash equivalents	14,824	(489,287)

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2020, 2021 and 2022:

- (i) the Group had non-cash additions to right-of-use assets and lease liabilities of RMB489,942,000, RMB423,777,000 and RMB1,059,427,000, respectively, in respect of lease arrangements for properties;
- (ii) as detailed in note 38(g), the Group acquired 59.94% equity interest of Shanghai Hanmo. The consideration was partially satisfied by way of transfer of a group of net assets.
- (iii) As detailed in note 32(e) and 32(f), the Group repurchased 22,496,548 Series C preferred shares and 2,095,660 ordinary shares from FortuNews Holdings Ltd. and KWJ Investment Management Limited respectively to settle the outstanding principal and accrued interest amounts of the shareholder loan in July and August 2022.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Bank and other loans RMB'000	Other payables RMB'000	Long-term payables RMB'000
At 1 January 2020	4,994,862	1,526,644	69,294	–
Changes from financing cash flows:				
– Interest paid	(303,000)	–	(117,601)	–
– Principal portion of lease payments	(239,420)	–	–	–
– New bank and other loans	–	443,837	–	–
– Repayment of bank loans	–	(551,436)	–	–
New leases	489,942	–	–	–
Acquisition of a subsidiary	85,404	5,988	–	–
Foreign exchange movements	–	(19,134)	(2,708)	–
Interest expense	303,000	–	118,302	–
Rent concessions from lessors	(27,943)	–	–	–
Termination of leases	(379,748)	–	–	–
At 31 December 2020	4,923,097	1,405,899	67,017	–

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	Lease liabilities RMB’000	Bank and other loans RMB’000	Other payables RMB’000	Long-term payables RMB’000
At 1 January 2021	4,923,097	1,405,899	67,017	–
Changes from financing cash flows:				
– Interest paid	(376,409)	–	–	–
– Principal portion of lease payments	(547,946)	–	(134,199)	–
– New bank loans	–	1,859,068	263,592	56,870
– Repayment of bank loans	–	(1,063,460)	(301,170)	–
New leases	423,777	–	–	–
Acquisition of a subsidiary	2,815,271	53,736	9,500	–
Foreign exchange movements	–	(8,445)	(897)	–
Interest expense	376,409	3,648	120,167	–
Rent concessions from lessors	(10,995)	–	–	–
At 31 December 2021	<u>7,603,204</u>	<u>2,250,446</u>	<u>24,010</u>	<u>56,870</u>
At 1 January 2022	7,603,204	2,250,446	24,010	56,870
Changes from financing cash flows:				
– Interest paid	(440,395)	–	(179,747)	–
– Principal portion of lease payments	(607,194)	–	–	–
– New bank loans	–	1,198,103	–	–
– Repayment of bank loans	–	(1,134,090)	(10,174)	(56,870)
New leases	1,052,342	–	–	–
Acquisition of a subsidiary	202,712	–	–	–
Foreign exchange movements	–	91,263	–	–
Interest expense	440,395	8,133	183,052	–
Rent concessions from lessors	(69,423)	–	–	–
Termination of leases	(170,775)	–	–	–
At 31 December 2022	<u>8,010,866</u>	<u>2,413,855</u>	<u>17,141</u>	<u>–</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within operating activities	–	–	–
Within financing activities	<u>(542,420)</u>	<u>(924,355)</u>	<u>(1,047,589)</u>
	<u>(542,420)</u>	<u>(924,355)</u>	<u>(1,047,589)</u>

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37. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bank loans and other borrowings are included in note 14, 26, 27, 28, 29 and 31 to the Historical Financial Information.

The restricted equity interests of subsidiaries due to outstanding litigation are as follows:

	Equity interest %	Corresponding registered capital frozen RMB’000
Ningbo KaiDun Hotel Management Co., Ltd (“寧波愷頓酒店管理有限公司”)	53	1,060
Chengdu KaiDun Hotel Management Co., Ltd (“成都愷頓酒店管理有限公司”)	100	2,000
Suzhou Siji Yulan Hotel Management Co., Ltd (“蘇州市四季禦蘭酒店管理有限公司”)	100	3,000
Nanjing KaiDun Hotel Management Co., Ltd (“南京凱頓酒店管理有限公司”)	100	1,000
Shanghai KaiXin Hotel Management Co., Ltd. (“上海愷忻酒店管理有限公司”)	100	3,000
Shanghai Chuangzhao Yuan Property Management Co., Ltd. (“上海創兆圓物業管理有限責任公司”)	7	7,000

38. ACQUISITION OF SUBSIDIARIES

38.1 Business Combination

(a) Shanghai Kaidun

On 30 September 2020, the Group, through its wholly-owned subsidiary, Shanghai Xikai Corporation Management and Consulting Co., Ltd. (上海曦垵企業管理諮詢有限公司), completed the acquisition of 51.16% equity interests in Shanghai Kaidun. The acquisition of Shanghai Kaidun was identified as a business combination by the management. Shanghai Kaidun is a fully operational company as at the acquisition date and its principal activity is the provision of apartment management services.

The fair values of the identifiable assets and liabilities of Shanghai Kaidun as at the date of acquisition were as follows:

	Net assets acquired RMB’000
Investment properties	72,896
Other intangible assets	31,130
Other non-current assets	3,617
Cash and bank balances	3,388
Trade receivables	1,152
Prepayments, other receivables and other assets	25,619
Finance lease receivables	37,471
Trade payables, other payables and accruals	(28,951)
Tax payable	(79)
Interest-bearing bank and other borrowings	(5,988)
Deferred tax liabilities	(9,386)
Lease liabilities	(93,581)
Total identifiable net assets at fair value	37,288
Non-controlling interests	(9,666)
Goodwill on acquisition	9,130
Total consideration	36,752

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	Net assets acquired RMB’000
Satisfied by	
Capital injection	12,345
Cash	24,407
	36,752

Cash consideration of RMB11,200,000 and RMB9,878,000 were paid in the years ended 31 December 2020 and 2021, respectively.

Since the acquisition, Shanghai Kaidun contributed RMB10,478,000 to the Group’s revenue and RMB2,515,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of 2020, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB970,940,000 and RMB232,068,000, respectively.

(b) Vlinker Project Companies

On 31 January 2021, the Group, through its wholly-owned subsidiary, Shanghai Mohui Corporation Management and Consulting Co., Ltd. (上海魔慧企業管理諮詢有限公司), completed the acquisition of 100% equity interests in 21 project companies (each, a “Vlinker Project Company”, collectively, “Vlinker Project Companies”) that were wholly-owned by Vlinker Creator Space Operations Management Co., Ltd.. The acquisition of Vlinker Project Companies was identified as a business combination by the management. Vlinker Project Companies are fully operational companies as at the acquisition date and their principal activity is the provision of apartment management services.

The fair values of the identifiable assets and liabilities of Vlinker Project Companies as at the date of acquisition were as follows:

	Net assets acquired RMB’000
Right-of-use assets	14,814
Investment properties	2,991,331
Finance lease receivables	112,178
Other intangible assets	3,890
Deferred tax assets	5,175
Other non-current assets	25,268
Trade receivables	6,568
Prepayments, other receivables and other assets	33,236
Cash and bank balances	16,526
Trade payables, other payables and accruals	(389,640)
Interest-bearing bank and other borrowings	(27,145)
Deferred tax liabilities	(173,739)
Lease liabilities	(1,707,343)
Other non-current liabilities	(6,950)
Total identifiable net assets at fair value	904,169
Goodwill on acquisition	1,441
Total consideration	905,610
Satisfied by	
Cash paid	279,010
Financial assets at fair value through profit or loss	626,600
	905,610

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Since the acquisition, Vlinker Project Companies contributed RMB321,008,000 to the Group’s revenue and RMB155,732,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,501,077,000 and RMB312,072,000, respectively.

(c) Shanghai Yinchén

On 19 August 2021, the Group, through its wholly-owned subsidiary, Mofan (Shanghai) Enterprise Management and Consultancy Co., Ltd. (魔泛(上海)企業管理諮詢有限公司), completed the acquisition of 100% equity interests in Shanghai Yinchén. The acquisition of Shanghai Yinchén was identified as a business combination by the management. Shanghai Yinchén is a fully operational company as at the acquisition date and its principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	126,276
Prepayments, other receivables and other assets	1,882
Trade payables, other payables and accruals	(9,956)
Lease liabilities	(35,377)
Deferred tax liabilities	(22,725)
Total identifiable net assets at fair value	60,100
Goodwill on acquisition	13,261
Total consideration	73,361
Satisfied by	
Cash	73,361

Cash consideration of RMB37,842,000 and RMB35,519,000 were paid in the year ended 31 December 2021 and 2022, respectively.

Since the acquisition, Shanghai Yinchén contributed RMB10,702,000 to the Group’s revenue and RMB131,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,485,845,000 and RMB294,646,000, respectively.

(d) Shanghai Jinghong

On 31 August 2021, the Group, through its wholly-owned subsidiary, Moting (Shanghai) Corporation Management and Consulting Co., Ltd. (魔汀(上海)企業管理諮詢有限公司), completed the acquisition of 100% equity interests in Shanghai Jinghong. The acquisition of Shanghai Jinghong was identified as a business combination by the management. Shanghai Jinghong is a fully operational company as at the acquisition date and its principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	168,541
Other non-current assets	3,312
Deferred tax assets	810
Trade receivables	30

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	Net assets acquired RMB’000
Prepayments, other receivables and other assets	6,912
Cash and bank balances	13,682
Trade payables, other payables and accruals	(21,798)
Lease liabilities	(138,683)
Interest-bearing bank and other borrowings	(19,113)
Total identifiable net assets at fair value	13,693
Gain on bargain purchase recognised in other income	(11,693)
Total consideration	2,000
Satisfied by	
Cash	2,000

Cash consideration of RMB1,000,000 and RMB1,000,000 were paid in the year ended 31 December 2021 and 2022, respectively.

Gain on bargain purchase was attributable to the previous shareholder’s urgent need for funds to fulfill certain working capital needs.

Since the acquisition, Shanghai Jinghong contributed RMB13,498,000 to the Group’s revenue and RMB14,037,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,488,716,000 and RMB299,381,000, respectively.

(e) Project Shangkun

On 31 December 2021, the Group, through its wholly-owned subsidiary, Mofang (China) Investment Co., Ltd. (魔方(中國)投資有限公司), completed the acquisition of 100% equity interests in Shanghai Mo’er Asset Management Co., Ltd. (上海摩珥資產管理有限公司), Shanghai Mansha Corporate Management Co., Ltd. (上海曼沙企業管理有限公司) and Shanghai Shangjia Hotel Management Co., Ltd. (上海尚家酒店管理有限公司) (together, “Project Shangkun”). The acquisition was identified as a business combination by the management. These entities are fully operational companies as at the acquisition date and their principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	372,457
Other intangible assets	2,800
Other non-current assets	1,350
Trade receivables	23
Prepayments, other receivables and other assets	23,254
Cash and bank balances	758
Trade payables, other payables and accruals	(90,315)
Deferred tax liabilities	(10,239)
Lease liabilities	(289,510)
Total identifiable net assets at fair value and total consideration	10,578
Satisfied by	
Cash	10,578

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Cash consideration of RMB8,100,000 and RMB1,893,000 were paid in the years ended 31 December 2021 and 2022, respectively.

Since the acquisition, Project Shangkun contributed nil to the Group’s revenue and nil to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,508,710,000 and RMB287,159,000, respectively.

(f) Shanghai Haoji

On 31 December 2021, the Group, through its wholly-owned subsidiary, Mofang (China) Investment Co., Ltd. (魔方(中國)投資有限公司), completed the acquisition of 100% equity interests in Shanghai Haoji. The acquisition of Shanghai Haoji was identified as a business combination by the management. Shanghai Haoji is a fully operational company as at the acquisition date and its principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	73,635
Other non-current assets	516
Prepayments, other receivables and other assets	1,708
Cash and bank balances	1,425
Trade payables, other payables and accruals	(12,777)
Lease liabilities	(43,465)
Deferred tax liabilities	(3,490)
Total identifiable net assets at fair value	17,552
Goodwill on acquisition	3,030
Total consideration	20,582
Satisfied by	
Cash	20,582

Cash consideration of RMB18,299,000 and RMB1,485,000 were paid in the years ended 31 December 2021 and 2022, respectively.

Since the acquisition, Shanghai Haoji contributed nil to the Group’s revenue and nil to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,476,282,000 and RMB295,679,000, respectively.

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(g) Shanghai Hanmo

On 31 December 2021, the Group, through its wholly-owned subsidiary, Shanghai Mozhu Corporation Management and Consulting Co., Ltd. (上海茉株企業管理諮詢有限公司) (“Shanghai Mozhu”), completed the acquisition of 59.94% equity interests in Shanghai Hanmo. The acquisition of Shanghai Hanmo was identified as a business combination by the management. Shanghai Hanmo is a fully operational company as at the acquisition date and its principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	1,716,909
Finance lease receivables	965
Other intangible assets	13,090
Other non-current assets	21,494
Trade receivables	6,211
Deferred tax asset	6,000
Prepayments, other receivables and other assets	19,373
Cash and bank balances	4,191
Trade payables, other payables and accruals	(98,948)
Interest-bearing bank and other borrowings	(17,500)
Lease liabilities	(590,592)
Deferred tax liabilities	(99,242)
Other non-current liabilities	(704,216)
Total identifiable net assets at fair value	277,735
Goodwill on acquisition	48,184
Non-controlling interests	(99,725)
Total consideration	226,194
Satisfied by	
Cash paid	30,000
Net assets derecognised (<i>note (a)</i>)	196,194
	226,194

Note:

- (a) Part of the consideration was funded and settled by way of transferring of a group of net assets from Shanghai Mozhu to Shanghai Hanmo. Details of the carrying amount of the net assets transferred as below:

	<i>RMB’000</i>
Investment properties	(936,957)
Other non-current liabilities	675,365
Deferred tax liabilities	65,398
	(196,194)

Since the acquisition, Shanghai Hanmo contributed nil to the Group’s revenue and nil to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,626,666,000 and RMB288,932,000, respectively.

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(h) Project Zhongjun

On 31 October 2022, the Group, through its wholly-owned subsidiary, Shanghai Qingteng Property Management Co., Ltd. (上海慶騰物業管理有限公司), completed the acquisition of 100% equity interests in Shanghai Fangjia Apartment Management Co., Ltd. (上海方佳公寓管理有限公司), Shanghai Fangrui Apartment Management Co., Ltd. (上海方銳公寓管理有限公司) and Nanjing Fangyu Selection Apartment Management Co., Ltd. (南京方隅甄選公寓管理有限公司) (together, “Project Zhongjun”). The acquisition was identified as a business combination by the management. These entities are fully operational companies as at the acquisition date and their principal activity is the provision of apartment management services.

	Net assets acquired RMB’000
Investment properties	185,545
Other intangible assets	33,700
Other non-current assets	1,424
Trade receivables	5,891
Prepayments, other receivables and other assets	17,670
Cash and bank balances	230
Trade and other payables	(78,895)
Lease liabilities	(133,447)
Deferred tax liabilities	(13,910)
Total identifiable net assets at fair value	18,208
Total cash consideration	18,208

Since the acquisition, Project Zhongjun contributed RMB4,662,000 to the Group’s revenue and RMB2,867,000 to the consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of 2022, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB1,731,715,000 and RMB258,720,000, respectively.

38.2 Business Combination under common control

(a) Opal Gem Group Limited and Opal Gem Holdings Limited (“Opal Entities”)

On 30 December 2022, Cubic City Service Apartment International Holdings Co., Ltd., a subsidiary of the Company, entered into a share purchase agreement with fellow subsidiaries of the ultimate controlling shareholders Warburg Pincus Further details of the transaction are included in note 2.1 to the financial statements.

The carrying amounts of the assets and liabilities of Opal Entities as at the transaction date and the comparative financial figures were as follows:

	As at 31 December 2020 RMB’000	2021 RMB’000	As at 30 December 2022 RMB’000
Investment in joint ventures and associates	30,169	82,802	94,875
Prepayments, other receivables and other assets	6,731	–	–
Cash and bank balances	–	12,749	–
Trade and other payables	(40,379)	(44,186)	–
Net (liabilities)/assets	(3,479)	51,365	94,875
Total purchase consideration			125,000

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The following table illustrates the summarised financial information of the Opal Entities.

	As at 31 December		As at
	2020	2021	30 December
	RMB'000	RMB'000	2022
			RMB'000
Revenue	—	—	—
Total comprehensive loss for the year	(473)	(6,644)	(5,578)
Net increase/(decrease) in cash and cash equivalents	—	12,749	(12,749)

38.3 Acquisition of subsidiaries that are not business

(a) Shanghai Xufan Industrial Co., Ltd. (上海煦泛實業有限公司) (“Shanghai Xufan”)

On 29 May 2020, the Group, through its wholly-owned subsidiary, Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司), completed the acquisition of 100% equity interests in Shanghai Xufan.

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below. The transaction was accounted for as an asset acquisition.

	Net assets acquired RMB'000
Finance lease receivables	48,389
Cash and bank balances	104
Prepayments, other receivables and other assets	733
Trade payables, other payables and accruals	(881)
Deferred tax liabilities	(2,044)
Lease liabilities	(40,212)
Total identifiable net assets at fair value	6,089
Total cash consideration	6,089

(b) Shanghai Moyun Hotel Management Co., Ltd. (上海魔雲酒店管理有限公司) (“Shanghai Moyun”)

On 31 December 2021, the Group, through its wholly-owned subsidiary, Shanghai Qingteng Property Management Co., Ltd. (上海慶騰物業管理有限公司) completed the acquisition of 100% equity interests in Shanghai Moyun.

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below. The transaction was accounted for as an asset acquisition.

	Net assets acquired RMB'000
Investment properties	33,401
Lease liabilities	(10,301)
Total identifiable net assets at fair value	23,100
Total cash consideration	23,100

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(c) **Shanghai Zhifang Hotel Management Co., Ltd. (上海智方酒店管理有限公司) (“Shanghai Zhifang”)**

On 1 March 2022, the Group, through its wholly-owned subsidiary, Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司), completed the acquisition of 100% equity interests in Shanghai Zhifang.

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below. The transaction was accounted for as an asset acquisition.

	Net assets acquired RMB’000
Investment properties	88,542
Cash and bank balances	124
Prepayments, other receivables and other assets	1,052
Other non-current assets	1,111
Trade payables, other payables and accruals	(1,679)
Lease liabilities	(69,265)
Deferred tax liabilities	(1,685)
Total identifiable net assets at fair value	18,200
Total cash consideration	18,200

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	Year ended 31 December 2020 RMB’000
Cash consideration	(17,289)
Cash and bank balances acquired	3,492
Net cash outflow on acquisition of subsidiaries	(13,797)

	Year ended 31 December 2021 RMB’000
Cash consideration	(923,828)
Cash and bank balances acquired	36,582
Gross cash outflow on acquisition of subsidiaries	(887,246)
Proceeds from disposal of financial assets at fair value through profit or loss	554,619
Net cash outflow on acquisition of subsidiaries	(332,627)

	Year ended 31 December 2022 RMB’000
Cash consideration	(36,408)
Cash and bank balances acquired	354
Net cash outflow on acquisition of subsidiaries	(36,054)

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39. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Leasehold improvements of investment properties	62,846	33,492	87,513
Capital contributions payable	161,972	106,716	96,023
	<u>224,818</u>	<u>140,208</u>	<u>183,536</u>

40. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Provision of manachised and third-party managed apartment services to associates and joint ventures			
(i)	422	2,247	15,816
Loan to associates (ii)	–	54,000	–
Loan to fellow subsidiaries (iii)	100,000	–	510,000
Loan to a shareholder (iv)	13,789	–	–
Interest income from associates	649	322	185
Interest income from fellow subsidiaries (iii)	99	267	2,096
Interest income from shareholders (iv)	14,694	16,530	8,593
Loan repayment from associates (ii)	–	59,367	–
Loan repayment from fellow subsidiaries (iii)	–	100,000	510,000
Loan from a shareholder (v)	–	225,350	224,650
Loan from an associate of the parent (vi)	–	251,562	–
Loan repayment to an associate of the parent (vi)	–	251,562	–
Loan repayment to a shareholder (v)	241,500	473,369	85,131
Loan repayment to a fellow subsidiary (vii)	–	39,149	–
Interest expense to a shareholder (v)	68,083	51,596	50,233
Interest expense to a fellow subsidiary (vii)	3,184	3,484	–
Interest expense to an associate of the parent (vi)	–	2,971	–
Advances to associates and joint ventures	8,027	759	2,468
Settlement of advances to associates and joint ventures	244	6,828	–
Advances from associates and joint ventures	15	5,615	–
Repayment of advances from associates and joint ventures	–	–	5,630
Settlement of loan from shareholders (iv)	–	–	214,990
(Repayment to)/Advance from fellow subsidiaries	(2,759)	3,807	–
Settlement of advances from fellow subsidiaries	–	–	44,186
Issuance of ordinary shares (viii)	–	27,579	–

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Notes:

- (i) The transactions mainly include manachise services provided to Shanghai Yimofang, Shenzhen Shilianjifang and human resource service provided to Zhuhai Huafang property operation management Co., Ltd., which is a joint venture of Mofang Shenzhen.
- (ii) The loan to an associate was unsecured and interest-free.
- (iii) Loans to fellow subsidiaries were unsecured and subject to interest.
- (iv) Refer to note 25 to the Historical Financial Information for the details.
- (v) Loans from a shareholder were secured and interest rates range was from 9.5% to 11.5%.
- (vi) A loan from an associate of the parent was unsecured and subject to interest.
- (vii) Loans from a fellow subsidiary were unsecured and the interest rate was 8%.
- (viii) Refer to note 32(b) to the Historical Financial Information for the details.

(b) Outstanding balances with related parties

The gross carrying amounts for outstanding balances with related parties are as follows:

Trade in Nature

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables:			
Amount due from an associate	—	—	1,038
Amount due from joint ventures	107	2,054	2,172

Non-trade in Nature

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loan receivables:			
Loans to associates (i)	12,329	6,962	5,000
Loans to a fellow subsidiary (ii)	100,000	—	—
Other receivables:			
Loan receivables from shareholders (vi)	189,866	206,396	—
Interest receivables from associates (i)	1,835	2,157	1,521
Interest receivable from a fellow subsidiary (ii)	99	—	—
Other receivables from a shareholder	13,789	13,789	—
Amount due from associates and joint ventures (iii)	8,132	2,063	4,531
Other non-current assets:			
Loan deposit due from a shareholder (iv)	12,230	6,374	4,500
Interest-bearing bank and other borrowings:			
Loans from a shareholder (iv)	558,500	310,481	450,000
Other payables:			
Loan from a fellow subsidiary (v)	39,149	—	—
Interest payable to a fellow subsidiary	15,280	—	—
Interest payable to a shareholder (iv)	8,831	1,618	2,188
Amount due to a joint venture (iii)	15	5,630	—
Amount due to fellow subsidiaries (vii)	40,379	44,186	125,000

In addition to the individually measured allowance detailed in note (i) below, the allowance for expected credit losses of the outstanding balances with related parties were assessed using a provision matrix.

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Notes:

- (i) The allowance for expected credit losses recognised for loans to associates as at 31 December 2020, 2021 and 2022 are RMB172,000, RMB2,026,000 and RMB65,000 respectively. The allowance for expected credit losses of RMB1,962,000 recognised as at 31 December 2021 represented fully impairment of loans to certain associate which was liquidated in 2021.

Interest receivables from an associate amounting to RMB821,000 as at 31 December 2022 was fully impaired due to the liquidation process of the associate.

The loans to associates were unsecured and subject to interest. Loans amounting to RMB5,000,000 as at December 2020, 2021 and 2022 were repayable on demand.

- (ii) The loan to a fellow subsidiary was unsecured, with an interest rate of 12% and maturity of 19 days.
- (iii) The amounts due from/to joint ventures were unsecured, interest-free and would be settled prior to [REDACTED].
- (iv) The loans from a shareholder amounting to RMB558,500,000, RMB310,481,000 and RMB450,000,000 as at 31 December 2020, 2021 and 2022, respectively, was provided by AVIC Trust Company Limited (中航信託有限公司), of which RMB225,350,000 are repayable upon maturity in 2023 and RMB224,650,000 are repayable upon maturity in 2024.
- (v) The Group’s loan from a fellow subsidiary of USD6,000,000 was provided by Opal Gem Enterprise Limited. This balance is unsecured and interest bearing at fixed rate of 8.00% per annum. The balance has no fixed terms of repayment and can be extended every 3 months. The outstanding balances as at 31 December 2020, 2021 and 2022 were approximately RMB39,149,000, nil and nil, respectively. The loan was fully repaid as of 31 December 2021.
- (vi) As detailed in note 25, the loan receivables from shareholders were subject to interest.
- (vii) The amount due to fellow subsidiaries amounting to RMB40,379,000 and RMB44,187,000 as at 31 December 2020 and 2021 were interest-free and were settled in 2022. The amount due to fellow subsidiaries amounting to RMB125,000,000 with interest rate of 8% per annum, which is included in consideration payable (note 28), was repayable within six months.

(c) Compensation of key management personnel of the Group

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Short term employee benefits	4,276	4,685	4,347
Post-employment benefits	171	485	536
Share-based compensations	7,989	8,392	23,497
	<u>12,436</u>	<u>13,562</u>	<u>28,380</u>

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(d) Loans to a Director

Loans to a Director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Balance	175,907	191,740	–
Maximum amount outstanding during the Relevant Periods	175,907	191,740	–

Note: FortuNews Holdings Ltd. is indirectly controlled by Ocean Link. The general partner of Ocean Link is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. Zheng Nanyan (our chairman and non-executive Director).

Loans granted to director bear interest at 9.0% per annum, and they are unsecured and have been settled in 2022. Refer to note 25 to the Historical Financial Information for the details. Loans to Director and the related interest receivables were included in the balance of prepayments, other receivables and other assets as of 31 December 2020 and 2021.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets	Financial assets at amortised cost		
	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables	11,984	42,660	30,126
Financial assets included in prepayments, other receivables and other assets	241,725	257,214	21,595
Loan receivables	120,853	14,136	9,475
Restricted cash	30,555	26,163	68,423
Cash and cash equivalents	317,914	656,296	345,575
Finance lease receivables	153,368	245,221	266,574
Financial assets included in other non-current assets	69,519	124,986	137,099
	<u>945,918</u>	<u>1,366,676</u>	<u>878,867</u>
Financial assets	Financial assets at fair value through profit or loss		
	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets measured at FVTPL	<u>851,774</u>	<u>318,368</u>	<u>250,025</u>

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Financial liabilities	Financial liabilities at amortised cost		
	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Trade payables	63,522	81,762	102,821
Financial liabilities included in other payables and accruals	352,564	541,010	537,349
Interest-bearing bank and other borrowings	1,405,899	2,250,446	2,413,855
Other non-current liabilities	62,177	111,278	55,254
	<u>1,884,162</u>	<u>2,984,496</u>	<u>3,109,279</u>

Financial liabilities	Financial liabilities at fair value through profit or loss		
	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial liabilities included in other payables and accruals	–	–	3,318
	<u>–</u>	<u>–</u>	<u>3,318</u>

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		
	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial assets			
Financial assets measured at FVTPL	<u>851,774</u>	<u>318,368</u>	<u>250,025</u>
Financial liabilities			
Interest-bearing bank and other borrowings	1,405,899	2,250,446	2,413,855
Financial liabilities included in other payables and accruals	–	–	3,318
	<u>1,405,899</u>	<u>2,250,446</u>	<u>2,417,173</u>

	Fair values		
	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Financial assets			
Financial asset measured at FVTPL	<u>851,774</u>	<u>318,368</u>	<u>250,025</u>
Financial liabilities			
Interest-bearing bank and other borrowings	1,405,899	2,250,446	2,413,855
Financial liabilities included in other payables and accruals	–	–	3,318
	<u>1,405,899</u>	<u>2,250,446</u>	<u>2,417,173</u>

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Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020, 2021 and 2022 were assessed to be insignificant.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation techniques	Significant unobservable inputs	Range or weighted average As at 31 December			Sensitivity of fair value to the input As at 31 December		
			2020	2021	2022	2020	2021	2022
Equity investment classified at FVTPL	Discounted Cash Flow Method	Discount rate	14.50%	14.50%	14.50%	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 7%.	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 9%.	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 6%.
Debt investment classified at FVTPL	Discounted Cash Flow Method	Discount rate	10.00%	10.00%	10.00%	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 3%.	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 2%.	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 1%.
Financial liabilities included in other payables and accruals	Monte Carlo simulation	Discount rate	–	–	8.10%	–	–	1% increase/ decrease in multiple would result in increase/ decrease in fair value by 0.3%.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	Total RMB’000
Equity investment classified at FVTPL	–	–	831,886	831,886
Debt investment classified at FVTPL	–	–	19,888	19,888
	–	–	851,774	851,774

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	Total RMB’000
Equity investment classified at FVTPL	–	–	285,438	285,438
Debt investment classified at FVTPL	–	–	21,878	21,878
Wealth management products	–	11,052	–	11,052
	–	11,052	307,316	318,368

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	Total RMB’000
Equity investment classified at FVTPL	–	–	225,960	225,960
Debt investment classified at FVTPL	–	–	24,065	24,065
	–	–	250,025	250,025

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Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 2021.

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	Total RMB’000
Financial liabilities included in other payables and accruals	–	–	3,318	3,318

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Equity investment classified at FVTPL RMB’000	Debt investment classified at FVTPL RMB’000	Financial liabilities included in other payables and accruals RMB’000
Carrying amount at 1 January 2020	795,628	18,076	N/A
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	36,258	1,812	N/A
Carrying amount at 31 December 2020 and 1 January 2021	831,886	19,888	N/A
Additions	52,650	–	N/A
Disposal	(626,600)	–	N/A
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	27,502	1,990	N/A
Carrying amount at 31 December 2021 and 1 January 2022	285,438	21,878	N/A
Additions	–	–	7,357
Transfer	(73,111)	–	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	13,633	2,187	4,039
Carrying amount at 31 December 2022	225,960	24,065	3,318

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, restricted cash and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations with floating interest rates.

If interest rates had been 100 basis points higher and all other variables are held constant, the Group’s interest charge would have increased by approximately RMB5,395,000, RMB11,023,000 and RMB12,021,000 for the years ended 31 December 2020, 2021 and 2022, respectively. This is mainly attributable to the Group’s exposure to interest rates on its variable-rate bank and other borrowings.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD-RMB and HKD-RMB exchange rate, with all other variables held constant, of the Group’s profit or loss before tax (due to changes in the fair values of monetary assets and liabilities) and the Group’s equity.

	Increase/(decrease) in USD/HKD rate %	Increase/ (decrease) in profit/(loss) before tax RMB’000	Increase/ (decrease) in equity RMB’000
2020			
If the RMB weakens against the USD	5	6,251	6,251
If the RMB strengthens against the USD	(5)	(6,251)	(6,251)
If the RMB weakens against the HKD	5	(14,079)	(14,079)
If the RMB strengthens against the HKD	(5)	14,079	14,079
2021			
If the RMB weakens against the USD	5	(23,448)	(23,448)
If the RMB strengthens against the USD	(5)	23,448	23,448
If the RMB weakens against the HKD	5	(25,214)	(25,214)
If the RMB strengthens against the HKD	(5)	25,214	25,214
2022			
If the RMB weakens against the USD	5	56	56
If the RMB strengthens against the USD	(5)	(56)	(56)
If the RMB weakens against the HKD	5	(27,172)	(27,172)
If the RMB strengthens against the HKD	(5)	27,172	27,172

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(c) Credit risk

The Group has no concentration of credit risk. The Group’s cash and cash equivalents are mainly deposited with state-owned banks in Mainland China. The carrying amounts of the trade receivables, other receivables, restricted cash, cash and cash equivalents included in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group expects the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term.

The Group trades only with recognised and credit worthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020, 2021 and 2022.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs		Lifetime ECLs				Expected credit loss rate
As at 31 December 2020	Stage 1	Stage 2	Stage 3	Simplified approach	Total		%
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Trade receivables*	–	–	–	14,578	14,578		17.8
Financial assets included in prepayments, other receivables and other assets							
– Normal**	256,600	–	–	–	256,600		5.8
– Doubtful**	–	–	–	–	–		–
Restricted cash							
– Not yet past due	30,555	–	–	–	30,555		–
Cash and cash equivalents							
– Not yet past due	317,914	–	–	–	317,914		–
Loan receivables	121,149	–	–	–	121,149		0.2
Finance lease receivables	158,654	–	–	–	158,654		3.3
Other non-current assets	70,518	–	–	–	70,518		1.4
	955,390	–	–	14,578	969,968		2.5

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	12-month ECLs	Lifetime ECLs					Expected credit loss rate
As at 31 December 2021	Stage 1	Stage 2	Stage 3	Simplified approach	Total		%
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Trade receivables*	–	–	–	45,932	45,932		7.1
Financial assets included in prepayments, other receivables and other assets							
– Normal**	263,210	–	–	–	263,210		2.3
– Doubtful**	–	–	–	–	–		–
Restricted cash							
– Not yet past due	26,163	–	–	–	26,163		–
Cash and cash equivalents							
– Not yet past due	656,296	–	–	–	656,296		–
Loan receivables	16,282	–	–	–	16,282		13.2
Finance lease receivables	253,163	–	–	–	253,163		3.1
Other non-current assets	126,618	–	–	–	126,618		1.3
	<u>1,341,732</u>	<u>–</u>	<u>–</u>	<u>45,932</u>	<u>1,387,664</u>		<u>1.5</u>
	12-month ECLs	Lifetime ECLs					Expected credit loss rate
As at 31 December 2022	Stage 1	Stage 2	Stage 3	Simplified approach	Total		%
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Trade receivables*	–	–	–	37,393	37,393		19.4
Financial assets included in prepayments, other receivables and other assets							
– Normal**	21,940	–	–	–	21,940		1.6
– Doubtful**	–	–	3,109	–	3,109		100.0
Restricted cash							
– Not yet past due	68,423	–	–	–	68,423		–
Cash and cash equivalents							
– Not yet past due	345,575	–	–	–	345,575		–
Loan receivables	9,600	–	–	–	9,600		1.3
Finance lease receivables	276,720	–	–	–	276,720		3.7
Other non-current assets	138,911	–	–	–	138,911		1.3
	<u>861,169</u>	<u>–</u>	<u>3,109</u>	<u>37,393</u>	<u>901,671</u>		<u>2.5</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 24 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “doubtful” when they are fully impaired. Otherwise, the credit quality of the financial assets is considered to be “normal”.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed in different sectors and industries.

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ACCOUNTANTS’ REPORT

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2020					
Lease liabilities	698,947	726,118	2,086,848	2,811,682	6,323,595
Interest-bearing bank and other borrowings	1,320,677	163,263	37,232	–	1,521,172
Trade payables	63,522	–	–	–	63,522
Other payables and accruals	354,192	–	–	–	354,192
Other non-current liabilities	–	–	–	62,117	62,117
	<u>2,437,338</u>	<u>889,381</u>	<u>2,124,080</u>	<u>2,873,799</u>	<u>8,324,598</u>
31 December 2021					
Lease liabilities	1,141,590	1,137,612	3,104,321	4,608,967	9,992,490
Interest-bearing bank and other borrowings	1,178,659	544,188	684,795	–	2,407,642
Trade payables	81,762	–	–	–	81,762
Other payables and accruals	543,384	–	–	–	543,384
Other non-current liabilities	–	56,870	12,118	42,290	111,278
	<u>2,945,395</u>	<u>1,738,670</u>	<u>3,801,234</u>	<u>4,651,257</u>	<u>13,136,556</u>
31 December 2022					
Lease liabilities	1,522,437	1,409,626	3,773,094	5,984,243	12,689,400
Interest-bearing bank and other borrowings	1,462,839	608,092	556,756	–	2,627,687
Trade payables	102,821	–	–	–	102,821
Other payables and accruals	550,667	–	–	–	550,667
Other non-current liabilities	–	–	13,535	41,719	55,254
	<u>3,638,764</u>	<u>2,017,718</u>	<u>4,343,385</u>	<u>6,025,962</u>	<u>16,025,829</u>

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(e) Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the gearing ratio. The gearing ratio is defined as net debt divided by total assets. Net debt represents interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash. The gearing ratios at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings (<i>note 29</i>)	1,405,899	2,250,446	2,413,855
Less:			
Cash and cash equivalents (<i>note 26</i>)	317,914	656,296	345,575
Restricted cash (<i>note 26</i>)	30,555	26,163	68,423
	<u>1,057,430</u>	<u>1,567,987</u>	<u>1,999,857</u>
Net debt	1,057,430	1,567,987	1,999,857
Total assets	<u>9,020,583</u>	<u>14,045,977</u>	<u>14,018,962</u>
	<u>11.7%</u>	<u>11.2%</u>	<u>14.3%</u>
Gearing ratio			

44. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events for which additional disclosure or adjustments is required after the end of the Relevant Periods.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 15, 2012 under the Companies Act. The Company's constitutional documents consist of its Memorandum and Articles.

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on [Date]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of Ordinary Shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third in nominal value of the issued

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shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) *Alteration of capital*

The Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the allotment and issue of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) *Transfer of shares*

Subject to the Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

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Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong as amended from time to time) as at the date of the adoption of the Articles (or its equivalent provision from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

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A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company (including managing director or other executive director) before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by

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the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

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No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

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- (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

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A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

- (i) speak at general meetings of the Company; and
- (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or

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- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as

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proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The

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summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The appointment, removal and remuneration of the auditors must be approved by a majority of the Company's shareholders in the annual general meeting or by another body that is independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

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No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

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If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 May 2012 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that

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company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in Section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so

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by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

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3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

- (a) all sums of money received and expended by it;
- (b) all sales and purchases of goods by it; and
- (c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the “TIA Act”), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available

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for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

- (a) an order of the court;
- (b) voluntarily by its members; or
- (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

- (a) the company is or is likely to become insolvent; or
- (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Scheme of arrangement

Following amendments to the Companies Act that became effective on 31 August 2022, the majority-in-number “headcount test” in relation to the approval of members’ schemes of arrangement has been abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value and (b) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies, on Display and Available for Inspection” in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV

PROPERTY VALUATION REPORT

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2023 of the selected property interests leased by the Group.



Jones Lang LaSalle Corporate Appraisal and
Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

2023

The Board of Directors

Cubic City Service Apartment Group Holdings Limited

Walkers Corporate Limited

190 Elgin Avenue, George Town

Grand Cayman KY1-9008

Cayman Islands

Dear Sirs,

In accordance with your instructions to value the selected property interests leased by **Cubic City Service Apartment Group Holdings Limited** (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the selected property interests as at 31 January 2023 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

As the properties are leased by the Group for investment purpose, so we attributed no commercial value due to the prohibition against assignment.

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PROPERTY VALUATION REPORT

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of documents including Real Estate Title Certificates, Building Ownership Certificates, Tenancy Agreements and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC Legal Advisors – JunHe LLP, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

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Inspection of the properties was carried out in March 2023 by Gloria Wang, Elvin Zhang, Evelyn Xu, and Shengqiao Hu. They have more than 5 years' experience in the property valuation in the PRC. Ms. Gloria Wang and Ms. Shengqiao Hu who are China Certified Real Estate Appraiser, Ms. Evelyn Xu is a member of RICS. We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

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PROPERTY VALUATION REPORT

SUMMARY OF VALUES

Property interests leased by the Group

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
1	Mofang Apartment Shanghai Waigaoqiao Pudong North Road Community No. 668 Hengan Road Pudong New Area Shanghai The PRC (魔方公寓上海外高橋浦東北路社區)	No commercial value
2	Mofang Apartment Shanghai Ningguo Road Community No. 430 Linqing Road Yangpu District Shanghai The PRC (魔方公寓上海寧國路社區)	No commercial value
3	Mofang Apartment Shanghai Jinqiao Jinxiu East Road Community No. 2015 Jinxiu East Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋錦繡東路社區)	No commercial value
4	Mofang Apartment Shanghai Daning International Community No. 1207 Gonghexin Road Jing'an District Shanghai The PRC (魔方公寓上海大寧國際社區)	No commercial value
5	Mofang Apartment Shanghai Jinqiao Xinjinqiao Road Store No. 581 Xinjinqiao Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋新金橋路店)	No commercial value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
6	Mofang Apartment Shanghai Putuo Qilianshan Road Community Nos. 601, 603 and 607 Suide Road Putuo District Shanghai The PRC (魔方公寓上海祁連山路社區)	No commercial value
7	Mofang Apartment Shanghai Pujiang Luheng Road Community No. 18 Luheng Road Minhang District Shanghai The PRC (魔方公寓上海浦江蘆恒路社區)	No commercial value
8	Mofang Apartment Shanghai Pujiang Lianhang Road Community No. 38 Lane 537 Sanda Branch Road Pujiang Town Minhang District Shanghai The PRC (魔方公寓上海浦江聯航路社區)	No commercial value
9	Mofang Apartment Shanghai Jinqiao Jinyu Road Community No. 450 Jinyu Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋金豫路社區)	No commercial value
10	Unit 9 Apartment Beijing Xihongmen Store Block 4 No. 1 Hongye East Road Xihongmen Village Daxing District Beijing The PRC (9號樓公寓北京西紅門店)	No commercial value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
11	Unit 9 Apartment Beijing Pule CBD Store Jia No. 2 Chenjialin Balizhuang Village Gaobeidian Town Chaoyang District Beijing The PRC (9號樓公寓北京普樂門CBD店)	No commercial value
12	Mofang Apartment Shanghai Bao'an Highway Store Lane 7 Bao'an Highway Baoshan District Shanghai The PRC (魔方公寓上海寶安公路店)	No commercial value
13	Mofang Apartment Guangzhou Gangbei Store No. 2 Gangbei Road Baiyun District Guangzhou City The PRC (魔方公寓廣州崗貝店)	No commercial value
14	Kayton Apartment Shanghai Changyang Road Store No. 1441 Changyang Road Yangpu District Shanghai The PRC (愷頓公寓上海長陽路店)	No commercial value
15	Mofang Apartment Shanghai Gubei International Community No. 368 Hongxu Road Minhang District Shanghai The PRC (魔方公寓上海古北國際社區)	No commercial value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
16	Mofang Apartment Shanghai Waigaoqiao Hengan Road Community Block 1 No. 1000 Heng'an Road Pudong New Area Shanghai The PRC (魔方公寓上海外高橋衡安路社區)	No commercial value
17	Unit 9 Apartment Hangzhou Binwen Road Store No. 418 Binwen Road Binjiang District Hangzhou City Zhejiang Province The PRC (9號樓公寓杭州濱文路店)	No commercial value
18	Mofang Apartment Shanghai Hanzhong Road Store Nos. 158 and 188 Hanzhong Road Jing'an District Shanghai The PRC (魔方公寓上海漢中路店)	No commercial value
19	Mofang Apartment Shanghai Songjiang Wanda Community No. 309 Meijiabang Road Songjiang District Shanghai The PRC (魔方公寓上海松江萬達社區)	No commercial value
20	Unit 9 Apartment Beijing Hui House No. 20 Liangshui River No. 1 Street Yizhuang Economic-Technological Development Zone Beijing The PRC (9號樓公寓北京輝展閣店)	No commercial value

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No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
21	Shanghai Shiquan Road Store No. 475 Shiquan Road Putuo District Shanghai The PRC (上海石泉路店)	No commercial value
22	Unit 9 Apartment Beijing Wufangqiao Store No. 6 Jiuwen Road Chaoyang District Beijing The PRC (9號公寓北京五方橋店)	No commercial value
23	More Apartment International Trade Store No. 38 Baiziwan Road Chaoyang District Beijing The PRC (魔爾公寓國貿店)	No commercial value
24	Unit 9 Apartment Shanghai Baoshan Wanda Store No. 5288 Gonghexin Road Baoshan District Shanghai The PRC (9號樓公寓上海寶山萬達店)	No commercial value
25	Mofang Apartment Shanghai Hailun Road Subway Station Store Floor 3-4 No. 273 Siping Road Hongkou District Shanghai The PRC (魔方公寓上海海倫路地鐵站店)	No commercial value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
26	Unit 9 Apartment Hangzhou Shaoxing Road Store No. 16 Yangliubao Road Gongshu District Hangzhou City Zhejiang Province The PRC (9號樓公寓杭州紹興路店)	No commercial value
27	Mofang Apartment Shanghai Fanghua Road Subway Station Store No. 63 Fanghua Road Pudong New District Shanghai The PRC (魔方公寓上海芳華路地鐵站店)	No commercial value
28	Mofang Apartment Beijing Changping Shahe Subway Station Store Shahe Town Changping District Beijing The PRC (魔方公寓北京沙河地鐵站店)	No commercial value
29	Mofang Apartment Shanghai Pujiang Jiangyue Road Community No. 8 Lane 1501 Hengnan Road Minhang District Shanghai The PRC (魔方公寓上海浦江江月路社區)	No commercial value
30	Mofang Apartment Shanghai Hengfeng Road Store No. 610 Hengfeng Road Jing'an District Shanghai The PRC (魔方公寓上海恒豐路店)	No commercial value
Total:		Nil

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Property interests leased by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	Mofang Apartment Shanghai Waigaoqiao Pudong North Road Community No. 668 Hengan Road Pudong New Area Shanghai (魔方公寓上海外高橋浦東北路社區)	Mofang Apartment Shanghai Waigaoqiao Pudong North Road Community is a rental apartment located at the Hengan Road. It is close to Pudong North Road and well-served with traffic facilities. The property was completed in 2005. As advised by the Group, the property comprises 789 apartment units and a retail unit with a total lettable area of approximately 13,452.52 sq.m. Pursuant to 2 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 18.5 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 2 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Liangxin Electrical Appliance Co., Ltd. (上海良信電器股份有限公司, “**Shanghai Liangxin Electrical Appliance**”, the lessor, an independent third party of the Company) and Shanghai Shenggu Enterprise Management Co., Ltd. (上海盛汨企業管理有限公司, “**Shanghai Shenggu**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 13,452.52 sq.m. was leased to Shanghai Shenggu for residential, apartment, hotel and commercial uses.
- Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Pu Zi (2010) No. 086119 and Hu Fang Di Pu Zi (2011) No. 027204, 2 buildings with a total gross floor area of approximately 13,452.52 sq.m. (including the property) is owned by Shanghai Liangxin Electrical Appliance, the relevant land use rights of a parcel of land with a site area of approximately 23,993 sq.m. have been granted to Shanghai Liangxin Electrical Appliance for a term expiring on 4 September 2053 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,300 to RMB3,600 per unit for apartment units, and RMB128 to RMB169 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	Mofang Apartment Shanghai Ningguo Road Community No. 430 Linqing Road Yangpu District Shanghai The PRC (魔方公寓上海寧國路社區)	Mofang Apartment Shanghai Ningguo Road Community is a rental apartment located at the Linqing Road. It is close to Ningguo Road and well-served with traffic facilities. The property was completed in 2004. As advised by the Group, the property comprises 389 apartment units with a total lettable area of approximately 9,645 sq.m. Pursuant to 4 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 18 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 4 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Medical Equipment Works Co., Ltd. (上海醫療器械廠有限公司, “**Shanghai Medical Equipment Works**”, the original lessor, an independent third party of the Company) and Shanghai Shengdie Enterprise Management Co., Ltd (上海盛迭企業管理有限公司, “**Shanghai Shengdie**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 9,645 sq.m. was leased to Shanghai Shengdie for residential, apartment, hotel and commercial uses.
- Pursuant to 3 Real Estate Title Certificates – Hu Fang Di Yang Zi (2004) Nos. 016021, 016025 and 016026, 20 buildings with a total gross floor area of approximately 37,935.00 sq.m. (including the property) is owned by Shanghai Medical Equipment Works, the relevant land use rights of a parcel of land with a site area of approximately 16,341 sq.m. have been granted to Shanghai Medical Equipment Works for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,600 to RMB5,200 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which contains, inter alia, the following:
 - the risk to be ordered to stop using the property or suspend operation by relevant authorities due to the absence of the relevant consent to sublease the property is low; and
 - as the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	Mofang Apartment Shanghai Jinqiao Jinxiu East Road Community No. 2015 Jinxiu East Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋 錦繡東路社區)	Mofang Apartment Shanghai Jinqiao Jinxiu East Road Community is a rental apartment located at the Jinxiu East Road. It is close to Jinhu Road and well-served with traffic facilities. The property was completed in 2003. As advised by the Group, the property comprises 956 apartment units and 14 retail units with a total lettable area of approximately 29,684.94 sq.m. Pursuant to 2 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 2 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Nuoyi Industrial Co., Ltd. (上海諾一實業有限公司, “**Shanghai Nuoyi Industrial**”, the lessor, an independent third party of the Company) and Shanghai Shengzhao Enterprise Management Co., Ltd. (上海盛照企業管理有限公司, “**Shanghai Shengzhao**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 29,684.94 sq.m. was leased to Shanghai Shengzhao for residential, apartment, hotel and commercial uses.
- Pursuant to 8 Real Estate Title Certificates – Hu Fang Di Pu Zi (2010) Nos. 064579, 064580, 064578, Hu Fang Di Pu Zi (2012) No. 031981, 4 buildings with a total gross floor area of approximately 34,720.64 sq.m. (including the property) is owned by Shanghai Nuoyi Industrial, the relevant land use rights of a parcel of land with a site area of approximately 14,837 sq.m. have been granted to Shanghai Nuoyi Industrial for a term expiring on 15 August 2052 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,185 to RMB4,802 per unit for apartment units, and RMB149 to RMB179 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	Mofang Apartment Shanghai Daning International Community No. 1207 Gonghexin Road Jing'an District Shanghai The PRC (魔方公寓上海大寧國際社區)	Mofang Apartment Shanghai Daning International Community is a rental apartment located at the Gonghexin Road. It is close to Zhongshan North Road and well-served with traffic facilities. The property was completed in 2001. As advised by the Group, the property comprises 440 apartment units and 4 retail units with a total lettable area of approximately 12,308.79 sq.m. Pursuant to 4 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 14.5 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 4 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Sunrise (Group) Co., Ltd. (上海晟隆(集團)有限公司, “**Shanghai Sunrise**”, the lessor, an independent third party of the Company) and Shanghai Shengpai Investment Management Co., Ltd. (上海盛派投資管理有限公司, “**Shanghai Shengpai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 12,308.79 sq.m. was leased to Shanghai Shengpai for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2001) No. 040266, 6 buildings with a total gross floor area of approximately 12,308.79 sq.m. (including the property) is owned by Shanghai Sunrise, the relevant land use rights of a parcel of land with a site area of approximately 6,698 sq.m. have been granted to Shanghai Sunrise for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,100 to RMB5,000 per unit for apartment units, and RMB146 to RMB185 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
5.	Mofang Apartment Shanghai Jinqiao Xinjinqiao Road Store No. 581 Xinjinqiao Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋 新金橋路店)	Mofang Apartment Shanghai Jinqiao Xinjinqiao Road Store is a rental apartment located at the Xinjinqiao Road. It is close to Jinqiao Road and well-served with traffic facilities. The property was completed in 1996. As advised by the Group, the property comprises 261 apartment units and 9 retail units with a total lettable area of approximately 7,492.52 sq.m. Pursuant to 3 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20.5 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 3 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Yimao Business Consulting Co., Ltd. (上海怡貿商務諮詢有限公司, “Shanghai Yimao”, the lessor, an independent third party of the Company) and Shanghai Shengzhao Enterprise Management Co., Ltd. (上海盛照企業管理有限公司, “Shanghai Shengzhao”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 7,492.52 sq.m. was leased to Shanghai Shengzhao for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2012) No. 039256, a building with a gross floor area of approximately 7,492.52 sq.m. (including the property) is owned by Shanghai Yimao, the relevant land use rights of a parcel of land with a site area of approximately 6,935 sq.m. have been granted to Shanghai Yimao for a term expiring on 30 December 2056 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,185 to RMB4,102 per unit for apartment units, and RMB149 to RMB179 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
6.	Mofang Apartment Shanghai Putuo Qilianshan Road Community Nos. 601, 603 and 607 Suide Road Putuo District Shanghai The PRC (魔方公寓上海祁連 山路社區)	Mofang Apartment Shanghai Putuo Qilianshan Road Community is a rental apartment located at the Suide Road. It is close to Qilianshan South Road and well-served with traffic facilities. The property was completed between 2006 and 2007. As advised by the Group, the property comprises 959 apartment units and 20 retail units with a total lettable area of approximately 20,606.40 sq.m. Pursuant to 6 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20.3 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 6 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Huasheng Investment Co., Ltd. (上海華盛投資有限公司, “**Huasheng Investment**”, the lessor, an independent third party of the Company) and Shanghai Shengyi Enterprise Management Co., Ltd. (上海盛熠企業管理有限公司, “**Shanghai Shengyi**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 20,606.40 sq.m. was leased to Shanghai Shengyi for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2007) No. 024580, 5 buildings with a total gross floor area of approximately 36,143.81 sq.m. (including the property) is owned by Huasheng Investment, the relevant land use rights of a parcel of land with a site area of approximately 135,216 sq.m. have been granted to Huasheng Investment for a term expiring on 17 June 2052 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,100 to RMB5,000 per unit for apartment units, and RMB143 to RMB173 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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7.	Mofang Apartment Shanghai Pujiang Luheng Road Community No. 18 Luheng Road Minhang District Shanghai The PRC (魔方公寓上海浦江 蘆恒路社區)	Mofang Apartment Shanghai Pujiang Luheng Road Community is a rental apartment located at the Linheng Road. It is close to Puxing Highway and well-served with traffic facilities. The property was completed in 2015. As advised by the Group, the property comprises 1,324 apartment units and 6 retail units with a total lettable area of approximately 34,930.80 sq.m. Pursuant to 4 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 4 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Tianma Computer Embroidery Co., Ltd. (上海天馬電腦繡花有限公司, “**Shanghai Tianma Computer Embroidery**”, the lessor, an independent third party of the Company) and Shanghai Shengsheng Asset Management Co., Ltd. (上海盛升資產管理有限公司, “**Shanghai Shengsheng**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 34,930.80 sq.m. was leased to Shanghai Shengsheng for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2015) No. 059354, a building with a gross floor area of approximately 34,060.30 sq.m. (including portion of the property) is owned by Shanghai Tianma Computer Embroidery, the relevant land use rights of a parcel of land with a site area of approximately 18,063 sq.m. have been granted to Shanghai Tianma Computer Embroidery for a term expiring on 24 August 2059 for industrial use.
- We have not been provided with any title certificates for the remaining portion of the property with a total gross floor area of approximately 870.50 sq.m.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,100 to RMB5,000 per unit for apartment units, and RMB143 to RMB173 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the risk to be ordered to stop using the property or be ask for penalty by relevant authorities due to the absence of the title documents is low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
8.	Mofang Apartment Shanghai Pujiang Lianhang Road Community No. 38 Lane 537 Sanda Branch Road Pujiang Town Minhang District Shanghai The PRC (魔方公寓上海浦江 聯航路社區)	Mofang Apartment Shanghai Pujiang Lianhang Road Community is a rental apartment located at the Pujiang Town. It is close to Lianhang Road and well- served with traffic facilities. The property was completed in 2014. As advised by the Group, the property comprises 1,184 apartment units and 2 retail units with a total lettable area of approximately 20,249.24 sq.m. Pursuant to 2 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 2 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Sainai Li'er Apparels Co., Ltd. (上海賽奈爾服飾有限公司, “Shanghai Sainai Li'er Apparels”, the lessor, an independent third party of the Company) and Shanghai Shengjiang Investment Management Co., Ltd. (上海盛疆投資管理有限公司, “Shanghai Shengjiang”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 20,249.24 sq.m. was leased to Shanghai Shengjiang for a term expiring on 8 August 2036 for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2014) No. 013418, 7 buildings with a total gross floor area of approximately 20,249.24 sq.m. (including the property) is owned by Shanghai Sainai Li'er Apparels, the relevant land use rights of a parcel of land with a site area of approximately 14,434 sq.m. have been granted to Shanghai Sainai Li'er Apparels for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB1,875 to RMB3,442 per unit for apartment units, and RMB138 to RMB201 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
9.	Mofang Apartment Shanghai Jinqiao Jinyu Road Community No. 450 Jinyu Road Pudong New Area Shanghai The PRC (魔方公寓上海金橋 金豫路社區)	Mofang Apartment Shanghai Jinqiao Jinyu Road Community is a rental apartment located at the Jinyu Road. It is close to Ningqiao Road and well-served with traffic facilities. The property was completed in 2011. As advised by the Group, the property comprises 920 apartment units and 12 retail units with a total lettable area of approximately 27,794.11 sq.m. Pursuant to 4 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 24 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 4 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Qirun Industrial Co., Ltd. (上海齊潤實業有限公司, “**Shanghai Qirun Industrial**”, the lessor, an independent third party of the Company) and Shanghai Shengmu Asset Management Co., Ltd. (上海盛沐資產管理有限公司, “**Shanghai Shengmu**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 27,794.11 sq.m. was leased to Shanghai Shengmu for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2011) No. 058007, 3 buildings with a total gross floor area of approximately 31,807.58 sq.m. (including the property) is owned by Shanghai Qirun Industrial, the relevant land use rights of a parcel of land with a site area of approximately 13,704 sq.m. have been granted to Shanghai Qirun Industrial for a term expiring on 14 September 2047 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,185 to RMB4,802 per unit for apartment units, and RMB149 to RMB179 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
10.	Unit 9 Apartment Beijing Xihongmen Store Block 4 No. 1 Hongye East Road Xihongmen Village Daxing District Beijing The PRC (9號樓公寓北京西紅門店)	Unit 9 Apartment Beijing Xihongmen Store is a rental apartment located at the Xihongmen Village. It is close to Hongxiang Road and well-served with traffic facilities. The property was completed in 2020. As advised by the Group, the property comprises 400 apartment units with a total lettable area of approximately 15,655.18 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 15.5 years for office use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract entered into between Beijing Jincheng Guangyao Cultural Development Co., Ltd. (北京金誠光耀文化發展有限公司, “**Beijing Jincheng Guangyao**”, the lessor, an independent third party of the Company) and City Mofang (Beijing) Property Management Co., Ltd. (城市魔方(北京)物業管理有限公司, “**City Mofang (Beijing)**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 15,655.18 sq.m. was leased to City Mofang (Beijing) for office use.
- Pursuant to a Real Estate Title Certificate – Jing (2020) Da Bu Dong Chan Quan Di No. 0013654, a building with a total gross floor area of approximately 15,786.55 sq.m. (including the property) is owned by Beijing Jincheng Guangyao, the relevant land use rights with a site area of approximately 12,731.17 sq.m. have been granted to Beijing Jincheng Guangyao for a term expiring on 28 February 2058 for business and financial uses.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly apartment unit rents of the comparable properties are in the range of RMB3,500 to RMB5,000 per unit, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
11.	Unit 9 Apartment Beijing Pule CBD Store Jia No. 2 Chenjialin Balizhuang Village Gaobeidian Town Chaoyang District Beijing The PRC (9號樓公寓北京普 樂門CBD店)	Unit 9 Apartment Beijing Pule CBD Store is a rental apartment located at the Balizhuang Village. It is close to Chaoyang Road and well-served with traffic facilities. The property was completed in 2010. As advised by the Group, the property comprises 398 apartment units with a total lettable area of approximately 255,585.67 sq.m. Pursuant to a Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contracts and Supplementary Agreements entered into between Beijing Xinshan Jinyue Housing Rental Service Center (北京鑫山金月房屋租賃服務中心, the lessor, an independent third party of the Company) and Pule Apartment Management (Beijing) Co., Ltd. Chaoyang Branch (普樂門公寓管理(北京)有限公司, “**Pule CBD**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 26,492.84 sq.m. was leased to Pule CBD for residential, apartment, hotel and commercial uses.
- We have not been provided with any title certificates for the property.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB6,500 to RMB7,100 per unit, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which Pule CBD has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
12.	Mofang Apartment Shanghai Bao'an Highway Store Lane 7 Bao'an Highway Baoshan District Shanghai The PRC (魔方公寓上海寶安公路店)	Mofang Apartment Shanghai Bao'an Highway Store is a rental apartment located at the Bao'an Highway. It is close to Wenchuan Highway and well-served with traffic facilities. The property was completed in 2015. As advised by the Group, the property comprises 654 apartment units and 5 retail units with a total lettable area of approximately 24,500.00 sq.m. Pursuant to 3 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 20 years for elderly care uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 3 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Qianliheng Industrial Co., Ltd. (上海乾麗恒實業有限公司, “**Shanghai Qianliheng Industrial**”, the lessor, an independent third party of the Company) and Shanghai Mo'er Asset Management Co., Ltd. (上海摩珥資產管理有限公司, “**Shanghai Mo'er**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 24,500.00 sq.m. was leased to Shanghai Mo'er for elderly care uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Bao Zi (2016) No. 001807, 3 buildings with a total gross floor area of approximately 27,159.66 sq.m. (including the property) is owned by Shanghai Qianliheng Industrial, the relevant land use rights of a parcel of land with a site area of approximately 13,841.10 sq.m. have been granted to Shanghai Qianliheng Industrial for a term expiring on 1 February 2057 for charitable use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,000 to RMB3,000 per unit for apartment units, and RMB30 to RMB91 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
13.	Mofang Apartment Guangzhou Gangbei Store No. 2 Gangbei Road Baiyun District Guangzhou City The PRC (魔方公寓廣州崗貝店)	Mofang Apartment Guangzhou Gangbei Store is a rental apartment located in Baiyun District. It is close to Sanyuanli Road and well-served with traffic facilities. The Property was completed in 2016. As advised by the Group, the property comprises 584 apartment units and 12 car parking spaces with a total lettable area of approximately 26,004 sq.m. Pursuant to a Property Lease Contract and 2 Supplementary Agreements, the property was leased by the Group for a term of 15 years for apartment, and commercial use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and 2 Supplementary Agreements entered into between Guangzhou Chuanshang Shiye Development Co., Ltd (廣州川商實業發展有限公司, the lessor, an independent third party of the Company) and Cube Apartment Management (Guangzhou) Co., Ltd. (魔方公寓管理(廣州)有限公司, “Cube Guangzhou”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 26,004.00 sq.m. was leased to Cube Guangzhou for apartment and commercial use.
- We have not been provided with any title certificates for the property.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,000 to RMB2,800 per unit for apartment units, and RMB600 to RMB700 per lot for car parking space, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which contains, inter alia, the following:
 - Cube Guangzhou has obtained the relevant consent or authorization to sublease the property; and
 - the risk to be ordered to stop using the property or be ask for penalty by relevant authorities due to the absence of the title documents is low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
14.	Kayton Apartment Shanghai Changyang Road Store No. 1441 Changyang Road Yangpu District Shanghai The PRC (愷頓公寓上海長陽路店)	Kayton Apartment Shanghai Changyang Road Store is a rental apartment located at the Haiyun Building. It is close to Changyang Road and well-served with traffic facilities. The property was completed in 2000. As advised by the Group, the property comprises 415 apartment units with a total lettable area of approximately 11,717.16 sq.m. Pursuant to a Cooperative Business Agreement, the property was leased by the Group for a term of 9.5 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to a Cooperative Business Agreement entered into between Ruituo Real Estate (Shanghai) Co., Ltd. (睿拓置業(上海)有限公司, “**Ruituo Real Estate**”, the lessor, an independent third party of the Company) and Shanghai Kaidun Hotel Management Co., Ltd. (上海凱頓酒店管理有限公司, “**Shanghai Kaidun**”, the lessee, a 51%-owned subsidiary of the Company), the property with a total lettable area of approximately 11,717.16 sq.m. was leased to Shanghai Kaidun for apartment use.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Yang Zi (1999) No. 021074, 2 buildings with a total gross floor area of approximately 26,240.96 sq.m. (including the property) is owned by Shanghai Shipping (Group) Co., Ltd. (上海海運(集團)公司, “**Shanghai Shipping**”), the relevant land use rights of a parcel of land with a site area of approximately 4,966 sq.m. have been granted to Shanghai Shipping for residential and office uses.
- As advised by the Group, Shanghai Shipping has leased the building mentioned in note 2 to Ruituo Real Estate for apartment use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,000 to RMB5,000 per unit exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, that the risk to be ordered to stop using the property or suspend operation by relevant authorities due to the absence of the relevant consent to sublease the property is low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
15.	Mofang Apartment Shanghai Gubei International Community No. 368 Hongxu Road Minhang District Shanghai The PRC (魔方公寓上海古北國際社區)	Mofang Apartment Shanghai Gubei International Community is a rental apartment located at the Hongxu Road. It is close to Wuzhong Road and well-served with traffic facilities. The property was completed in 2005. As advised by the Group, the property comprises 312 apartment units and a retail unit with a total lettable area of approximately 24,322.16 sq.m. Pursuant to a Property Lease Contract and Supplementary Agreements, the property was leased by the Group for a term of 20 years for Hotel and apartment uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and Supplementary Agreements entered into between Shanghai Xinzaihao Industrial Co., Ltd. (上海鑫再豪實業有限公司, “Shanghai Xinzaihao”, the lessor, an independent third party of the Company) and Shanghai Hengshuo Apartment Hotel Co., Ltd. (上海恒碩公寓酒店有限公司, “Shanghai Hengshuo”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 24,322.16 sq.m. was leased to Shanghai Hengshuo for hotel and apartment uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2009) Da Bu Dong Chan Quan Di No. 018094, 2 buildings with a total gross floor area of approximately 27,119.62 sq.m (including the property) are owned by Shanghai Xinzaihao, the relevant land use rights of a parcel of land with a site area of approximately 31,158 sq.m. have been granted to Shanghai Xinzaihao for a term expiring on 29 April 2054 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,000 to RMB5,500 per unit for apartment units, RMB120 to RMB170 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
16.	Mofang Apartment Shanghai Waigaoqiao Heng'an Road Community Block 1 No. 1000 Heng'an Road Pudong New Area Shanghai The PRC (魔方公寓上海外高橋衡安路社區)	Mofang Apartment Shanghai Waigaoqiao Heng'an Road Community is a rental apartment located at the Hengan Road. It is close to Zhangyang North Road and well-served with traffic facilities. The property was completed in 2005. As advised by the Group, the property comprises 562 apartment units and a retail unit with a total lettable area of approximately 15,283.54 sq.m. Pursuant to a Property Lease Contract and Supplementary Agreements, the property was leased by the Group for a term of 15 years for retail residential and office uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and Supplementary Agreements entered into between Shanghai Yongjiu Construction Group Co., Ltd. (上海永久建築集團有限公司, “Shanghai Yongjiu”, the lessor, an independent third party of the Company) and Shanghai Shengduo Asset Management Co., Ltd. (上海盛鐸資產管理有限公司, “Shanghai Shengduo”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 15,283.54 sq.m. was leased to Shanghai Shengduo for retail residential and office uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2005) Di No. 117910, 4 buildings with a total gross floor area of approximately 35,115.85 sq.m (including the property) are owned by Shanghai Yongjiu. the relevant land use rights of a parcel of land with a site area of approximately 83,728 sq.m. have been granted to Shanghai Yongjiu for a term expiring on 29 August 2054 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,000 to RMB3,500 per unit for apartment units, RMB120 to RMB170 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, that the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
17.	Unit 9 Apartment Hangzhou Binwen Road Store No. 418 Binwen Road Binjiang District Hangzhou City Zhejiang Province The PRC (9號樓公寓杭州濱文路店)	Unit 9 Apartment Hangzhou Binwen Road Store is a rental apartment located at No. 48 Binwen Road. It is close to Caihong Expressway and well-served with traffic facilities. The property was completed in 2019. As advised by the Group, the property comprises 306 apartment units with a total lettable area of approximately 10,775.88 sq.m. Pursuant to a Property Lease Contract and a Supplementary Agreement the property was leased by the Group for a term of 20 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and a Supplementary Agreement entered into between Hangzhou Dongguan Building Management Co., Ltd. (杭州東冠樓宇管理有限公司, the lessor, an independent third party of the Company) and Mofang Yiju (Hangzhou) Enterprise Management Co., Ltd. (魔方億居(杭州)企業管理有限公司, “**Hangzhou Mofang Yiju**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 10,775.88 sq.m. was leased to Hangzhou Mofang Yiju for apartment use.
- Pursuant to a Real Estate Title Certificate – Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan Di No. 0300761, a building with a gross floor area of approximately 22,294.65 sq.m. (including the property) is owned by Hangzhou Guaner Stock Economy Cooperative (杭州冠二股份經濟合作社), the relevant land use rights of a parcel of land with a site area of approximately 6,370 sq.m. have been granted to Hangzhou Guaner Stock Economy Cooperative for a term expiring on 17 August 2055 for commercial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,800 to RMB3,300 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which Hangzhou Mofang Yiju has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
18.	Mofang Apartment Shanghai Hanzhong Road Store Nos. 158 and 188 Hanzhong Road Jing'an District Shanghai The PRC (魔方公寓上海漢中路店)	Mofang Apartment Shanghai Hanzhong Road Store is a rental apartment located at the Hanzhong Square. It is close to Hengtong Road and well-served with traffic facilities. The property was completed in 1998. As advised by the Group, the property comprises 231 apartment units with a total lettable area of approximately 13,887.97 sq.m. Pursuant to 6 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 12 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 6 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Qiangsheng Auto Parts Factory Co., Ltd. (上海強生客車配件廠有限公司, “**Shanghai Qiangsheng**”, the lessor, an independent third party of the Company) and Shanghai Mofang Hotel Management Co., Ltd. (上海魔方酒店管理有限公司, “**Mofang Hotel Management**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 13,887.97 sq.m. was leased to Cube Shanghai for residential, apartment, hotel and commercial uses.
- Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Zha Zi (2014) Nos. 013928, 015023, 2 buildings with a total gross floor area of approximately 13,887.97 sq.m. (including the property) is owned by Shanghai Qiangsheng, the relevant land use rights of a parcel of land with a site area of approximately 8,459 sq.m. have been granted to Shanghai Qiangsheng for a term expiring on 11 August 2054 for hotel use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB6,500 to RMB8,000 per unit for apartment units exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
19.	Mofang Apartment Shanghai Songjiang Wanda Community No. 309 Meijiabang Road Songjiang District Shanghai The PRC (魔方公寓上海松江萬達社區)	Mofang Apartment Shanghai Songjiang Wanda Community is a rental apartment located at the Meijiabang Road. It is close to Husong Highway and well-served with traffic facilities. The property was completed in 2006. As advised by the Group, the property comprises 1,148 apartment units and a retail unit with a total lettable area of approximately 19,326.30 sq.m. Pursuant to 2 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 9 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 2 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Xinlongduo Industry Co., Ltd. (上海新龍多實業有限公司, “**Shanghai Xinlongduo**” the lessor, an independent third party of the Company) and Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司, “**Mofang Shanghai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 19,326.30 sq.m. was leased to Mofang Shanghai for a term expiring on 19 March 2027 for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2006) No. 029390, 9 buildings with a total gross floor area of approximately 31,662.45 sq.m. (including the property) is owned by Shanghai Xinlongduo, the relevant land use rights of a parcel of land with a site area of approximately 41,406 sq.m. have been granted to Shanghai Xinlongduo for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB1,500 to RMB2,500 per unit for apartment units, and RMB104 to RMB128 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which Cube Shanghai has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
20.	Unit 9 Apartment Beijing Hui House No. 20 Liangshui River No. 1 Street Yizhuang Economic-Technological Development Zone Beijing The PRC (9號樓公寓北京輝展閣店)	Unit 9 Apartment Beijing Hui House is a rental apartment located at the Yizhuang Economic-Technological Development Zone. It is close to Boxing Road and well-served with traffic facilities. The property was completed in 2005. As advised by the Group, the property comprises 999 apartment units and 12 retail units with a total lettable area of approximately 35,630.92 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 10.25 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to 2 Property Lease Contracts entered into between Beijing Bodaxing Investment Development Co., Ltd. (北京博大興投資開發有限公司, the lessor, an independent third party of the Company) and Beijing Huizhan Asset Management Co., Ltd. (北京輝展資產管理有限公司, “**Huizhan Asset**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 35,630.92 sq.m. was leased to Huizhan Asset for apartment use.
- Pursuant to 2 Building Ownership Certificates, 8 buildings with a total gross floor area of approximately 32,488.09 sq.m. (including the property) is owned by Beijing Bodaxing Investment Development Co., Ltd.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,400 to RMB4,300 per unit for apartment units, RMB120 to RMB140 per sq.m. for retail unit on the first floor, exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
21.	Shanghai Shiquan Road Store No. 475 Shiquan Road Putuo District Shanghai The PRC (上海石泉路店)	Shanghai Shiquan Road Store is a rental apartment located at the Shiquan Road. It is close to Wuning Road and well-served with traffic facilities. The property was completed in 2007. As advised by the Group, the property comprises 289 apartment units with a total lettable area of approximately 10,522.36 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 12 years for residential, apartment, hotel and commercial uses.	As at the valuation date, the property was vacant for apartment use.	No commercial value

Notes:

- Pursuant to 4 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Jianhui Real Estate Co., Ltd. (上海建匯置業有限公司, “**Shanghai Jianhui**”, the lessor, an independent third party of the Company) and Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司, “**Mofang Shanghai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 10,522.36 sq.m. was leased to Mofang Shanghai for residential, apartment, hotel and commercial uses.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2008) No. 007870, a building with a gross floor area of approximately 11,465.38 sq.m. (including the property) is owned by Shanghai Jianhui, the relevant land use rights of a parcel of land with a site area of approximately 3,584 sq.m. have been granted to Shanghai Jianhui for a term expiring on 14 September 2047 for storage use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,185 to RMB4,802 per unit for apartment units exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
22.	Unit 9 Apartment Beijing Wufangqiao Store No. 6 Jiuwen Road Chaoyang District Beijing The PRC (9號樓公寓北京五 方橋店)	Unit 9 Apartment Beijing Wufangqiao Store is a rental apartment located at the No. 6 Jiuwen Road. It is close to Jingha Highway and well-served with traffic facilities. The property was completed in 2014. As advised by the Group, the property comprises 354 apartment units with a total lettable area of approximately 12,183.00 sq.m. Pursuant to a Property Lease Contract and Supplementary Agreements, the property was leased by the Group for a term of 11.5 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and Supplementary Agreements entered into between Beijing Yongsheng Kangda Business Management Co., Ltd. (北京永盛康達商業管理有限公司, “**Yongsheng Kangda**”, the lessor, an independent third party of the Company) and City Mofang (Beijing) Property Management Co., Ltd. (城市魔方(北京)物業管理有限公司, “**City Mofang (Beijing)**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 12,183 sq.m. was leased to City Mofang (Beijing) for apartment use.
- Pursuant to 22 Real Estate Title Certificates, 22 residential units with a total gross floor area of approximately 7,376.35 sq.m. of the property are owned by Wang Jing, Wang Weinan, and Wang Geng (汪靜, 汪瑋楠和王更), the relevant land use rights of a parcel of land with a site area of approximately 116,723.35 sq.m. (including the property) have been granted to Wang Jing, Wang Weinan, and Wang Geng for retail and office uses.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,850 to RMB4,600 per unit, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which contains, inter alia, the following:
 - City Mofang (Beijing) has obtained the relevant consent or authorization to sublease the property; and
 - as the property has been mortgaged when signing the Lease Contract, there would be low adverse effect on the Company as the possibility of the mortgagee claiming mortgage right during the period is relatively low.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
23.	More Apartment International Trade Store No 38 Baiziwan Road Chaoyang District Beijing The PRC (魔爾公寓國貿店)	More Apartment International Trade Store is a rental apartment located at No 38 Baiziwan, Chaoyang District. It is close to East Third Ring Road and well-served with traffic facilities. This store was opened in January 2023. As advised by the Group, the property comprises 218 apartment units with a total lettable area of approximately 9,578.71 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 18 years for apartment and commercial uses.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to a Property Lease Contract entered into between Beijing Yanchi Lechao Hotel Management Co., Ltd. (北京雁翅樂巢酒店管理有限公司, “**Beijing Yanchi Lechao**”, the lessor, an independent third party of the Company) and City Mofang (Beijing) Property Management Co., Ltd. (城市魔方(北京)物業管理有限公司, “**City Mofang (Beijing)**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 9,578.71 sq.m. was leased to City Mofang (Beijing) for apartment and commercial uses.
- Pursuant to 58 Real Estate Title, a building with a total gross floor area of approximately 9,578.71 sq.m. is owned by Beijing Peiheng Anxin Enterprise Management Co., Ltd., (北京沛恒安欣企業管理有限公司) the relevant land use rights of a parcel of land with a site area of approximately 3,081.96 sq.m. have been granted to Beijing Peiheng Anxin Enterprise Management Co., Ltd. for residential use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB8,000 to RMB12,000 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which City Mofang (Beijing) (Beijing) has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
24.	Unit 9 Apartment Shanghai Baoshan Wanda Store No. 5288 Gonghexin Road Baoshan District Shanghai The PRC (9號樓公寓上海寶山萬達店)	Unit 9 Apartment Shanghai Baoshan Wanda Store is a rental apartment located at the No. 5288 Gonghexin Road. It is close to North-South Elevated Road and well-served with traffic facilities. The property was completed in 2008. As advised by the Group, the property comprises 287 apartment units with a total lettable area of approximately 10,438.59 sq.m. Pursuant to a Property Lease Contract and 3 Supplementary Agreements, the property was leased by the Group for a term of approximately 15 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and 3 Supplementary Agreements entered into between Shanghai Baodu Property Management Co., Ltd. (上海寶渡物業管理有限公司, the lessor, an independent third party of the Company) and Mofang (Shanghai) Apartment Management Co., Ltd. Chaoyang Branch (魔方(上海)公寓管理有限公司, “**Mofang Shanghai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 10,438.59 sq.m. was leased to Mofang Shanghai for apartment use.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Bao Zi (2008) Di No. 052769, a building with a gross floor area of approximately 28,028.07 sq.m. (including the property) is owned by Shanghai Yeqiao Group Company Limited (上海野橋集團有限公司), the relevant land use rights of a parcel of land with a site area of approximately 26,953 sq.m. have been granted to Shanghai Yeqiao Group Company Limited for a term expiring on 24 March 2042 for commercial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,200 to RMB4,800 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which Mofang Shanghai has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
25.	Mofang Apartment Shanghai Hailun Road Subway Station Store Floor 3-4 No. 273 Siping Road Hongkou District Shanghai The PRC (魔方公寓上海海倫路地鐵站店)	Mofang Apartment Shanghai Hailun Road Subway Station Store is a rental apartment located at the Siping Road. It is close to Hailun Road and well-served with traffic facilities. The property was completed in 1997. As advised by the Group, the property comprises 164 apartment units with a total lettable area of approximately 5,356.09 sq.m. Pursuant to 3 Property Lease Contracts and Supplementary Agreements, the property was leased by the Group for a term of 19.5 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to 3 Property Lease Contracts and Supplementary Agreements entered into between Shanghai Shanghai Fanxu Business Consulting Co., Ltd. (上海帆樑商務諮詢有限公司, “**Shanghai Fanxu**”, the lessor, an independent third party of the Company) and Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司, “**Mofang Shanghai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 5,356.09 sq.m. was leased to Mofang Shanghai a term expiring on 31 January 2039 for apartment use.
- Pursuant to a Real Estate Title Certificate – Hu (2019) Hong Zi Bu Dong Chan Quan Di No. 000038, the building with a total gross floor area of approximately 5,356.09 sq.m. (including the property) is owned by Shanghai Fanxu, the relevant land use rights of a parcel of land with a site area of approximately 4,458 sq.m. have been granted to Shanghai Fanxu for integrated use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB5,000 to RMB7,000 per unit for apartment units exclusive of VAT.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
26.	Unit 9 Apartment Hangzhou Shaoxing Road Store No. 16 Yangliubao Road Gongshu District Hangzhou City Zhejiang Province The PRC (9號樓公寓杭州紹興路店)	Unit 9 Apartment Hangzhou Shaoxing Road Store is a rental apartment located at the No. 16 Yangliubao Road. It is close to Desheng Expressway and well-served with traffic facilities. The property was completed in 2018. As advised by the Group, the property comprises 333 apartment units with a total lettable area of approximately 11,316.00 sq.m. Pursuant to a Property Lease Contract and 2 Supplementary Agreements, the property was leased by the Group for a term of approximately 15 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and 2 Supplementary Agreements entered into between Hangzhou Yongchuang Internet Technology Co., Ltd. (杭州永創網路科技有限公司, the lessor, an independent third party of the Company) and Mofang Yiju (Hangzhou) Enterprise Management Co., Ltd. Yangliubao Branch (魔方億居 (杭州)企業管理有限公司楊六堡分公司, “**Hangzhou Mofang Yiju Yangliubao Branch**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 11,316.00 sq.m. was leased to Hangzhou Mofang Yiju Yangliubao Branch for apartment use.
- Pursuant to a Real Estate Title Certificate – Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di No. 0293690, a building with a gross floor area of approximately 14,122.59 sq.m. (including the property) is owned by Hangzhou City Xiacheng District Dongxin Subdistrict Office Changmu Economic Cooperative (杭州市下城區東新街道長木經濟合作社), the relevant land use rights of a parcel of land with a site area of approximately 6,502 sq.m. have been granted to Hangzhou City Xiacheng District Dongxin Subdistrict Office Changmu Economic Cooperative for a term expiring on 22 December 2054 for commercial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,500 to RMB3,100 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which Hangzhou Mofang Yiju Yangliubao Branch has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
27.	Mofang Apartment Shanghai Fanghua Road Subway Station Store No. 63 Fanghua Road Pudong New District Shanghai The PRC (魔方公寓上海芳華 路地鐵站店)	Mofang Apartment Shanghai Fanghua Road Subway Station Store is a rental apartment located at No. 63 Fanghua Road, Pudong New District. It is close to Fanghua Road Subway Station of Line 7 and Jinxiu Cultural Park. It is well-served with traffic facilities. This store was opened in December 2022. As advised by the Group, the property comprises 523 apartment units with a total lettable area of approximately 15,000 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 12.2 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use.	No commercial value

Notes:

- Pursuant to a Property Lease Contract entered into between Shanghai Yumin Industrial Co., Ltd. (上海豫閔實業有限公司, “**Shanghai Yumin Industrial**”, the lessor, an independent third party of the Company) and Mofang (Shanghai) Apartment Management Co., Ltd. (魔方(上海)公寓管理有限公司, “**Mofang Shanghai**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 15,000 sq.m. was leased to Mofang Shanghai for apartment use.
- Pursuant to a State-owned Land Use Certificate – Hu Guo Yong (Pu 95) Zi Di No. 2500004, the land use rights of a parcel of land with a total site area of approximately 7,755 sq.m. (including the property) have been granted to Shanghai Xinda Machinery Manufacturing Company (上海新達機械製造公司) for machinery manufacturing use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,600 to RMB5,000 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which Mofang Shanghai has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
28.	Mofang Apartment Beijing Changping Shahe Subway Station Store Shahe Town Changping District Beijing The PRC (魔方公寓北京沙河 地鐵站店)	Mofang Apartment Beijing Changping Shahe Store is a rental apartment located at Project Zhonghai Lichun Lake, Shahe Town, Changping District. It is close to Beijing-Tibet Highway and well-served with traffic facilities. This store is still preparation. As advised by the Group, the property comprises 1,864 apartment units with a total lettable area of approximately 64,000 sq.m. Pursuant to a Property Lease Contract, the property was leased by the Group for a term of 20 years for apartment use.	As at the valuation date, the property was leased by the Group.	No commercial value

Notes:

- Pursuant to a Property Lease Contract entered into between Beijing Jiuyao Changya Technology Co., Ltd. (北京玖耀昌雅科技有限公司, “**Beijing Jiuyao Changya**”, the lessor, an independent third party of the Company) and Beijing Mofang Jiuyao Shahe House Leasing Co., Ltd. (北京魔方玖耀沙河住房租賃有限公司, “**Beijing Mofang Jiuyao**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 64,000 sq.m. was leased to Beijing Mofang Jiuyao for apartment use.
- Pursuant to 3 Real Estate Title Certificates (for land) – Jing (2018) Chang Bu Dong Chan Quan Di Nos. 0000023, 0000025 and 0000026, the land use rights of 3 parcels of land with a total site area of approximately 49,100 sq.m. have been granted to Beijing Zhonghai Hongye Real Estate Development Co., Ltd. for terms expiring on 8 March 2058 for commercial use, 8 March 2068 for office use.
- Pursuant to a Construction Work Planning Permit-Jian Zi Di No. 110114201900012 in favour of Beijing Zhonghai Hongye Real Estate Development Co., Ltd., Project Zhonghai Lichun Lake with a total planned GFA of approximately 187,171 sq.m. (including the property) has been approved for construction.
- Pursuant to a Construction Work Completion and Inspection Certificate in favour of Beijing Zhonghai Hongye Real Estate Development Co., Ltd., the construction of Project Zhonghai Lichun Lake with a total GFA of approximately 100,500 sq.m. (including the property) has been completed and passed the inspection acceptance.
- As advised by the Group, the property has been entrusted to Beijing Jiuyao Changya for operation and management.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB3,000 to RMB4,000 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which Beijing Mofang Jiuyao has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
29.	Mofang Apartment Shanghai Pujiang Jiangyue Road Community No. 8 Lane 1501 Hengnan Road Minhang District Shanghai The PRC (魔方公寓上海浦江江月路社區)	Mofang Apartment Shanghai Pujiang Jiangyue Road Community is a rental apartment located at No. 8 Lane 1501 Hengnan Road. It is close to Puxing Expressway and well-served with traffic facilities. The property was completed in 2020. As advised by the Group, the property comprises 338 apartment units with a total lettable area of approximately 7,088.00 sq.m. Pursuant to a Property Lease Contract and a Supplementary Agreement the property was leased by the Group for a term of 17 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contract and a Supplementary Agreement entered into between Shanghai Fande New Materials Technology Co., Ltd. (上海凡德新材料科技有限公司, the lessor, an independent third party of the Company) and V Linker Chuangke Space Operation Management Group Co., Ltd. (微領地創客空間運營管理集團股份有限公司, “**V Linker Chuangke Space**”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 7,088.00 sq.m. was leased to V Linker Chuangke Space for apartment use.
- Pursuant to a Real Estate Title Certificate – Hu (2020) Min Zi Bu Dong Chan Quan Di No. 000159, a building with a gross floor area of approximately 9,598.30 sq.m. (including the property) is owned by Shanghai Fande New Materials Technology Co., Ltd., the relevant land use rights of a parcel of land with a site area of approximately 5,441.90 sq.m. have been granted to Shanghai Fande New Materials Technology Co., Ltd. for a term expiring on 31 March 2037 for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB2,500 to RMB3,300 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which V Linker Chuangke Space has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
30.	Mofang Apartment Shanghai Hengfeng Road Store No. 610 Hengfeng Road Jing'an District Shanghai The PRC (魔方公寓上海恒豐路店)	Mofang Apartment Shanghai Hengfeng Road Store is a rental apartment located at No. 610 Hengfeng Road. It is close to Beiheng Passageway and well-served with traffic facilities. The property was completed in 1997. As advised by the Group, the property comprises 260 apartment units with a total lettable area of approximately 7,104.3 sq.m. Pursuant to a Property Lease Contract and 4 Supplementary Agreements, the property was leased by the Group for terms of approximately 15 years for apartment use.	As at the valuation date, the property was leased by the Group and sublease to various tenants for apartment use or vacant.	No commercial value

Notes:

- Pursuant to a Property Lease Contracts and 4 Supplementary Agreements entered into between Shanghai Dingxiang Investment Management Co., Ltd. (上海定向投資管理有限公司, the lessor, an independent third party of the Company) and Shanghai Shengchong Corporate Management Co., Ltd. (上海盛舫企業管理有限公司, “Shanghai Shengchong”, the lessee, a wholly-owned subsidiary of the Company), the property with a total lettable area of approximately 7,104.3 sq.m. was leased to Shanghai Shengchong for apartment use.
- Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (1997) Di No. 001041, a building with a gross floor area of approximately 16,783 sq.m. (including the property) is owned by Shanghai Huafeng Enamel Plant (上海華豐搪瓷廠), the relevant land use rights of a parcel of land with a site area of approximately 5,972 sq.m. have been granted to Shanghai Huafeng Enamel Plant for industrial use.
- Based on our research, we have identified and analyzed various relevant leases evidences in the locality which have similar characteristics as the property. The monthly unit rents of the comparable properties are in the range of RMB4,800 to RMB5,300 per unit for apartment units, exclusive of VAT.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which Shanghai Shengchong has obtained the relevant consent or authorization to sublease the property.
- We have attributed no commercial value to the property due to the nature of lease and prohibition against assignment.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on May 15, 2012. As our Company was incorporated in the Cayman Islands, its business operations are subject to the Cayman Companies Act and to its constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of the Memorandum and the Articles of Association and relevant aspects of the Cayman Companies Act is set forth in “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law” to this document.

Our Company has established its principal place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 25, 2022. Ms. HO Wing Nga (何詠雅), has been appointed as the authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process in Hong Kong is at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

2. Changes in the Share Capital of Our Company

Upon incorporation on May 15, 2012, the authorized share capital of our Company was US\$500 divided into 5,000,000 shares of US\$0.0001 each. As of the Latest Practicable Date, the authorized share capital of our Company was US\$846.2166 divided into 846,216,600 shares of US\$0.000001 each.

The changes in the authorized and issued share capital of our Company (as the case maybe) during the two years immediately preceding the Latest Practicable Date are set forth below:

- (i) On September 28, 2021, our Company allotted and issued 26,380,368 Series E Preferred Shares with a par value of US\$0.000001 to Peridot Gem Group;
- (ii) Pursuant to the written resolutions of our Shareholders passed on September 28, 2021, our Company redesignated its authorized share capital such that it became US\$846.2166 divided into 846,216,600 shares of par value of US\$0.000001 each, comprising (i) 250,816,577 Ordinary Shares, (ii) 29,629,600 Series A Preferred Shares, (iii) 243,670,700 Series B Preferred Shares, (iv) 141,077,996 Series C Preferred Shares, (v) 102,249,489 Series D Preferred Shares, and (vi) 78,772,238 Series E Preferred Shares;

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- (iii) On July 18, 2022, our Company entered into a deed of waiver of loan with Mr. ZHENG Nanyan (our Chairman and non-executive Director) and FortuNews Holdings (the “**FortuNews Holdings Share Surrender**”), pursuant to which FortuNews Holdings surrendered 22,496,548 Series C Preferred Shares. Upon completion of the FortuNews Holdings Share Surrender, 22,496,548 Series C Preferred Shares were canceled, and the total issued and outstanding Shares of our Company decreased from 686,353,994 to 663,857,446; and
- (iv) On August 1, 2022, our Company entered into an agreement with Ms. LIU Jia (our executive Director and Chief Executive Officer) and KWJ Investment Management Limited (a company wholly owned by Ms. LIU Jia) (the “**KWJ Investment Unwinding**”), pursuant to which our Company agreed to reacquire 2,095,660 Ordinary Shares from KWJ Investment such that the transaction underlying the KWJ Investment was unwound. Upon the completion of the KWJ Investment Unwinding, 2,095,660 Ordinary Shares were canceled, and the total issued and outstanding Shares of our Company decreased from 663,857,446 to 661,761,786; and
- (v) On September 18, 2022, our Company, Shanghai Mozhu Enterprise Management Consulting Co., Ltd. (上海茉株企業管理諮詢有限公司) (an indirect wholly-owned subsidiary of our Company) (“**Shanghai Mozhu**”), Ms. DING Min, Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司) (“**Shanghai Hanbin**”) and Shenzhen Yinda Investment Center (Limited Partnership) (深圳胤達投資中心(有限合夥)) (“**Shenzhen Yinda**”) entered into a share swap agreement, whereby (i) Shanghai Hanbing and Shenzhen Yinda agreed to transfer their collective 40.06% shareholding interest in Shanghai Hanmo (a non-wholly-owned subsidiary of our Company) to Shanghai Mozhu, and (ii) in consideration, our Company agreed to issue to each of the holding companies of Ms. DING Min and Shenzhen Yinda 20,037,391 and 4,841,485 Ordinary Shares of our Company (the “**Shanghai Hanmo Share Swap**”). As of the Latest Practicable Date, our Company had yet to allot and issue the aforesaid Ordinary Shares to the holding companies of Ms. DING Min and Shenzhen Yinda, and it is expected that the aforementioned allotment and issuance will be completed prior to the [REDACTED] of the [REDACTED]. Upon completion of the Shanghai Hanmo Share Swap, the total issued and outstanding Shares of our Company will increase from 661,761,786 to 686,640,662.

Pursuant to the written resolutions of our Directors passed on [Date], our authorized share capital was increased from US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each to [REDACTED] divided into [REDACTED] Shares of par value of US\$0.000001 each, with effect from the [REDACTED].

Save as disclosed above, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this document.

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Options granted to 11 Directors, senior management and certain key employees of the Company under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan corresponding to 38,786,487 Shares have been exercised. It is expected that these 38,786,487 [REDACTED] Exercised Shares will be issued to the Trust Holdco on the [REDACTED]. For details, please see below “– D. Pre-[REDACTED] Share Option Plans.”

3. Changes in the Share Capital of Our Principal Entities

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 of the Accountants’ Report in Appendix I to this document.

The following sets out the alterations in the registered capital of our subsidiaries that made a material contribution to our results of operations during the two years immediately preceding the date of this document (the “Principal Entities”).

Shanghai Haoji Apartment Management Co., Ltd (上海灝吉公寓管理有限公司)
(“Shanghai Haoji”)

On December 10, 2021, the registered capital of Shanghai Haoji was increased from RMB5,000,000 to RMB6,600,000.

Shanghai Hanmo

On December 22, 2021, the registered capital of Shanghai Hanmo was increased from RMB13,882,353 to RMB30,607,635.

Save as disclosed above, there has been no alteration in the registered capital of our Principal Entities during the two years preceding the date of this document.

4. Written Resolutions Passed by Our Shareholders on [Date]

Pursuant to the written resolutions of the Shareholders of our Company passed on [Date], among other things:

- (a) the Memorandum and the Articles of Association were approved and adopted with effect from the [REDACTED];
- (b) the Share Conversion and the Share Redesignation were approved and adopted with the effect from the [REDACTED];
- (c) the authorized share capital of our Company was increased from US\$846.2166 divided into 846,216,600 Shares of par value of US\$0.000001 each to [REDACTED] divided into [REDACTED] of par value of US\$0.000001 each, with effect from the [REDACTED];

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- (d) conditional on (1) the [REDACTED] of the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as stated in this document; (2) the [REDACTED] being duly determined among our Company (for ourselves and on behalf of the [REDACTED]) and the [REDACTED] (for themselves and on behalf of the [REDACTED]); and (3) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before such dates as may be specified in the [REDACTED];
- (i) the [REDACTED] (including the [REDACTED]) was approved, and the proposed [REDACTED] of the [REDACTED] under the [REDACTED] were approved, and our Directors were authorized to determine the [REDACTED] for, and to allot and issue the [REDACTED];
- (ii) 38,786,487 Shares will be issued pursuant to the exercised options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan on the [REDACTED];
- (iii) a general unconditional mandate was given to our Directors to allot, issue and [REDACTED] (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding 20% of the number of issued Shares immediately following completion of the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be issued pursuant to the exercise of options which have been granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan prior to the [REDACTED]);
- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase its Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be issued pursuant to the exercise of options which have been granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan prior to the [REDACTED]); and

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- (v) the general unconditional mandate as mentioned in paragraph (iii) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (iv) above.

Each of the general mandates referred to in paragraphs (c)(iii), (c)(iv) and (c)(v) above will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Shares by Our Company

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our securities.

(a) Provision of the Listing Rules

(i) Shareholder’s Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate (the “**Repurchase Mandate**”) or by specific approval of a particular transaction.

Pursuant to the resolutions passed by our Shareholders on [Date], 2023, the Repurchase Mandate was granted to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue and to be issued and to be issued as mentioned herein (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be issued pursuant to the exercise of options which have been granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan prior to the [REDACTED]), at any

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time until the earliest of (1) the conclusion of the next annual general meeting of our Company, (2) the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles of Association to be held, or (3) when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of its shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

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(iv) Status of Repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the certificates for those shares must be canceled and destroyed. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands laws.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price-sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company’s results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company’s annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from “core connected persons”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and core connected persons shall not knowingly sell their securities to the company.

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(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

(c) Funding of Repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) Share Capital

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]) would result in up to [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required to be held by the Articles of Association or any other applicable laws; or

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- the date on which the Repurchase Mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting.

(e) General

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates, has any present intention to sell any Shares to our Company or our subsidiaries as of the Latest Practicable Date.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws in the Cayman Islands in force and as amended from time to time.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) [REDACTED]; and

(b) the [REDACTED].

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2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Name of Registered Proprietor	Place of Registration	Registration Number	Expiry Date	Class
1.		Cubic City Investment	PRC	13752103	March 6, 2025	36
2.		Cubic City Investment	PRC	17925626	November 6, 2026	45
3.		Cubic City Investment	PRC	20268590	July 27, 2027	36
4.		Cubic City Investment	PRC	19295509	June 27, 2027	45

(b) Copyrights

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyright	Name of Registered Proprietor	Place of Registration	Registration Number	Date of First Publication	Date of Registration
1.	Living with MO (生活就該有MO有樣)	Cubic City Investment	PRC	國作登 字-2020-F- 01089332	March 28, 2018	July 31, 2020
2.	Living with MO/Want to Rent a House, Choose Cubic (生活就該有MO 有樣要租房,選魔 方)	Cubic City Investment	PRC	國作登 字-2020-F- 01089333	March 28, 2018	July 31, 2020

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No.	Copyright	Name of Registered Proprietor	Place of Registration	Registration Number	Date of First Publication	Date of Registration
3.	Cube Apartment Product Brochure (魔方公寓產品手冊)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2018-L-00633845	November 19, 2018	November 19, 2018
4.	Little MO Cartoon Image and Little MO’s Sticker Image (小MO卡通主體圖像及小MO的表情包圖像)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2018-F-00508522	March 19, 2018	March 19, 2018
5.	“M”, “R”, and “E” works in the combination form of More Moer logo (More 魔爾logo組合形式中“M” “R” “E”作品)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2017-L-00386516	September 13, 2017	September 13, 2017
6.	Little MO – Three-view Drawing (小魔-三視圖)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2022-F-10140483	May 4, 2022	July 14, 2022
7.	Little MO – Pooping while Being Paid (小魔-帶薪拉屎)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2022-F-10140481	May 4, 2022	July 14, 2022
8.	Little MO – As Degage as Me (小魔-隨性如我)	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	PRC	國作登字-2022-F-10140480	May 4, 2022	July 14, 2022

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(c) *Domain Names*

As of the Latest Practicable Date, our Group was the owner of the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Name of Registered Proprietor	Number of Registration	Date of Registration	Expiry Date
1.	52mf.cn	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	滬ICP備 15051961號	March 16, 2021	December 15, 2025
2.	52mf.com.cn	Shanghai Magic Investment Management Co., Ltd. (上海魔域投資管理有限公司)	滬ICP備 15051961號	March 16, 2021	August 25, 2025
3.	52mf.com	Mofang Shanghai	滬ICP備 19031050號	March 13, 2020	November 17, 2023
4.	huizhanzichan.com	Beijing Huizhan Asset Management Co., Ltd. (北京輝展資產管理有限公司)	京ICP備 14035543號	August 1, 2014	July 15, 2024
5.	zhumj.cn	Shanghai Hanmo	滬ICP備 20007476號	March 27, 2020	June 21, 2023

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests – Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), so far as our Directors are aware, the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of

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the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name	Position	Nature of Interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] ⁽¹⁾	
			Approximate		Approximate	
			Number	percentage	Number	percentage
Mr. ZHENG Nanyan	Non-executive Director and Chairman of Board	Interest in a controlled corporation ⁽²⁾	22,496,548	3.40%	[REDACTED]	[REDACTED]%
		Beneficiary of a trust ⁽³⁾	2,446,594	0.37%	[REDACTED]	[REDACTED]%
Ms. LIU Jia	Executive Director and Chief Executive Officer	Interest in a controlled corporation ⁽⁴⁾	2,095,659	0.32%	[REDACTED]	[REDACTED]%
		Beneficiary of a trust ⁽⁵⁾	16,110,393	2.43%	[REDACTED]	[REDACTED]%
Mr. ZHANG Qiqi	Non-executive Director	Trust administrator ⁽⁶⁾	[38,786,487]	5.11%	[REDACTED]	[REDACTED]%

Notes:

- (1) Assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED].
- (2) As of the Latest Practicable Date, FortuNews Holdings held 22,496,548 Ordinary Shares of our Company. FortuNews Holdings is indirectly controlled by Ocean Link. The general partner of Ocean Link is Ocean Voyage L.P. The general partner of Ocean Voyage L.P. is Ocean General Partners Limited, of which 50% is indirectly held by Mr. ZHENG Nanyan (our chairman and non-executive Director). As such, Mr. ZHENG Nanyan is deemed to be interested in the Shares of the Company held by FortuNews Holdings in accordance with the SFO.
- (3) Pursuant to the 2020 Pre-[REDACTED] Share Option Plan, 2,446,594 options had been granted to Mr. ZHENG Nanyan as of the Latest Practicable Date, which will be issued to the Trust Holdco on the [REDACTED].
- (4) As of the Latest Practicable Date, KWJ Investment held 2,095,659 Ordinary Shares of our Company. KWJ Investment is wholly owned by Ms. LIU Jia. As such, Ms. LIU Jia is deemed to be interested in the Shares of the Company held by KWJ Investment in accordance with the SFO.
- (5) Pursuant to the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan, a total of 16,110,393 options had been granted to Ms. LIU Jia as of the Latest Practicable Date, all of which will be issued to the Trust Holdco on the [REDACTED].

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- (6) Pursuant to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan (collectively, the “**Pre-[REDACTED] Share Option Plans**”), 38,786,487 [REDACTED] Exercised Shares will be allotted and issued pursuant to the Exercised Pre-[REDACTED] Options on the date of the [REDACTED]. In order to facilitate the administration of the Pre-[REDACTED] Share Option Plans, pursuant to the resolutions of the Board dated April 30, 2022, our Company engaged Futu Trustee Limited as the trustee (the “**Trustee**”) to establish a trust (the “**ESOP Trust**”). The Trustee will hold the 38,786,487 [REDACTED] Exercised Shares through a company incorporated under the laws of the BVI which is wholly owned by the ESOP Trust as designated by the Trustee (the “**Trust Holdco**”) and administer the [REDACTED] Exercised Shares according to the terms and conditions of the relevant trust deed executed between the Company and the Trustee. The Company has also appointed Mr. ZHANG Qiqi, a non-executive Director, to serve as the trust administrator (the “**Trust Administrator**”) to administer the ESOP Trust and have the authority in his discretion to exercise the powers of the Trust Administrator under the ESOP Trust. The Trustee shall follow the instructions of the Trust Administrator to conduct the relevant actions to assist in administering the Pre-[REDACTED] Share Option Plans.

(b) Directors’ Service Contracts and Appointment Letters

Executive Director

Our executive Director [has entered] into a service contract with our Company. Pursuant to this agreement, Ms. LIU Jia agreed to act as an executive Director for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of our Company after the [REDACTED] (whichever is earlier). Either party has the right to give not less than three months’ written notice to terminate the agreement. Details of the Company’s remuneration policy is described in section headed “Directors and Senior Management – Compensation of Directors and Senior Management.”

No annual director’s fees are payable to the executive Director under the current arrangement.

Non-executive Directors

Each of our non-executive Directors [has entered] into an appointment letter with our Company. Their appointment as a non-executive Director shall continue for three years after or until the third annual general meeting of the Company after the [REDACTED], whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month’s prior notice in writing. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors.

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Independent Non-executive Directors

Each of our independent non-executive Directors [has entered] into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of this document or until the third annual general meeting of the Company after the [REDACTED], whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months’ prior notice in writing.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors’ Remuneration

Our Directors receive compensation in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments. The aggregate remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, and share-based compensation expenses) attributable to our Directors was nil, nil and RMB17.3 million for each of the three years ended December 31, 2020, 2021 and 2022.

Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonus, share options and other benefits in kind) to our Directors for the year ended December 31, 2023 is estimated to be no more than approximately RMB1.9 million.

None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2(a). Substantial Shareholders

For information on the persons who will, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to “Substantial Shareholders” of this document.

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Save as disclosed below in “– 2(b). Interests in Other Members of Our Group” and in “Substantial Shareholders” of this document, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED]), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or have an option in respect of such capital.

2(b). Interests in Other Members of Our Group

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

Name of subsidiary	Name of shareholder	Approximate percentage of ownership
Shanghai Moyan Enterprise Management Consulting Co., Ltd. (上海魔燕企業管理諮詢有限公司)	Yanpeng (Shanghai) Equity Investment Fund Management Partnership (Limited Partnership) (燕鵬(上海)股權投資基金管理合夥企業(有限合夥))	49.00%
Shanghai Jiayou Apartment Management Co., Ltd. (上海家佑公寓管理有限公司)	Shanghai Mengyou Investment Management Co., Ltd. (上海夢佑投資管理有限公司)	49.00%
Shanghai Zhaoze Catering Service Co., Ltd. (上海兆澤餐飲服務有限公司)	Nanjing Smith Coffee Co., Ltd. (南京史密斯咖啡有限公司)	49.00%
Shanghai Kaidun Hotel Management Co., Ltd. (上海凱頓酒店管理有限公司)	Ms. DI Yuan (邸元)	48.84%
Ningbo Kaidun Hotel Management Co., Ltd. (寧波愷頓酒店管理有限公司)	Ms. DI Yuan (邸元)	47.00%
Guangzhou Mofang Zhitian Apartment Management Co., Ltd. (廣州魔方智天公寓管理有限公司)	Guangzhou Zhitian Investment Co., Ltd. (廣州智天投資有限公司)	45.00%

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Name of subsidiary	Name of shareholder	Approximate percentage of ownership
Shanghai Hanmo ⁽¹⁾	Hanbing (Shanghai) Enterprise Management Co., Ltd. (瀚冰(上海)企業管理有限公司)	33.58%
Tianjin Kaidun Sunshine Hotel Management Co., Ltd. (天津凱頓陽光酒店管理有限公司)	Ms. DI Yuan (邸元)	30.00%
Jiangsu Hongyan Business Management Co., Ltd. (江蘇鴻燕商業管理有限公司)	Suzhou Hongbei Investment Development Co., Ltd. (蘇州鴻北投資發展有限公司)	30.00%
Shanghai Blue Mountain Asset Management Co., Ltd. (上海藍山資產管理有限公司)	Shenzhen Putai Financial Supporting Services Co., Ltd. (深圳市普泰金融配套服務有限公司)	30.00%
	Shanghai Yingmai Enterprise Management Center (Limited Partnership) 上海贏麥企業管理中心 (有限合夥)	18.00%
Beijing Huizhan Asset Management Co., Ltd. (北京輝展資產管理有限公司)	Huizhan Zhikong (Beijing) Enterprise Management Co., Ltd. (輝展智控(北京)企業管理有限公司) ⁽²⁾	20.00%
Shenzhen Weike Apartment Investment Management Co., Ltd. (深圳微客公寓投資管理有限公司)	Shenzhen Future City Asset Management Co., Ltd. (深圳市未來城資產管理有限公司)	20.00%
Shanghai Fangrui Apartment Management Co., Ltd. (上海方銳公寓管理有限公司)	Shanghai Fangyu Apartment Management Co., Ltd. (上海方隅公寓管理有限公司)	20.00%
Shanghai Fangjia Apartment Management Co., Ltd. (上海方佳公寓管理有限公司)	Shanghai Fangyu Apartment Management Co., Ltd. (上海方隅公寓管理有限公司)	20.00%
Nanjing Fangyu Selection Apartment Management Co., Ltd. (南京方隅甄選公寓管理有限公司)	Shanghai Fangyu Apartment Management Co., Ltd. (上海方隅公寓管理有限公司)	20.00%

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Name of subsidiary	Name of shareholder	Approximate percentage of ownership
Juqiwu (Shanghai) Enterprise Management Consulting Co., Ltd. (居其屋(上海)企業管理諮詢有限公司)	Mr. WU Zhe (武哲)	15.00%
Yanyue (Suzhou) Business Management Co., Ltd. (燕躍(蘇州)商業管理有限公司)	Huayue (Suzhou) Culture Technology Co., Ltd. (華躍(蘇州)文化科技有限公司)	10.00%

Notes:

1. Upon completion of the Shanghai Hanmo Share Swap, Shanghai Hanmo will be an indirect wholly-owned subsidiary of our Company. For more information, please refer to “History and Corporate Structure – Our Establishment, Major Shareholding Changes and Development of Our Group – 16. The Shanghai Hanmo Share Swap.”
2. Formerly known as Beijing Huiheng Yihe Technology Development Co., Ltd. (北京輝恒亦和科技開發有限公司).

3. Further Information about Our Directors

Mr. PERLMAN Jeffrey David, Ms. NG Ellen Hoi Ying and Mr. ZHANG Qiqi

Three of our non-executive Directors are employees of Warburg Pincus and its affiliates, which have other investments in the real estate sector in the Asia-Pacific region that may compete, either directly or indirectly, with our Company’s business. In connection with their employment, these non-executive Directors may hold directorships in such businesses. None of our Directors have an interest in any of the Company’s primary competitors within the meaning of Rule 8.10 of the Listing Rules.

Each of Mr. PERLMAN Jeffrey David, Ms. NG Ellen Hoi Ying and Mr. ZHANG Qiqi are directors of various subsidiaries of Weave Living (“**Weave**”) and Golden Union Assets (“**Golden Union**”). Weave provides quality, modern, conveniently located and affordable living spaces for millennials and young professionals in Hong Kong through its self-owned properties. Golden Union is a business that focuses on acquiring properties with high growth potential and converting them into for-rent apartments and creative office spaces. Golden Union manages Base Living, a boutique serviced apartment brand that targets high-end customers such as successful entrepreneurs, expats and executives.

Mr. ZHANG Qiqi is also a director of Vlinker Creator Space Operations and a joint venture company formed between Warburg Pincus and Vlinker Creator Space Operations’ parent company. Vlinker Creator Space Operations and abovementioned joint venture company focus on the acquisition, development and operation of rental apartments through self-owned and developed properties.

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Mr. ZHENG Nanyan

Mr. ZHENG Nanyan is a director of various members of Delonix Group (德龍集團) (the “**Delonix Group**”). Delonix Group is engaged in the hotel management business.

4. Disclaimers

Save as disclosed in “Directors and Senior Management”, “Relationship with Warburg Pincus,” “Substantial Shareholders” and “– C. Further Information about Our Directors and Substantial Shareholders – 1. Directors”:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [REDACTED];
- (b) taking into account of any Shares which may be taken up under the [REDACTED] and allotted and issued pursuant to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (c) none of our Directors or experts referred to in “– E. Other Information – 8. Qualifications and Consents of Experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this document;

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- (e) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;
- (f) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the total number of issued Shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. PRE-[REDACTED] SHARE OPTION PLANS

1. 2017 Pre-[REDACTED] ESOP Plan

Summary of Key Terms

The following is a summary of the principal terms of the 2017 Stock Option Plan of the Company (the “**2017 Pre-[REDACTED] ESOP Plan**”), which was amended, restated and ratified by the Board of Directors of the Company on April 30, 2022. The terms of the 2017 Pre-[REDACTED] ESOP Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2017 Pre-[REDACTED] ESOP Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of the Company’s business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire Shares of the Company. The 2017 Pre-[REDACTED] ESOP Plan provides for the grant of options to purchase Shares of the Company.

(b) Eligible Participants

Any individual, being an employee, director or consultant of the Group or any of the company in which any member of the Group directly or indirectly holds a substantial ownership interest (collectively referred to as the “**Service Providers**”) or trusts or companies established in connection with any employee benefit plan of the Company for the benefit of a Service Provider is entitled to be offered and granted options. However, a Service Provider who owns more than 10% of the total combined voting power of all

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classes of outstanding securities of any member of the Group shall not be eligible for any options unless (i) the relevant exercise price is at least 110% of the fair market value on the date of grant; and (ii) the option by its terms is not exercisable after the expiration of five (5) years from the date of grant.

(c) Administration

The 2017 Pre-[REDACTED] ESOP Plan shall be administered by the Board or a committee appointed by the Board (the “**Committee**”) or a director designated by the Board (collectively referred to as the “**Administrator**”), whose decision as to all matters arising in relation to the 2017 Pre-[REDACTED] ESOP Plan or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all grantees.

Subject to the relevant provisions of the 2017 Pre-[REDACTED] ESOP Plan and in the case of a director or the Committee, the specific duties delegated by the Board to such director or the Committee, and subject to the approval of any relevant authorities (if applicable), the Administrator shall have the authority in its discretion:

- (i) to determine such matters as are specifically provided under the option agreements to be subject to the decision, consent, approval or the like of the Administrator;
- (ii) to select the grantees to whom the options may from time to time be granted hereunder;
- (iii) to determine the number of Shares to be covered by each award hereunder;
- (iv) to determine the exercise price, the time or times when the options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, any restriction or limitation regarding any award or the Shares relating thereto, and the time or times when Pending Shares (as defined below) may be realized, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
- (v) to construe and interpret the terms of the plan and awards under the plan;
- (vi) to deal with the matters related to the trust (the “**ESOP Trust**”) specifically set up for the purpose of administering the plan, including (A) representing the Company in dealing with the trustee of the ESOP Trust; (B) removing and replacing the trustee of the ESOP Trust; and (C) taking other actions (including instructing the trustee) as authorized by the plan or the ESOP Trust, or that are appropriate and helpful in the carrying out of its duties under the plan or the ESOP Trust; and

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(vii) to make any other determination and taking any other action that the Administrator deems necessary or desirable for the administration of the plan.

(d) Duration

The 2017 Pre-[REDACTED] ESOP Plan shall become effective upon its adoption by the Board. Unless sooner terminated in accordance with the terms, the 2017 Pre-[REDACTED] ESOP Plan shall continue in effect for a term of ten years.

(e) Maximum Number of Shares Available for Subscription

Base Limitation

The maximum aggregate number of Shares that may be issued under the 2017 Pre-[REDACTED] ESOP Plan shall not exceed 30,572,800 Shares (as appropriately adjusted for subsequent share splits, share dividends and the like). The number of Shares that are subject to grant outstanding under the 2017 Pre-[REDACTED] ESOP Plan at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the 2017 Pre-[REDACTED] ESOP Plan.

Additional Shares

If a granted option expires, becomes unexercisable, or is canceled, forfeited, or otherwise terminated without having been exercised or settled in full, as the case may be, the Shares allocable to the unexercised portion of the options shall again become available for future grant under the 2017 Pre-[REDACTED] ESOP Plan (unless it has terminated). Shares that actually have been issued under the 2017 Pre-[REDACTED] ESOP Plan, upon exercise of an option, shall not be returned to the plan and shall not become available for future distribution under the plan, except that in the event that Shares issued under the plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or redemption, or are retained by the Company upon the exercise of or purchase of Shares under a grant of option in order to satisfy the exercise price for options or any withholding taxes due with respect to the exercise or purchase, such Shares shall again become available for future grant under the 2017 Pre-[REDACTED] ESOP Plan.

(f) Grant of Options

Each grant of option under the 2017 Pre-[REDACTED] ESOP Plan shall be evidenced by a written instrument executed between the grantee and the Company in such form as accepted by the Administrator (each, a "Notice"). Each grant of option shall be subject to all applicable terms and conditions of the 2017 Pre-[REDACTED] ESOP Plan and may be subject to any other terms and conditions that are not inconsistent with the 2017 Pre-[REDACTED] ESOP Plan and that the Administrator deems appropriate for inclusion in a Notice.

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(g) Date of Grant

The date of grant of an award shall, for all purposes, be the date on which the Administrator approves the award, or such other date as is determined by the Administrator; provided, however, that the date of grant shall be no earlier than the date on which the service provider becomes an employee.

(h) Exercise Price

The exercise price of the options shall be determined by the Administrator in its sole discretion, provided that the subscription price of an option shall not be less than the then par value of the Shares on the date of grant of the option.

(i) Accelerated Options and Pending Shares

The Administrator may determine in its sole discretion to grant options that is deemed to be automatically exercised upon such option so granted (or deemed to be exercised at such time as otherwise determined by the Administrator) (the “**Accelerated Option**”) to any grantee. The Shares issuable to certain grantee of the Accelerated Option upon the automatic exercise by such grantee of Accelerated Option (“**Pending Shares**”), which are pending for such grantee’s entitlement to any voting, economic and other types of rights and benefits attaching to such Shares, will be registered on the register of members of the Company upon the [REDACTED] (or such other time as the Administrator may determine) under name of the company that is wholly owned by the ESOP Trust (the “**Trust Holdco**”).

(j) ESOP Trust

In order to implement the 2017 Pre-[REDACTED] ESOP Plan, the Company may enter into one or more trust deeds (the subsisting trust deed referred to as the “**Trust Deed**”), to the effect that the trust awarded interest (being the Shares, the Pending Shares, the proceeds arising from the sale or disposal of the Shares and the other related incomes under the award granted to the grantees under the Trust Deed, the “**Awarded Interests**”) shall be held in trust by the ESOP Trustee and in the name of the Trust HoldCo for the exclusive benefit of the grantees under the 2017 Pre-[REDACTED] ESOP Plan.

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The administration of the trust fund shall be subject to the instructions and directions of the Administrator as set forth in the Plan and in the Trust Deed. The Administrator may remove the ESOP trustee (the "**ESOP Trustee**") at any time subject to the terms under the Trust Deed, and upon such removal or upon the resignation of any ESOP Trustee, the Administrator may designate a successor ESOP Trustee.

(k) Vesting

Each Notice shall specify the vesting schedule of the option (to the extent the option is the normal option) and the Pending Shares (to the extent the option is the accelerated option); provided that the full vesting shall not be achieved prior to the last day of the 4th year counting from the date of grant (or such other commencement date as determined by the Administrator, the "**Vesting Commencement Date**"). Subject to the preceding sentence, the Administrator in its sole discretion shall determine the vesting schedule of an option/Pending Shares; provided, however, that the Vesting Commencement Date shall be no earlier than the date on which the service provider becomes an employee.

(l) Exercisability and Exercise Procedure

Any option granted hereunder shall become exercisable and may be exercised according to the terms hereof at such times and under such conditions as may be determined by the Administrator and as set forth in the Notice and the option agreement; provided, however, that an option shall not be exercised for a fraction of a Shares. Exercise of an option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the 2017 Pre-[REDACTED] Share Option Plan and for sale under the 2017 Pre-[REDACTED] Share Option Plan, by the number of Shares as to which the option is exercised.

(m) Amendment and Termination of the 2017 Pre-[REDACTED] ESOP Plan

The Board may at any time amend, alter, suspend or terminate the 2017 Pre-[REDACTED] ESOP Plan. Termination of the 2017 Pre-[REDACTED] ESOP Plan shall not affect the Administrator's ability to exercise the powers granted to it under the plan with respect to any options which has its date of grant prior to the date of such termination. No Shares shall be issued or sold under the 2017 Pre-[REDACTED] ESOP Plan after the termination thereof, except upon exercise of an option which has its date of grant prior to the termination of the plan.

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2. 2020 Pre-[REDACTED] ESOP Plan

Summary of Key Terms

The following is a summary of the principal terms of the 2020 Pre-[REDACTED] ESOP Plan of the Company, which was amended and restated by the Board on April 30, 2022, July 18, 2022 and April 13, 2023. The terms of the 2020 Pre-[REDACTED] ESOP Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2020 Pre-[REDACTED] ESOP Plan is to enable the Company to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected participants and to promote the success of the Company’s business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire Shares of the Company.

(b) Eligible Participants

Any individual, being an employee, director or consultant of the Group or any of the company in which any member of the Group directly or indirectly holds a substantial ownership interest (collectively referred to as the “**Service Providers**”) or trusts or companies established in connection with any employee benefit plan of the Company for the benefit of a Service Provider is entitled to be offered and granted options. However, a Service Provider who owns more than 10% of the total combined voting power of all classes of outstanding securities of any member of the Group shall not be eligible for any options unless (i) the relevant exercise price is at least 110% of the fair market value on the date of grant; and (ii) the option by its terms is not exercisable after the expiration of five (5) years from the date of grant.

(c) Administration

The 2020 Pre-[REDACTED] ESOP Plan shall be administered by the Board, a committee appointed by the Board or a director designated by the Board (the “**Administrator**”), whose decision as to all matters arising in relation to the 2020 Pre-[REDACTED] ESOP Plan or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all grantees. Subject to applicable laws, the Administrator may delegate limited authority to specified officers of the Company to execute on behalf of the Company any instrument required to effect an option previously granted by the Administrator.

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Subject to the relevant provisions of the 2020 Pre-[REDACTED] ESOP Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities (if applicable), the Administrator shall have the authority in its discretion:

- (i) to determine such matters as are specifically provided under the option rules to be subject to the decision, consent, approval or the like of the Administrator;
- (ii) to select the grantees to whom the options may from time to time be granted hereunder;
- (iii) to determine the number of Shares to be covered by each award hereunder;
- (iv) to determine the exercise price, the time or times when the options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, any restriction or limitation regarding any award or the Shares relating thereto, and the time or times when Pending Shares (as defined below) may be realized, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
- (v) to construe and interpret the terms of the plan and awards under the plan;
- (vi) to deal with the matters related to the ESOP Trust specifically set up for the purpose of administering the plan, including but not limited, representing the Company in dealing with the trustee of the ESOP Trust, removing and replacing the trustee of the ESOP Trust, taking other actions (including instructing the trustee) as authorized by the plan or the ESOP Trust, or that are appropriate and helpful in the carrying out of its duties under the plan or the ESOP Trust; and
- (vii) making any other determination and taking any other action that the Administrator deems necessary or desirable for the administration of the plan.

(d) Duration

The 2020 Pre-[REDACTED] ESOP Plan shall become effective upon its adoption by the Board. Unless sooner terminated in accordance with the terms, the 2020 Pre-[REDACTED] ESOP Plan shall continue in effect for a term of ten years.

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(e) Maximum Number of Shares Available for Subscription

The maximum aggregate number of Shares that may be issued under the 2020 Pre-[REDACTED] ESOP Plan shall not exceed 48,056,537 Shares (as appropriately adjusted for subsequent share splits, share dividends and the like). The number of Shares that are subject to grant outstanding under the 2020 Pre-[REDACTED] ESOP Plan at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the 2020 Pre-[REDACTED] ESOP Plan.

If a granted option expires, becomes unexercisable, or is canceled, forfeited, or otherwise terminated without having been exercised or settled in full, as the case may be, the Shares allocable to the unexercised portion of the options shall again become available for future grant under the 2020 Pre-[REDACTED] ESOP Plan (unless it has terminated). Shares that actually have been issued under the 2020 Pre-[REDACTED] ESOP Plan, upon exercise of an option, shall not be returned to the plan and shall not become available for future distribution under the plan, except that in the event that Shares issued under the plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or redemption, or are retained by the Company upon the exercise of or purchase of Shares under a grant of option in order to satisfy the exercise price for options or any withholding taxes due with respect to the exercise or purchase, such Shares shall again become available for future grant under the 2020 Pre-[REDACTED] ESOP Plan.

(f) Grant of Options

Each grant of option under the 2020 Pre-[REDACTED] ESOP Plan shall be evidenced by the Notice. Each grant of option shall be subject to all applicable terms and conditions of the 2020 Pre-[REDACTED] ESOP Plan (including its appendix) and may be subject to any other terms and conditions that are not inconsistent with the 2020 Pre-[REDACTED] ESOP Plan and that the Administrator deems appropriate for inclusion in a Notice.

(g) Exercise Price

The exercise price shall be determined by the Administrator in its sole discretion, provided that the exercise price of an option shall not be less than the then par value of the Shares on the date of grant of the option.

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(h) Method of Payment

Unless otherwise provided hereunder, payment of the exercise price shall be made by any of the following, or a combination thereof, at the election of the Administrator; provided, however, that such exercise method does not then violate any applicable law, provided further, that the portion of the exercise price equal to the par value of the Shares must be paid as the following methods:

- (i) cash;
- (ii) to the extent permitted by the Administrator, Shares having a fair market value equal to the aggregate exercise price for the Shares being purchased and satisfying such other requirements as may be imposed by the Administrator;
- (iii) partly in cash and, to the extent permitted by the Administrator and subject to the other requirements and conditions set forth above in (ii), partly in Shares;
- (iv) if there is a public market for the Shares at such time, through the delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the option and to deliver promptly to the Company an amount out of the proceeds of such sale equal to the aggregate exercise price for the Shares being purchased; provided that, the grantee shall submit the exercise notice to the designated broker within the time requirement of the broker with sufficient amount of cash or cash equivalent for the exercise of options; or
- (v) other method to the extent permitted by the Administrator.

(i) Accelerated Options and Pending Shares

The Administrator may determine in its sole discretion to grant options that is deemed to be accelerated option (the “**Accelerated Option**”). The Accelerated Option shall be deemed to be exercised upon such Accelerated Option so granted without the restriction nor the need to comply with the procedures under the relevant share option rules or be deemed as exercised at such other time as may be determined by the Administrator, and upon such deemed exercise the grantee holds certain amount of Pending Shares. The Pending Shares issuable to certain grantee of the Accelerated Option upon the automatic exercise by such grantee of Accelerated Option, which are pending for such grantee’s entitlement to any voting, economic and other types of rights and benefits attaching to such Shares and will be registered on the register of members of the Company upon [REDACTED] (or such other time as the Administrator may determine) under name of the Trust Holdco.

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With respect to each grantee who holds the Pending Shares, subject to the procedures and requirements set forth in the 2020 Pre-[REDACTED] ESOP Plan, the realization of the vested Pending Shares may be effected according to the following manner or in such other manner as the Administrator may determine:

- (i) the grantee may deliver an irrevocable instruction to the Company to sell the Realized Shares that are the Shares underlying the vested Pending Shares with the designation of the broker who will handle the sale of the Realized Shares;
- (ii) after the Company's receipt of the instruction from the grantee, the Administrator may instruct the trustee of the ESOP Trust to instruct the selected broker to sell the Realized Shares held by the Trust HoldCo on behalf of the grantee; and
- (iii) after the sale of the Realized Shares, the Administrator may instruct the Trustee to distribute the proceeds arising from the sale of the Realized Shares to the grantee after deduction of (i) the aggregate relevant exercise price pertain to the Realized Shares; (ii) an amount sufficient to satisfy the relevant tax withholding obligations; and (iii) any fees, levies, stamp duty and other charges in connection with the sale of the Realized Shares.

The grantee acknowledges and agrees that, (i) the Company, the Administrator and the trustee of the ESOP Trust shall in no event be liable and responsible for the realization of the Pending Shares and shall not be deemed as the broker of the grantee in the sale of the Realized Shares in any respect; and (ii) except for the right to receive the proceeds arising from the sale of the Realized Shares pursuant to paragraph (iii) above, the grantee shall not have any interest in the Realized Shares upon the realization of such vested Pending Shares.

(j) Exercise of Option

Unless otherwise provided in the 2020 Pre-[REDACTED] ESOP Plan and the Notice, the option shall be exercisable only during its term in accordance with the vesting schedule set out in the Notice in compliance with the applicable laws. The option shall be exercisable by delivery of an exercise notice or by such other procedure as specified from time to time by the Administrator which shall state the election to exercise the option, the whole number of Shares in respect of which the option is being exercised and such other provisions as may be required by the Administrator.

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Notwithstanding any provisions in the Notice, the rules of the 2020 Pre-[REDACTED] ESOP Plan, the grantee's right to exercise the option shall only be exercisable at the time appointed by the Administrator. While the Grantee exercises his or her vested options according to the terms and conditions of the Notice and the rules of the 2020 Pre-[REDACTED] ESOP, the Administrator has the sole and absolute right to determine the number of Shares which the Grantee can obtain, even though such number is lower than the number of Shares corresponding to the vested and the exercised options.

If the Administrator determines in its sole discretion to grant the Accelerated Option to any grantee, such Accelerated Option shall be deemed to be exercised upon such Accelerated Option so granted or be deemed as exercised at such other time as may be determined by the Administrator, and upon such deemed exercise the Grantee holds certain amount of Pending Shares.

(k) Restrictions on Exercise

The option may not be exercised if the issuance/disposal of the Shares subject to the option upon such exercise would constitute a violation of any applicable laws (including the lock-up period restriction). The option may not be exercised until such time as the 2020 Pre-[REDACTED] ESOP Plan has been approved by the Board. The option may not be exercised before the Company completed an [REDACTED] or after its expiration. The realization of Pending Shares shall be subject to the same restrictions as those of options.

(l) Rights on Dissolution or Liquidation

If dissolution or liquidation occurs to the Company, then (i) any right to be granted further option and any granted but unvested options/Pending Shares shall automatically be forfeited and become void with immediate effect upon the occurrence of such dissolution or liquidation; (ii) any vested but not exercised options and any vested but not realized Pending Shares shall automatically be forfeited and become void with immediate effect upon the occurrence of such dissolution or liquidation.

(m) Lapse of Option/Pending Shares

Each Notice shall specify the term of the option; provided that the term shall not exceed eight (8) years from the date of grant. Subject to the aforesaid limitation, the Administrator in its sole discretion shall determine when an option is to expire.

The option must be exercised no later than the relevant expiration date set forth in the Notice or such earlier date as otherwise provided in the 2020 Pre-[REDACTED] ESOP Plan. After the expiration date or such earlier date, the option shall be of no further force or effect and may not be exercised. The Pending Shares must be realized no later than the expiration date set for the Notice or such earlier date as otherwise provided in the 2020 Pre-[REDACTED] ESOP Plan. After the expiration date or such earlier date, the Pending Shares shall be of no further force or effect and may not be realized.

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(n) Transferability of Options/Pending Shares

The option and Pending Shares may not be transferred in any manner other than by will or by the laws of descent and distribution by the grantee during his or her lifetime, nor shall the option and Pending Shares be subject to execution, attachment, or similar process.

For the avoidance of doubt, the foregoing prohibition against transfer applies to the option, Pending Shares and, prior to exercise/realization, the Shares to be issued/disposed on exercise of such Option/realization of Pending Shares, and pursuant to the foregoing sentence shall be understood to include, without limitation, a prohibition against any pledge, assignment, hypothecation, or other transfer or disposal. Following the death of the Grantee, the Option and Pending Shares may be exercised/realized (i) by the person or persons designated under the deceased grantee's beneficiary designation or (ii) in the absence of an effectively designated beneficiary, by the grantee's legal representative or by any person empowered to do so under the deceased grantee's will or under the then applicable laws of descent and distribution. The terms of the option shall be binding upon the executors, administrators, heirs, successors and transferees of the grantee. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any option/Pending Shares contrary to the provisions hereof, or upon the execution or attachment or similar process upon any option/Pending Share, such option/Pending Share shall thereupon terminate and become null and void.

The Company is not required to increase or otherwise amend the total number of the Shares subject to the option granted to the grantee (or the Pending Shares held by the grantee) if the Company increases the maximum number of shares that it is authorized to issue or undergoes any restructuring which dilutes the grantee's holding of Shares or the Shares exercisable under the 2020 Pre-[REDACTED] ESOP Plan.

(o) Termination of Continuous Service

Unless otherwise provided under the Notice, if the grantee's continuous service terminates due to his/her voluntary resignation which is accepted by the Group or any of the company in which any member of the Group directly or indirectly holds a substantial ownership interest or the dismissal by the Group or any of the company in which any member of the Group directly or indirectly holds a substantial ownership interest for any of the Causes, then, unless otherwise determined by the Administrator,

- (A) all of his/her right to be granted any further option and his/her granted but unvested options shall automatically be forfeited and become void with immediate effect upon the Termination Date;
- (B) all of his/her vested, but not exercised options shall automatically be forfeited and become void with immediate effect upon the Termination Date;

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- (C) all of his/her Pending Shares shall automatically be forfeited and become void with immediate effect upon the Termination Date;
- (D) as for all of his/her Shares obtained through exercise of options/realization of Pending Shares, the Company shall be entitled to repurchase (and the grantee is obligated to sell) all such Shares from the grantee at the lower of the fair market value or the exercise price of such Shares; and
- (E) the grantee is obligated to return to the Company all beneficial interest related to such Cause.

(p) Termination of Service Due to Reasons not Attributable to Personal Reasons

Unless otherwise provided under the Notice, in the event the grantee's continuous service terminates as a result of his or her retirement, disability, death or other reasons not attributable to personal reasons of grantee, then, unless otherwise determined by the Administrator, (A) all of his/her right to be granted any further option, his/her granted but unvested options and his/her unvested Pending Shares shall automatically be forfeited and become void with immediate effect upon the termination of the grantee's continuous service; (B) the grantee or the person who acquired the right to exercise the option/realize the Pending Shares may, but only before the earlier of (i) the first anniversary day of the Termination Date, or (ii) the expiration date, exercise the portion of the option that was vested but not exercised/realize the portion of the Pending Shares that was vested but not realized; provided however, if the option is not so exercised (or the Pending Share is not so realized) in accordance with the foregoing, it shall be terminated upon the expiration of such prescribed period.

If it is discovered following a grantee's Termination Date that grounds existed as at his Termination Date which, had they been known on such Termination Date, would have enabled a member of the Group to which the grantee provided services to terminate his employment for Cause, the Administrator may apply paragraph (n) above to such grantee's vested but not exercised Options, and vested but not realized Pending Shares and his Shares obtained through exercise of Options/realization of Pending Shares and notify the grantee accordingly.

If at any time following a grantee's Termination Date, the Grantee breaches his non-competition obligations under any agreement with the Group, then, unless otherwise determined by the Administrator, (i) all of his/her vested but not exercised Options and his/her vested but not realized Pending Shares shall automatically be forfeited and become void with immediate effect upon occurrence of such breach, and (ii) as for all of his/her Shares obtained through exercise of Options/realization of Pending Shares, the Company shall be entitled to repurchase all such Shares from the grantee at the lower of the fair market value or the exercise price of such Shares, and the Company shall notify the grantee accordingly.

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(q) Effects of Alterations in the Capital Structure of the Company

Stock Splits, Reclassifications and Similar Events

The number of Shares granted under the Notice and the exercise price per Share shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding Shares that is resulted from a subdivision or combination of such Shares or a recapitalization or any other increase or decrease in the number of the outstanding Shares effected without the receipt of consideration by the Company.

Mergers and Acquisitions

If the Company shall be a constituent corporation in any merger or consolidation which results in the holders of the equity securities of the Company (determined immediately prior to such merger or consolidation) owning, directly or indirectly, at least a majority of the beneficial interest in the equity securities of the surviving corporation or its parent corporation (determined immediately after such merger or consolidation), the option granted under the notice shall pertain and apply to the equity securities to which a holder of the number of Shares subject to the unexercised portion of such option would have been entitled and the unrealized Pending Shares held by the grantee shall pertain and apply to the equity securities to which a holder of the number of Shares subject to such unrealized portion of such Pending Shares would have been entitled.

Any of (i) a dissolution or liquidation of the Company; (ii) a sale of substantially all of the Company's business and assets; (iii) the direct or indirect sale or exchange in a single or series of related transactions by the shareholders of the Company of more than fifty percent (50%) of the Shares of the Company which results in the holders of the Shares of the Company (determined immediately prior to such sale or exchange) owning, directly or indirectly, less than a majority of the beneficial interest in the Shares of the Company; or (iv) a merger or consolidation (in which the Company is a constituent corporation) which results in the holders of the Shares of the Company (determined immediately prior to such merger or consolidation) owning, directly or indirectly, less than a majority of the beneficial interest in the equity securities of the surviving corporation or its parent corporation (determined immediately after such merger or consolidation) will cause the option granted under the Notice to terminate as of the date such transaction is consummated and any non-granted options, any unvested options/Pending Shares, any vested but not exercised options and any vested but not realized Pending Shares shall automatically be forfeited and become void with immediate effect thereupon, unless the agreement of such sale, exchange, merger, consolidation or other transaction otherwise provides.

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(r) Amendment and Termination of the 2020 Pre-[REDACTED] ESOP Plan

The Board may at any time amend, alter, suspend or terminate the 2020 Pre-[REDACTED] ESOP Plan and any of its appendix. Termination of the 2020 Pre-[REDACTED] ESOP Plan shall not affect the Administrator’s ability to exercise the powers granted to it under the plan with respect to any options which has its date of grant prior to the date of such termination. No Shares shall be issued or sold under the 2020 Pre-[REDACTED] ESOP Plan after the termination thereof, except upon exercise of an option which has its date of grant prior to the termination of the plan.

Pursuant to the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan (collectively, the “**Pre-[REDACTED] Share Option Plans**”), 38,786,487 [REDACTED] Exercised Shares will be allotted and issued pursuant to the Exercised Pre-[REDACTED] Options on the date of the [REDACTED]. In order to facilitate the administration of the Pre-[REDACTED] Share Option Plans, pursuant to the resolutions of the Board dated April 30, 2022, our Company engaged Futu Trustee Limited as the trustee (the “**Trustee**”) to establish a trust (the “**ESOP Trust**”). The Trustee will hold the 38,786,487 [REDACTED] Exercised Shares through a company incorporated under the laws of the BVI which is wholly owned by the ESOP Trust as designated by the Trustee (the “**Trust Holdco**”) and administer the [REDACTED] Exercised Shares according to the terms and conditions of the relevant trust deed executed between the Company and the Trustee. The Board has also appointed Mr. ZHANG Qiqi, a non-executive Director, to serve as the trust administrator (the “**Trust Administrator**”) to administer the ESOP Trust, who shall have the authority in his discretion to exercise the powers of the Trust Administrator under the ESOP Trust. The Trustee shall follow the instructions of the Trust Administrator to conduct the relevant actions to assist in administering the Pre-[REDACTED] Share Option Plans.

3. Options Granted under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan

Rule 17.02(1)(b) of the Listing Rules requires a new applicant to disclose, among others, the details of all outstanding options and their potential dilution effect on the shareholdings upon the [REDACTED] of the applicant. The grant of share options under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan has been approved by our Board of Directors. As of the Latest Practicable Date, we had granted options totaling 47,468,057 to 740 individual grantees.

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We set forth below a summary of the information related to the options granted under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan from different angles:

First angle: whether the options were issued to Directors, members of senior management, connected persons or other types of grantees?

- (1) A total of 28,433,051 options (representing 28,433,051 underlying Shares if fully exercised) have been granted to two Directors, three members of senior management and two connected persons (both of whom are directors of our significant subsidiaries) (collectively, the “**Relevant Persons**”). The details of the options granted to the Relevant Persons are disclosed below on an individual basis.
- (2) A total of 19,035,006 options (representing 19,035,006 underlying Shares if fully exercised) have been granted to 733 individuals who are not the Relevant Persons.

Second angle: whether the options have been exercised and will be issued to the Trust Holdco on the [REDACTED]?

- (1) 38,786,487 options (the “**Exercised Pre-[REDACTED] Options**”) (representing 38,786,487 underlying Shares if fully exercised) were granted to 11 individual grantees. All of these options had been exercised as of the Latest Practicable Date and our Company will issue 38,786,487 Shares to the Trust Holdco on the [REDACTED].

Among these 11 individual grantees:

- there are two Directors, three members of senior management and one connected person of our Company (a director of our significant subsidiary) holding an aggregate of 28,266,901 options (representing 28,266,901 underlying Shares if fully exercised); and
- the remaining five grantees are key employees of our Group (who are not our Directors, members of senior management or connected persons) holding an aggregate of 10,519,586 options (representing 10,519,586 underlying Shares if fully exercised).

None of these 11 individuals will hold any outstanding and unexercised options pursuant to the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan after the [REDACTED].

- (2) 8,681,570 options (representing 8,681,570 underlying Shares if fully exercised) were granted to 729 individual grantees. These 8,681,570 options remained outstanding and unexercised (the “**Outstanding and Unexercised Options**”) as of the Latest Practicable Date and would only be issued by our Company after the [REDACTED] if these Outstanding and Unexercised Options are fully exercised.

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8,681,570 Shares will be issued by our Company upon exercise of all these 8,681,570 Outstanding and Unexercised Options after the [REDACTED], which will have dilution effect on the shareholdings of our Shareholders upon completion of the [REDACTED].

As of the Latest Practicable Date, the Shares underlying the Outstanding and Unexercised Options (i.e. 8,681,570 options) represented approximately 1.31% of the total issued and outstanding Shares of our Company.

Assuming full issuance of Shares underlying the Outstanding and Unexercised Options (i.e. 8,681,570 options), and assuming (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED], the shareholding of our Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED].

As the Group incurred losses for the year ended December 31, 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share for the year ended December 31, 2022 was the same as the basic loss per share of the same year.

No consideration has been paid by the grantees for the grant of options under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan.

We have applied for, and [have been granted] an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the option granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan. For further details, please refer to “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the Pre-[REDACTED] Share Option Plans.”

The options have been granted to the option holders who have made important contributions to and are important to the long term growth and profitability of our Group.

On April 30, 2022, July 18, 2022 and April 13, 2023, our Board approved the acceleration of the vesting and/or exercise of the options granted to 11 grantees (including those options granted to Mr. ZHENG Nanyan, Ms. LIU Jia, Mr. SONG Zheng, Mr. LI Liang, Mr. QIAN Zhikang and Mr. HU Ding as further disclosed in the table below), whereby the options granted to and held by these ten grantees would be automatically exercised and the Shares underlying these options (the “[REDACTED] Exercised Shares”) would be issued by our Company to the Trust Holdco on the [REDACTED]. These individual grantees are only entitled to the benefit of the relevant [REDACTED] Exercised Shares issued to the Trust Holdco in accordance with the applicable vesting schedules of the options underlying the relevant corresponding Shares.

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The table below shows the details of the options granted to the Relevant Persons (i.e. our Directors, members of senior management and connected persons) under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan as of the Latest Practicable Date:

Name	Address	Position	Date of grant	Vesting period	Exercise price (RMB/per Share)	Total number of Shares underlying the exercised options	Total number of Shares underlying the outstanding and unexercised [REDACTED]	Underlying Shares of the outstanding and unexercised options as a percentage of issued shares immediately after completion of the [REDACTED] ⁽³⁾
ZHENG Nanyan	Flat B, 21/F Crown By The Sea, TMTL 334, Area 203 Tsing Yung Street, Tuen Mun, New Territories, Hong Kong	Chairman of the Board and Non-executive Director	January 1, 2022	not subject to any vesting period	5.98	2,446,594 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾
LIU Jia	Room 802, No. 1, Lane 209 Tianshan Road Changning District, Shanghai PRC	Executive Director and Chief Executive Officer	Between January 1, 2015 and January 1, 2022	not subject to any vesting period ⁽⁴⁾ four years ⁽⁴⁾	3.71 – 10.00	16,110,393 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾
SONG Zheng	Room 1501, No. 7, Lane 1888 Langu Road Pudong New Area Shanghai, PRC	Chief Financial Officer	Between July 18, 2019 and January 1, 2022	four years	4.27-10.00	3,900,000 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾

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Name	Address	Position	Date of grant	Vesting period	Exercise price (RMB/per Share)	Total number of Shares underlying the exercised options	Total number of Shares underlying the outstanding and unexercised [REDACTED]	Underlying Shares of the outstanding and unexercised options as a percentage of issued shares immediately after completion of the [REDACTED] ⁽³⁾
LI Liang	301, No. 87, Lane 888 Laiting South Road, Jiuting Town Songjiang District Shanghai, PRC	Vice President	Between January 1, 2015 and January 1, 2022	four years	3.71 – 6.49	2,604,940 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾
QIAN Zhikang	Room 501-503 Nandan Community No. 687 Lingling Road Xujiahui Street Xuhui District Shanghai, PRC	Vice President	Between March 30, 2015 and January 1, 2022	four years	3.71 – 6.49	2,604,974 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾
HU Ding	20th Floor, No. 9 Lane 597, Maotai Road Changning District, Shanghai, PRC	Connected person (director of a significant subsidiary of the Company)	Between November 18, 2019 and January 1, 2022	four years	6.49 – 10.00	600,000 ⁽¹⁾	nil ⁽¹⁾	[REDACTED] ⁽¹⁾
ZHAO Yan	Room 1803, Building 24A, Phase VI, Guifangyuan, Dafen Village, Buji Sub-district, Longgang District, Shenzhen, Guangdong, China	Connected person (director of a significant subsidiary of the Company)	Between March 30, 2016 and January 1, 2022	four years	6.49	166,150	166,150	[REDACTED]%

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Notes:

- (1) All the options granted to Mr. ZHENG Nanyan, Ms. LIU Jia, Mr. SONG Zheng, Mr. LI Liang, Mr. QIAN Zhikang and Mr. HU Ding totaling 28,266,901 under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan have been fully exercised and will be issued to the Trust Holdco on the [REDACTED]. After the [REDACTED], Mr. ZHENG Nanyan, Ms. LIU Jia, Mr. SONG Zheng, Mr. LI Liang, Mr. QIAN Zhikang and Mr. HU Ding will no longer hold any outstanding options granted to them under the 2017 Pre-[REDACTED] Share Option Plan and the 2020 Pre-[REDACTED] Share Option Plan.
- (2) The Shares underlying the 166,150 options granted to Mr. ZHAO Yan will only be issued by our Company after the [REDACTED] in accordance with the applicable vesting schedules if all of these 166,150 options are exercised.
- (3) Assuming that (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED].
- (4) Among the 16,110,393 options granted to Ms. LIU Jia, 2,926,049 options are not subject to any vesting period while the remaining 13,184,344 options are subject to a four-year vesting period.

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As of the Latest Practicable Date, 8,681,570 options remained outstanding and unexercised. 8,681,570 Shares will be issued by our Company upon exercise of all these 8,681,570 Outstanding and Unexercised Options after the [REDACTED], which will have dilution effect on the shareholdings of our Shareholders upon completion of the [REDACTED].

No.	Range of Shares underlying options granted under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan	Total number of grantees	Total number of Shares underlying the outstanding and unexercised options	Exercise price (RMB)	Date of grant	Vesting period	Approximate percentage of equity interests in the Company underlying the outstanding and unexercised options ⁽¹⁾
1.	300-10,000	621	948,550	10.00	January 1, 2022	4 years	[REDACTED]%
2.	10,001-100,000	90	3,064,387	3.71-10.00	January 1, 2015 – January 1, 2022	4 years	[REDACTED]%
3.	100,001-891,130	18	4,668,633	4.27-10.00	January 1, 2015 – July 1, 2022	4 years	[REDACTED]%
Total		729	8,681,570				[REDACTED]%

Note:

- (1) Assuming that (i) the [REDACTED] is not exercised; (ii) 38,786,487 Shares will be issued pursuant to the Exercised Pre-[REDACTED] Options; and (iii) each Preferred Share will be converted into an Ordinary Share on a one-to-one basis upon the [REDACTED].

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against any member of our Group, which would have a material adverse effect on our business, financial position or result of operations.

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3. Joint Sponsors

The Joint Sponsors have [REDACTED] on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any additional Shares which may be issued pursuant to the exercise of the [REDACTED]), the Shares to be allotted and issued pursuant to the Exercised Pre-[REDACTED] Options, and any Shares which may be issued pursuant to the granted and unexercised options under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors is entitled to a fee of US\$250,000 for acting as our sponsor in connection with the [REDACTED].

4. Preliminary Expenses

The Company did not incur any material preliminary expenses.

5. Taxation of Holder of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares of the Company transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares of the Company. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in Cayman Islands.

PRC

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes as described in “Risk Factors – Risks Related to Doing Business in China – If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.” In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Consultation with Professional Advisors

Potential [REDACTED] in the [REDACTED] are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of holding or disposing of or [REDACTED] our shares. None of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effects on, or liabilities of, holders of Shares resulting from their holding or disposal of or [REDACTED] Shares or exercise of any rights in relation to them.

6. No Material Adverse Change

Our Directors confirm that there had been no material adverse change in our financial, trading position or prospects since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7. Promoters

Our Company has no promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined under SFO)
CCB International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

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Name	Qualification
JunHe LLP	Legal advisor as to PRC laws
Walkers (Hong Kong)	Legal advisor as to Cayman Islands laws
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Ernst & Young	Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan Limited	Industry consultant
Guangzhou Dongya Group Co., Ltd. (廣州市東亞集團有限公司)*	Fire safety consultant

* Formerly known as Guangzhou Dongya Co., Ltd. (廣州市東亞有限公司)

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding Effect

This document shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

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10. Particulars of the [REDACTED]

[REDACTED]

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

12. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in Note 40 to the Accountants’ Report set out in Appendix I.

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STATUTORY AND GENERAL INFORMATION

13. Miscellaneous

- (a) Within the two years immediately preceding the date of this document:
 - (i) save as disclosed in “History and Corporate Structure” in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) save as disclosed in “[REDACTED]” in this document, no commission has been paid or payable for subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any Shares in our Company or any of our subsidiaries.
- (b) Save as disclosed in “History and Corporate Structure”, “Financial Information”, Appendix I, and the sections headed “– D. Pre-[REDACTED] Share Option Plans” in this Appendix VI:
 - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (iii) there are no contracts for hire or hire purchase of plan to or by us for a period of over one year which are substantial in relation to our business;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and
 - (v) there are no outstanding debentures or convertible debt securities of our Company or any of our subsidiaries.
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

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- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Walkers Corporate Limited and a branch register of members of our Company will be [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED];
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) our Directors have been advised that the use of a Chinese name by our Company in conjunction with our English name does not contravene the Cayman Companies Act;
- (g) none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (h) none of the persons whose names are listed in the paragraph headed “– E. Other Information – 8. Qualifications and Consents of Experts” above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group;
- (i) we do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor is any cash, securities or other benefit proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

APPENDIX VI

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES, ON DISPLAY AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Appendix V – Statutory and General Information – E. Other Information – 8. Qualifications and Consents of Experts” to this document;
- (c) a copy of each of the material contracts referred to in “Appendix V – Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” to this document; and
- (d) [REDACTED]

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.52mf.com during a period of 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report of our Group for the three financial years ended December 31, 2020, 2021 and 2022 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of the companies comprising our Group for the three financial years ended December 31, 2020, 2021 and 2022;
- (d) the report in relation to the unaudited [REDACTED] financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this document;
- (e) the legal opinion in respect of certain general corporate matters of our Group issued by JunHe LLP, our legal advisors as to PRC law;
- (f) the legal opinion in respect of the property interests of our Group issued by JunHe LLP, our legal advisors as to PRC law;

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**DOCUMENTS DELIVERED TO THE
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- (g) the letter of advice issued by Walkers (Hong Kong), our legal advisors as to Cayman Islands law, summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this document;
- (h) the industry report prepared by Frost & Sullivan Limited;
- (i) the report issued by Guangzhou Dongya Group Co. Ltd. (廣州市東亞集團有限公司), our fire safety consultant, in respect of its findings on the fire safety systems of the rental apartments operated by the Group that have yet to complete the Fire Safety Design Examination and As-built Acceptance Check;
- (j) the letter, summary of valuations and valuation certificates relating to certain leasehold interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix V to this document;
- (k) the Cayman Companies Act;
- (l) the written consents referred to in “Appendix V – Statutory and General Information – E. Other Information – 8. Qualifications and Consents of Experts” to this document;
- (m) the material contracts referred to in “Appendix V – Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” to this document;
- (n) the service contracts or letters of appointment entered into between our Company and each of our Directors referred to in “Appendix V – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Directors – (b) Directors’ Service Contracts and Appointment Letters” to this document;
- (o) the terms of the 2017 Pre-[REDACTED] Share Option Plan;
- (p) the terms of the 2022 Pre-[REDACTED] Share Option Plan; and
- (q) the statement of particulars of the [REDACTED].

APPENDIX VI

**DOCUMENTS DELIVERED TO THE
REGISTRAR OF COMPANIES, ON DISPLAY AND
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DOCUMENTS AVAILABLE FOR INSPECTION

A copy of a list of grantees under the 2017 Pre-[REDACTED] Share Option Plan and 2020 Pre-[REDACTED] Share Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at Kirkland & Ellis, 26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.