SHIMAO SERVICES HOLDINGS LIMITED
世茂服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 873

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

CICC 中金公司

Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

Goldman Sachs

HSBC

IMPORTANT

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

Shimao Services Holdings Limited
世茂服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**588,236,000 Shares (comprising 352,942,000 New Shares and 235,294,000 Sale Shares, and subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**58,824,000 New Shares (subject to reallocation)**
Number of International Offer Shares	:	**529,412,000 Shares (comprising 294,118,000 New Shares and 235,294,000 Sale Shares, and subject to reallocation and the Over-allotment Option) (including 58,823,000 Reserved Shares under the Preferential Offering)**
Maximum Offer Price	:	**HK$17.20 per Offer Share, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, payable in full on application subject to refund on final pricing**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**873**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CICC 中金公司 Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
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Goldman Sachs HSBC

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, October 23, 2020 and, in any event, not later than Tuesday, October 27, 2020. The Offer Price will be not more than HK$17.20 and is currently expected to be not less than HK$14.80. Applicants for Hong Kong Offer Shares and Reserved Shares are required to pay, on application, the maximum offer price of HK$17.20 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$17.20. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares and/or the indicative Offer Price range that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering — Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus. If applications for Hong Kong Offer Shares and Reserved Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, then such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

Substantially all of our businesses are located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-focused companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong. Such differences and risk factors are set out in "Risk Factors" in and "Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law" to this Prospectus. Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this Prospectus, including the risk factors set forth in "Risk Factors" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" in this Prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this Prospectus, including but not limited to the risk factors set forth in "Risk Factors" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

October 20, 2020

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

Despatch of **BLUE** Application Forms to Qualifying Shimao Group Holdings Shareholders on or before . . . . Tuesday, October 20, 2020

Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from . . . . 9:00 a.m. on Tuesday, October 20, 2020

Latest time for completing electronic applications under (i) **HK eIPO White Form** service, and (ii) the **HK eIPO Blue Form service** through one of the below ways[3]:

(1) (i) and (ii) the designated website **www.hkeipo.hk**

(2) (i) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** . . . . 11:30 a.m. on Friday, October 23, 2020

Application lists of the Hong Kong Public Offering and the Preferential Offering open[2] . . . . 11:45 a.m. on Friday, October 23, 2020

Latest time to lodge **WHITE**, **YELLOW** and **BLUE** Application Forms . . . . 12:00 noon on Friday, October 23, 2020

Latest time to complete payment for (i) **HK eIPO White Form** service and (ii) **HK eIPO Blue Form** service by effecting internet banking transfers or PPS payment transfer(s) . . . . 12:00 noon on Friday, October 23, 2020

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, October 23, 2020

Application lists of the Hong Kong Public Offering and the Preferential Offering close . . . . 12:00 noon on Friday, October 23, 2020

Expected Price Determination Date[5] . . . . Friday, October 23, 2020

Announcement of:

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

to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com** on or before . . . . Thursday, October 29, 2020

Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at **http://www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or available at "Allotment Result" function in the **IPO App** with a "search by ID/Business Registration Number" function from . . . . Thursday, October 29, 2020

Despatch of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and Preferential Offering on or before[6] . . . . Thursday, October 29, 2020

Despatch of White Form and Blue Form e-Auto Refund payment instructions or refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering on or before[7] . . . . Thursday, October 29, 2020

Dealings in the Shares on the Stock Exchange expected to commence . . . . 9:00 a.m. on Friday, October 30, 2020

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this Prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 23, 2020, the application lists will not open and close on that day. Please refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares — E. Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus for further details.

(3) You will not be permitted to submit your application under the **HK eIPO White Form** service or the **HK eIPO Blue Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares — A. Applications for Hong Kong Offer Shares — 6. Applying by giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus.

(5) We expect to determine (for ourselves and on behalf of the Selling Shareholder) the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, October 23, 2020, and, in any event, not later than Tuesday, October 27, 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Tuesday, October 27, 2020, the Hong Kong Public Offering and the International Offering will not proceed.

(6) Share certificates are expected to be issued on Thursday, October 29, 2020 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, October 30, 2020. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.

(7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares and the Reserved Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Shimao Services Holdings Limited solely in connection with the Hong Kong Public Offering and the Preferential Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares and the Reserved Shares offered by this Prospectus pursuant to the Hong Kong Public Offering and the Preferential Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering and the Preferential Offering are made solely on the basis of the information contained and the representation made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

Page

CONTENTS

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

OVERVIEW

We are a leading comprehensive property management and community living service provider in the PRC, according to CIA. We were ranked 12th by CIA among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. We were recognized by CIA as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019. We have been providing property management services and various value-added services in China for more than 15 years. Over the years, we have grown our presence nationwide with an aggregate contracted GFA of 125.5 million sq.m., covering 108 cities across 26 provinces in China as of June 30, 2020. In particular, we managed 293 properties with an aggregate GFA under management of 85.7 million sq.m. as of June 30, 2020. We also witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,042.5 million in 2017 to RMB1,329.3 million in 2018, and further to RMB2,489.1 million in 2019, representing a CAGR of 54.5%. Our revenue increased by 85.1% from RMB845.4 million in the six months ended June 30, 2019 to RMB1,564.6 million in the six months ended June 30, 2020. Our profit increased from RMB108.8 million in 2017 to RMB146.2 million in 2018, and further to RMB384.5 million in 2019, representing a CAGR of 88.0%. Our profit increased by 133.9% from RMB108.9 million in the six months ended June 30, 2019 to RMB254.7 million in the six months ended June 30, 2020. The Listing will constitute a Spin-off from Shimao Group Holdings.

BUSINESS MODEL

We primarily generate revenue from three business lines: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners.

- **Property management services**. We offer a wide range of property management services to property developers, property owners and residents. Our property management portfolio includes mainly residential properties, and also covers non-residential properties, such as government and public facilities, elderly-care and healthcare facilities and airport lounges. We charge property management fees primarily on a lump sum basis, with only a very small portion charged on a commission basis. With respect to properties managed by certain other property management companies, we also provide cleaning, greening and gardening, repair and maintenance services as a subcontractor to such property management companies.

- **Community value-added services**. We offer community value-added services to property owners and residents, including (i) community asset management where we assist property owners in leasing common spaces and public facilities to third parties in exchange for a predetermined percentage of the rental fees as our commissions or provide repair and maintenance services with respect to such common spaces and public facilities and rental services with respect to certain community facilities in exchange for a fixed service fee; (ii) carpark sales related services where we either receive a percentage of the sales proceeds as our commissions, or generate profit from the excess of selling prices over our purchase prices; (iii) home improvement services; (iv) smart community solutions; and (v) other services primarily including services to property owners and residents such as housekeeping and home electronics repair and maintenance services.

- **Value-added services to non-property owners**. Our value-added services to non-property owners include (i) sales office management services; (ii) preliminary planning and design consultancy services; and (iii) repair and maintenance services.

We believe our property management services business serves as the basis for us to generate revenue and expand our business scale, as well as provides an ever-increasing customer base for our value-added services. Our community value-added services business, by offering a full range of diversified and bespoke services to property owners and residents, helps increase our engagement level with customers and improve their satisfaction and loyalty. Our value-added services to non-property owners help us gain early access to property development projects and establish and cultivate business relationships with the property developers, putting us in a stronger position to secure engagements for property management services. The synergistic combination of our businesses not only leads to a greater market acceptance of our brand and services, but presents new business opportunities for us to diversify revenue streams and enhance the breadth and depth of our services along the value chain of property management and related industries.

The following table sets forth a breakdown of our total revenue by business line and by developer type of properties where we offered services for the periods indicated, both in absolute amount and as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services										
Shimao Group[(1)]	651,524	62.5	763,208	57.4	1,005,571	40.4	399,654	47.3	548,680	35.1
Joint ventures and associates of the Shimao Group[(2)]	69,842	6.7	79,484	6.0	73,579	3.0	33,743	4.0	43,688	2.8
Independent third-party property developers[(3)]	12,408	1.2	5,891	0.5	120,248	4.8	4,735	0.6	227,339	14.5
Subtotal	**733,774**	**70.4**	**848,583**	**63.9**	**1,199,398**	**48.2**	**438,132**	**51.8**	**819,707**	**52.4**
Community value-added services										
Shimao Group[(1)]	53,671	5.1	85,480	6.4	459,236	18.4	115,896	13.7	200,666	12.8
Joint ventures and associates of the Shimao Group[(2)]	5,753	0.6	8,902	0.7	33,603	1.4	316	0.0	15,978	1.0
Independent third-party property developers[(3)]	3,128	0.3	283	0.0	155,719	6.2	2,146	0.3	200,648	12.8
Subtotal	**62,552**	**6.0**	**94,665**	**7.1**	**648,558**	**26.0**	**118,357**	**14.0**	**417,292**	**26.7**
Value-added services to non-property owners										
Shimao Group[(1)]	190,993	18.3	286,798	21.6	475,480	19.1	215,064	25.4	224,766	14.4
Joint ventures and associates of the Shimao Group[(2)]	54,009	5.2	98,658	7.4	158,114	6.4	70,149	8.3	76,005	4.9
Independent third-party property developers[(3)]	1,200	0.1	619	0.0	7,536	0.3	3,674	0.4	26,866	1.7
Subtotal	**246,202**	**23.6**	**386,075**	**29.0**	**641,130**	**25.8**	**288,888**	**34.2**	**327,637**	**20.9**
Total	**1,042,528**	**100.0**	**1,329,323**	**100.0**	**2,489,086**	**100.0**	**845,377**	**100.0**	**1,564,636**	**100.0**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

During the Track Record Period, our community value-added services experienced significant growth. Revenue from community value-added services as a percentage of our total revenue increased from 6.0% in 2017 to 7.1% in 2018, 26.0% in 2019, and further to 26.7% in the six months ended June 30, 2020 primarily due to (i) significant increases in revenue from carpark sales related services primarily driven by significant increases in the number of properties in which we offered carpark sales related services and in the number of carpark spaces we helped sell during the Track Record Period; (ii) significant increases in revenue from community asset management services driven by significant increases in the number of properties under our management during the Track Record Period; (iii) an increase in revenue from home improvement services as a result of the launch of our marketing and promotional services to home furnishing service providers in 2019; and (iv) an increase in revenue from smart community solutions which was first launched in 2019 and experienced rapid growth starting the second half of 2019. We plan to devote more resources to grow our community value-added services and introduce a variety of other community value-added services aiming at improving the living experience of property owners and residents, such as property sales and rental facilitation services, home furnishing services, community education services and community space operations services. We believe community value-added services will drive our future growth and help establish our market position as a leading value-added service provider.

The following table sets forth a breakdown of our total revenue by type of ultimate paying customer for the periods indicated, both in absolute amount and as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Shimao Group	238,055	22.8	364,997	27.5	640,110	25.7	261,141	30.9	375,577	24.0
Joint ventures and associates of the Shimao Group	59,496	5.7	108,062	8.1	166,645	6.7	71,624	8.5	86,650	5.5
Independent Third Parties	744,977	71.5	856,264	64.4	1,682,331	67.6	512,612	60.6	1,102,409	70.5
Total	**1,042,528**	**100.0**	**1,329,323**	**100.0**	**2,489,086**	**100.0**	**845,377**	**100.0**	**1,564,636**	**100.0**

Our percentage of revenue from Independent Third Parties decreased from 71.5% in 2017 to 64.4% in 2018, primarily due to (i) an increase in revenue from value-added services to non-property owners which was generated from the Shimao Group and joint ventures and associates of the Shimao Group; and (ii) an increase in revenue from carpark sales related services which was generated from the Shimao Group and joint ventures and associates of the Shimao Group. Such percentage subsequently increased to 67.6% in 2019 primarily due to our acquisition of Hailiang Property Management whose revenue from both property management services and value-added services such as sales office management services and carpark sales related services was primarily generated from Independent Third Parties. Our percentage of revenue from Independent Third Parties increased from 60.6% in the six months ended June 30, 2019 to 70.5% in the six months ended June 30, 2020, primarily due to (i) our acquisition of Hailiang Property Management and Quanzhou Sanyuan in the second half of 2019, and Guangzhou Yuetai and Fusheng Life Services in the first half of 2020; and (ii) an increase in revenue from property management services and value-added services to non-property owners generated from independent third-party customers.

We experienced significant increases in the number of projects and GFA under our management, as well as contracted GFA during the Track Record Period. The following table sets forth the number of properties and GFA under our management, as well as the number of properties we were contracted to manage and corresponding contracted GFA as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Number of properties under management[(1)]	88	93	184	293
Number of properties we were contracted to manage[(2)]	99	163	354	507
GFA under management *(sq.m. in thousands)*	42,619	44,952	68,167	85,720
Contracted GFA *(sq.m. in thousands)*	45,679	60,389	100,865	125,528
Undelivered GFA *(sq.m. in thousands)*[(3)]	3,060	15,437	32,698	39,808

Notes:

(1) Refer to properties that have been delivered to us for property management purposes.

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

(3) Calculated as the difference between contracted GFA and GFA under management as of the dates indicated.

As of June 30, 2020, among our undelivered GFA of 39.8 million sq.m., approximately 25.2% were expected to be delivered by the fourth quarter of 2020, approximately 48.0% were expected to be delivered by 2021, approximately 24.6% were expected to be delivered by 2022 and approximately 2.2% were expected to be delivered by 2023.

The property management fees we charge are determined based on a number of factors, including the types and locations of the properties, the scope of our services and our target profit margins. The following table sets forth the average monthly property management fee per sq.m. of residential properties under our management by developer type for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Shimao Group[(1)]	2.3	2.4	2.4	2.4
Joint ventures and associates of the Shimao Group[(2)]	2.4	2.5	2.5	2.6
Independent third-party property developers[(3)]	2.5	1.8	1.5	1.6
Overall average property management fee	**2.3**	**2.4**	**2.1**	**2.1**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

The decrease in our average monthly property management fee per sq.m. of residential properties in 2019 was primarily due to the decrease in average monthly property management fee per sq.m. of residential properties solely developed by independent third-party developers in 2019 as a result of our acquisition of Hailiang Property Management, as its properties under management are primarily located in lower-tier cities where the average property management fee is relatively lower. The increase in average property management fee per sq.m. of residential properties developed by independent third-party property developers in the six months ended June 30, 2020 was primarily due to our acquisition of Fusheng Life Services, as its properties under management are primarily located in Southern China where the average property management fees are relatively higher.

Property management fees primarily depend on the tier of the cities in which properties under our management were located. The properties developed by the Shimao Group were generally located in higher tier cities compared to those developed by independent third-party developers, which led to the higher average property management fees. The age, quality, location and other attributes of properties play a role in the property management fees among properties located in the same city. In general, properties within the same city that (i) are located in city center with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees. According to CIA, our adoption of China's city-tier system classification is in-line with market practice. See "Business — Property Management Services — Property Management Fees."

The following table sets forth the expiration schedule of our contracted property management service agreements as of June 30, 2020.

	Contracted GFA		Number of agreements	
	(sq.m. in thousands)	%		%
Property management service agreements without fixed term[1]	89,945	71.7	334	65.9
Property management service agreements expiring in				
Year ending December 31, 2020	7,481	6.0	27	5.3
Year ending December 31, 2021	7,194	5.7	34	6.7
Years ending December 31, 2022 and beyond	20,907	16.7	112	22.1
Subtotal	35,583	28.3	173	34.1
Total	**125,528**	**100.0**	**507**	**100.0**

Note:

(1) Include preliminary property management service agreements we entered into with property developers. Such agreements can be terminated when the property owners' associations are formed and decide to select other property management companies.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the number of property management service agreements which expired before the formation of property owners' associations was 15, 15, 18 and 31, respectively. We are in the process of renewing or have successfully renewed these contracts. As advised by our PRC Legal Advisors, we are entitled to receive the property management fees for the continued services we provide for such property management service agreements after the expiration of these agreements. These agreements generated revenue of RMB47.2 million, RMB51.0 million, RMB59.1 million and RMB33.3 million in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

The following table sets forth a breakdown of our total GFA under management by developer type as of the dates indicated, as well as revenue from property management services by developer type for the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	As of/for the year ended December 31,									As of/for the six months ended June 30, 2020		
	2017			2018			2019					
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%
	(in thousands, except for percentages)											
Shimao Group[1]	38,691	651,524	88.8	41,957	763,208	89.9	46,901	1,005,571	83.9	49,799	548,680	67.0
Joint ventures and associates of the Shimao Group[2]	2,461	69,842	9.5	2,631	79,484	9.4	3,863	73,579	6.1	3,450	43,688	5.3
Independent third-party property developers[3]	1,466	12,408	1.7	364	5,891	0.7	17,403	120,248	10.0	32,471	227,339	27.7
Total	**42,619**	**733,774**	**100.0**	**44,952**	**848,583**	**100.0**	**68,167**	**1,199,398**	**100.0**	**85,720**	**819,707**	**100.0**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

As the profit margins of our different business lines vary, changes in revenue contributed by each business line affect our results of operations. The following table sets forth a breakdown of our gross profit and gross profit margin by business line during the periods indicated. For more details, see "Financial Information — Key Factors Affecting Our Results of Operations — Service Mix."

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	183,903	25.1	230,021	27.1	348,327	29.0	130,693	29.8	222,825	27.2
Community value-added services	26,554	42.5	43,405	45.9	308,080	47.5	54,983	46.5	206,252	49.4
Value-added services to non-property owners	76,444	31.0	116,864	30.3	181,674	28.3	96,655	33.5	102,718	31.4
Total	**286,901**	**27.5**	**390,290**	**29.4**	**838,081**	**33.7**	**282,331**	**33.4**	**531,795**	**34.0**

The following table sets forth a breakdown of our gross profit and gross profit margin from property management services by developer type during the period indicated. See "Financial Information — Description of Certain Consolidated Statements of Comprehensive Income Items — Gross Profit and Gross Profit Margin."

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Shimao Group(1)	163,005	25.0	206,246	27.0	299,748	29.8	119,268	29.8	159,673	29.1
Joint ventures and associates of the Shimao Group(2)	17,796	25.5	22,155	27.9	21,643	29.4	10,033	29.7	12,806	29.3
Independent third-party property developers(3)	3,102	25.0	1,620	27.5	26,936	22.4	1,392	29.4	50,346	22.1
Total	**183,903**	**25.1**	**230,021**	**27.1**	**348,327**	**29.0**	**130,693**	**29.8**	**222,825**	**27.2**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

Our property management gross profit margin with the Shimao Group and joint ventures and associates of the Shimao Group increased from 25.0% in 2017 to 29.8% in 2019 primarily due to (i) increases in the number of properties under management developed by the Shimao Group and joint ventures and associates of the Shimao Group which are located in higher-tier cities, leading to economies of scale; (ii) our adoption of various cost-saving measures such as centralized procurement; and (iii) the implementation of our Grid Unit Management mechanism and Internal Marketization policy which led to improved operational efficiency. Our property management gross profit margin with independent third-party customers decreased from 27.5% in 2018 to 22.4% in 2019, primarily due to (i) our acquisition of Hailiang Property Management whose property management service agreements typically yielded lower gross property margins compared to our other property management service agreements; and (ii) increases in our spending to integrate acquired companies in 2019. Our property management gross profit margin with independent third-party customers decreased from 29.4% in the six months ended June 30, 2019 to 22.1% in the six months ended June 30, 2020, primarily due to our acquisition of Hailiang Property Management and Quanzhou Sanyuan in the second half of 2019, and Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi in the first half of 2020, whose property management services agreements typically yielded lower gross property margins compared to our other property management service agreements. Our gross profit margin from property management services decreased from 29.8% in the six months ended June 30, 2019 to 27.2% in the six months ended June 30, 2020, primarily due the decrease of the gross profit margin with independent third-party customers. See "Business — Property Management Services — Our Pricing Policy" for more details.

COMPETITIVE STRENGTHS

We believe that our success is primarily due to the following competitive strengths: (i) leading comprehensive property management and community living service provider; (ii) long-term and stable cooperation with the Shimao Group and strategic investment by reputable investors; (iii) strong operational capability, high operational efficiency and advanced technological support; (iv) quality portfolio of properties under management; (v) continuous innovation in creating an ecosystem of value-added services; and (vi) experienced and professional management team and an effective human resource system.

BUSINESS STRATEGIES

We intend to implement the following strategies: (i) continue to expand our business scale through multiple channels; (ii) diversify people-oriented and property-oriented value-added service offerings; (iii) improve service quality to enhance customer satisfaction and loyalty; (iv) improve our information technology system and smart technologies to enhance our operational capabilities; (v) improve our management policies and mechanisms and human resource management; and (vi) capitalize on and integrate the resources of our strategic investors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shimao Group Holdings will via Best Cosmos, its wholly-owned subsidiary, own 66.5% of the entire issued share capital of our Company. Shimao Group Holdings is owned as to 55.064% by Gemfair and 9.929% by Shiying Finance Limited, both of which are wholly owned by Mr. Hui. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. As a result, Best Cosmos, Shimao Group Holdings, Gemfair, Overseas Investment, Shiying Finance Limited and Mr. Hui constitute a group of our Controlling Shareholders.

Upon completion of the Spin-off, it is expected that the business focus of each of our Group, the Shimao Group (excluding the Shanghai Shimao Group) and the Shanghai Shimao Group will be as follows:

	Principal property management business	**Principal non-property management business**
Our Group	(i) Provision of property management services for: • residential properties • others including but not limited to government and public facilities (ii) Provision of property management services to limited non-separable multiple-use projects together with the Shanghai Shimao Group through Shanghai Maoyuan Property Management Co., Ltd. (上海茂源物業管理有限公司) (the "**Property Management JV**"), a joint venture company held as to 51% by the Shanghai Shimao Group and as to 49% by our Group	(i) Community value-added services (ii) Value-added services to non-property owners

	Principal property management business	Principal non-property management business
The Shimao Group (excluding the Shanghai Shimao Group)	Nil	(i) Property development and investment for residential properties and hotels (ii) Hotels operation (iii) Investment, development and operation of non-separable multiple-use projects through a joint venture between the Shimao Group and Shanghai Shimao, in which Shanghai Shimao holds the majority shareholding (the "**Property Development JV**")
Shanghai Shimao Group	(i) Mainly provision of property management services for commercial properties invested, developed and operated in mainland China by the Shanghai Shimao Group (ii) Provision of property management services with our Group to limited non-separable multiple-use projects through the Property Management JV	(i) Investment, development and operation of commercial properties (ii) Investment, development and operation of non-separable multiple-use projects through the Property Development JV with the Shimao Group

Despite certain competing and overlapping business among our Group, the Shimao Group (excluding the Shanghai Shimao Group) and the Shanghai Shimao Group which will continue after Listing, we believe that (i) there is clear delineation between our business and the retained business of the Shimao Group; (ii) there will be no direct or material competition between our Group and the Shimao Group upon completion of the Spin-off; and (iii) sufficient arrangements are or will be in place to ensure the clear delineation and minimal competition among the Shimao Group (excluding the Shanghai Shimao Group), the Shanghai Shimao Group and our Group.

Upon completion of the Spin-off, five of our Directors will hold directorships and/or positions in the Shimao Group, being our executive Directors Mr. Hui Sai Tan, Jason and Mr. Ye Mingjie; our non-executive Directors Ms. Tang Fei and Mr. Sun Yan; and our independent non-executive Director Ms. Kan Lai Kuen, Alice. Our Directors' are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates as each of the overlapping Directors is able to devote sufficient time and resources to, as well as possess the ability to independently, discharge his/her duties as an Director of our Group.

During the Track Record Period, a significant portion of our property management service agreements were provided in respect of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group, and this is expected to continue after Listing. Our Directors are of the view that our Group has adopted or will adopt realistic and effective measures to expand our services to properties developed by independent third-party property developers going forward.

See "Relationship with Controlling Shareholders" for further details.

CONNECTED TRANSACTIONS

The following will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied for and the Stock Exchange has granted us waiver from strict compliance with certain requirements under Chapter 14A of the Listing Rules.

Nature of Transaction	**Waiver sought**	**Proposed Annual Cap for the Year Ending December 31,**		
		2020	**2021**	**2022**
Trademark Licensing	N/A	Nil	Nil	Nil
Promotion Services	Waiver from announcement requirement	RMB36.0 million	RMB66.6 million	RMB108.3 million
Property Management and Related Services	Waiver from announcement, circular and independent shareholders' approval requirements	RMB983.0 million	RMB1,237 million	RMB1,510 million
Carpark Sales Agency Services	Waiver from announcement, circular and independent shareholders' approval requirements	RMB210.0 million	RMB395.0 million	RMB592.0 million

Our Directors are of the view that given the fees for the above connected transactions will be determined after arm's length negotiations and on normal commercial terms, they are not expected to affect our operational independence as a whole. See "Connected Transactions" in this Prospectus for further information.

ACQUISITIONS DURING AND AFTER THE TRACK RECORD PERIOD

For the purpose of business expansion, we acquired seven subsidiaries during and after the Track Record Period. The table below sets forth the basis of consideration for such acquisitions and certain pre-acquisition and expected financial and operational performance of such acquired subsidiaries:

Name of acquired subsidiary	Percentage of interest acquired	Total consideration of the acquisition *(RMB)*	Basis of consideration	Amount of consideration per sq. m. contracted to manage as of the date of the acquisition *(RMB/sq.m.)*	Expected average property management fee per sq. m. to be charged *(RMB/sq.m.)*	Revenue for the financial year immediately prior to the acquisition *(RMB'000)*	Net profit after taxation for the financial year immediately prior to the acquisition *(RMB'000)*	Multiple of consideration with reference to the pre-acquisition net profit
Acquisitions during the Track Record Period								
Hailiang Property Management	100%	290,000,000	The future profitability and prospects of Hailiang Property Management with reference to its net profit for the year ended December 31, 2018 and its paid up capital as of the date of transfer	17.4	1.7	285,036	19,216	12.5
Quanzhou Sanyuan	51%	2,550,000	The paid up registered capital of Quanzhou Sanyuan at the time of the acquisition	3.3	0.8	22,296	4,273	1.2
Guangzhou Yuetai	100%	110,000,000	The net asset value of Guangzhou Yuetai as of December 31, 2018 and the net profit of Guangzhou Yuetai for the year ended December 31, 2018	28.2	2.1	108,171	10,415	10.6
Fusheng Life Services	51%	Nil, with the assumption of net liabilities of RMB93.3 million, representing 51% of the net liabilities of Fusheng Life Services	The net asset value of Fusheng Life Services	12.2	2.6	204,502	10,233	17.9

Name of acquired subsidiary	Percentage of interest acquired	Total consideration of the acquisition *(RMB)*	Basis of consideration	Amount of consideration per sq. m. contracted to manage as of the date of the acquisition *(RMB/sq.m.)*	Expected average property management fee per sq. m. to be charged *(RMB/sq.m.)*	Revenue for the financial year immediately prior to the acquisition *(RMB'000)*	Net profit after taxation for the financial year immediately prior to the acquisition *(RMB'000)*	Multiple of consideration with reference to the pre-acquisition net profit
Chengdu Xinyi	67%	74,370,000	The net asset value of Chengdu Xinyi as of December 31, 2019 and net profit of Chengdu Xinyi for the year ended December 31, 2019	48.3	1.7	93,854	11,968	9.3
Acquisitions after the Track Record Period								
Beijing Guancheng	100%	130,000,000	Beijing Guancheng's net profit in 2019 and its then registered capital at the time of the transfer	27.7	2.7	117,223	7,875	14.0
Zheda Sinew	51%	614,699,900	The net profit of Zheda Sinew for the year ended December 31, 2019 and the net asset value of Zheda Sinew as of April 30, 2020	91.5	2.8	914,925	59,483	14.0

See "History, Reorganization and Corporate Structure — Major Acquisitions", "History, Reorganization and Corporate Structure — Acquisition After The Track Record Period" and "Waivers from strict compliance with the Listing Rules Equity Interest Acquired After The Track Record Period" for details on the acquisitions of Hailiang Property Management, Fusheng Life Services, Beijing Guancheng and Zheda Sinew.

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of property owners, residents and property developers. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our property management services covered a total of approximately 155,200, 254,700, 418,800 and 508,100 households, respectively, and our property management service agreement retention rate (being the number of property management service agreements effective at the end of a period divided by the number of property management service agreements that existed during the same period) was 100.0%, 97.9%, 98.9% and 99.0%, respectively. During the same periods, revenue from sales to our five largest customers accounted for approximately 25.7%, 29.6%, 27.7% and 30.7%, respectively, of our total revenue, and revenue from sales to our single largest customer, the Shimao Group, a connected person, accounted for approximately 22.8%, 27.5%, 25.7% and 24.0%, respectively, of our total revenue. Our suppliers primarily include (i) subcontractors providing security, cleaning, greening and gardening, and common area facility repair and maintenance services; (ii) vendors providing resident services; and (iii) property developers from whom we purchased carpark spaces. In 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers accounted for approximately 17.6%, 10.9%, 39.3% and 26.3%, respectively, of our total purchases. The increase in purchases from our top five largest suppliers from 2018 to 2019 was primarily because we started to purchase and sell carpark spaces as a result of our acquisition of Hailiang Property Management, and purchased carpark spaces from related parties in 2019. During the same periods, purchases from our single largest supplier accounted for approximately 6.4%, 2.6%, 21.5% and 18.9%, respectively, of our total purchases. Other than the Shimao Group, all of our five largest suppliers during the Track Record Period were Independent Third Parties. The Shimao Group provided certain marketing and promotional services to us under our home improvement services in 2019 and became one of our top five suppliers in 2019. The Shimao Group was also our single largest customer during the Track Record Period. See "Business — Customers" and "Business — Suppliers."

SUMMARY OF FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Comprehensive Income

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
							(unaudited)			
	(RMB in thousands, except for percentages)									
Revenue	1,042,528	100.0	1,329,323	100.0	2,489,086	100.0	845,377	100.0	1,564,636	100.0
Cost of sales	(755,627)	(72.5)	(939,033)	(70.6)	(1,651,005)	(66.3)	(563,046)	(66.6)	(1,032,841)	(66.0)
Gross profit	286,901	27.5	390,290	29.4	838,081	33.7	282,331	33.4	531,795	34.0
Operating profit	140,232	13.5	186,018	14.0	521,157	20.9	143,836	17.0	314,145	20.1
Profit before income tax	145,878	14.0	195,187	14.7	506,051	20.3	145,375	17.2	303,629	19.4
Profit for the year/period	108,781	10.4	146,196	11.0	384,531	15.4	108,882	12.9	254,671	16.3
Profit attributable to:										
– Equity owners of the Company	108,781	10.4	146,196	11.0	384,531	15.4	108,882	12.9	245,420	15.7
– Non-controlling interests	–	–	–	–	–	–	–	–	9,251	0.6

Our revenue from community value-added services increased significantly from RMB94.7 million in 2018 to RMB648.6 million in 2019, and from RMB118.4 million in the six months ended June 30, 2019 to RMB417.3 million in the six months ended June 30, 2020, primarily due to

(i) significant increases in revenue from carpark sales related services primarily driven by significant increases in the number of properties in which we offered carpark sales related services and in the number of carpark spaces we helped sell during the Track Record Period; (ii) significant increases in revenue from community asset management services driven by significant increases in the number of properties under our management during the Track Record Period; (iii) an increase in revenue from home improvement services as a result of the launch of our marketing and promotional services to home furnishing service providers in 2019; and (iv) an increase in revenue from smart community solutions which was first launched in 2019 and experienced rapid growth starting the second half of 2019. Our gross profit margin increased from 27.5% in 2017 to 33.7% in 2019, primarily due to the increases in revenue contribution from our community value-added services as a percentage of our total revenue from 6.0% in 2017 to 26.0% in 2019, which typically generate higher gross profit margin compared to other services due to the less amount of labor required for community value-added services compared to property management services and value-added services to non-property owners. The increases in our gross profit margin were also attributable to the enhanced profitability of our property management services. Our gross profit margin increased slightly from 33.4% in the six months ended June 30, 2019 to 34.0% in the six months ended June 30, 2020, primarily due to the increases in revenue contribution from our community value-added services as a percentage of our total revenue, which typically generate higher gross profit margin compared to other services. For more details, see "Financial Information — Description of Certain Consolidated Statements of Comprehensive Income Items — Gross Profit and Gross Profit Margin."

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Non-current assets	48,188	56,171	444,495	756,755
Current assets	2,073,378	3,138,749	3,130,436	3,266,619
Current liabilities	1,214,928	1,724,463	3,315,162	2,707,579
Net current assets/(liabilities)	858,450	1,414,286	(184,726)	559,040
Non-current liabilities	505,323	222,946	25,974	37,308
Non-controlling interests	–	–	–	(44,612)
Total equity	401,315	1,247,511	233,795	1,278,487

We had net assets of RMB233.8 million as of December 31, 2019. The significant decrease in our net assets as of December 31, 2019 was primarily due to the deemed distribution of RMB840.0 million arising from the Reorganization and RMB559.2 million dividend payables.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2019, we had net current liabilities of RMB184.7 million. We recorded net current liabilities as of December 31, 2019 primarily due to a significant increase in current liabilities as a result of RMB840.0 million acquisition consideration payable to related parties due to the Reorganization and RMB559.2 million dividend payables. We recorded net current assets of RMB559.0 million as of June 30, 2020, primarily due to an increase in our current assets driven by the increase in cash and cash equivalents as a result of the receipt of proceeds from the Pre-IPO Investments of RMB864.5 million. We expect to improve our net current assets position with (i) the net proceeds from the Global Offering; and (ii) funds generated from our business operations. See "Financial Information — Net Current Assets or Liabilities" and "Financial Information — Liquidity and Capital Resources — Cash Flow."

Summary of Consolidated Statements of Cash Flows Information

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Profit before income tax	145,878	195,187	506,051	145,375	303,629
Operating cash flows before movements in working capital	16,660	4,300	35,646	9,129	53,889
Total adjustment from changes in working capital	117,627	140,162	27,985	(55,520)	75,481
Interest received on bank deposits	5,734	9,412	4,366	1,838	2,626
Income tax paid	(17,780)	(22,765)	(36,992)	(19,988)	(20,114)
Net cash generated from operating activities	268,119	326,296	537,056	80,834	415,511
Net cash generated from/(used in) investing activities	216,549	(1,118,393)	627,976	39,064	696,430
Net cash (used in)/generated from financing activities	(333,714)	732,890	(853,155)	(252,994)	(201,675)
Net increase/(decrease) in cash and cash equivalents	150,954	(59,207)	311,877	(133,096)	910,266
Cash and cash equivalents at beginning of the financial year/period	445,967	596,921	537,714	537,714	849,591
Effect of foreign exchange rate changes	–	–	–	–	(6,276)
Cash and cash equivalents at end of the period	596,921	537,714	849,591	404,618	1,753,581

In 2018, our net cash used in investing activities amounted to RMB1,118.4 million, primarily reflecting RMB1,549.8 million cash advance to related parties, as partially offset by repayment of advance to related parties of RMB374.4 million and interest received from loans to related parties of RMB69.0 million. See "Financial Information — Liquidity and Capital Resources — Cash Flow — Cash Flows from/(used in) Investing Activities."

In 2018, our net cash from financing activities amounted to RMB732.9 million, primarily reflecting (i) capital injection from owners of RMB700.0 million; and (ii) cash advance from related parties of RMB419.9 million, partially offset by (i) repayment of borrowings of RMB286.0 million; and (ii) payment of interest of RMB69.0 million. See "Financial Information — Liquidity and Capital Resources — Cash Flow — Cash Flows (used in)/from Financing Activities."

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2017	2018	2019	2020
Current ratio	1.7	1.8	0.9	1.2
Gearing ratio[1]	107.2%	48.0%	N/A	N/A
Return on total assets	5.2%	5.5%	11.4%	13.4%
Return on equity	31.4%	17.7%	51.9%	67.4%

Note:

(1) Gearing ratio is calculated based on net debt divided by total equity. Net debt/(cash) is calculated as total debt less cash and cash equivalents. For the purpose of this calculation, total debt includes borrowings, lease liabilities and cash advance from related parties.

Our gearing ratio decreased from 107.2% as of December 31, 2017 to 48.0% as of December 31, 2018, primarily due to the repayment of borrowings, the capital injection from Shimao Group Holdings and the increase in retained earnings. Gearing ratio was not applicable as of December 31, 2019 and June 30, 2020 primarily because we were at a net cash position as of December 31, 2019 and June 30, 2020. See "Financial Information — Summary of Key Financial Ratios — Gearing Ratio."

See "Financial Information — Summary of Key Financial Ratios" for the definitions and analysis of key financial ratios set forth in the table above.

PRE-IPO INVESTMENTS

We concluded Pre-IPO Investments with Sequoia Capital China and Tencent. See "History, Reorganization and Corporate Structure — Pre-IPO Investments" for further details.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$5,449.9 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming an Offer Price of HK$16.0 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus). We intend to use the net proceeds of the Global Offering for the following purposes and in the amounts set forth below.

- Approximately 65% or HK$3,542.5 million, will be used to continue to expand our business scale through multiple channels, among which, (i) approximately 55%, or HK$2,997.5 million will be used to acquire, invest in or cooperate with other property management companies; and (ii) approximately 10% or HK$545.0 million will be used to develop and launch municipal service. As of the date of the Prospectus, we have not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering;

- Approximately 15% or HK$817.5 million, will be used to diversify people-oriented and property-oriented value-added service offerings, among which, (i) approximately 10%, or HK$545.0 million, will be used to upgrade our smart community solutions; and (ii) approximately 5%, or HK$272.5 million, will be used to offer more value-added services. In terms of people-oriented value-added services, we intend to (i) operate community spaces under the SUNIT (世集) brand such as libraries, community healthcare related service venues and recreational centers; and (ii) introduce toddler, pre-school and elementary school related educational services. In terms of property-oriented value-added services, we intend to (i) introduce and expand services such as maintenance and repair of old or specialized equipment; and (ii) introduce services under our UHouse (優家) brand which help property owners manage the sales and rentals of their properties;

- Approximately 5% or HK$272.5 million, will be used to improve our information technology system and smart technologies, among which (i) approximately 2%, or HK$109.0 million, will be used to upgrade our enterprise resource planning system; (ii) approximately 2%, or HK$109.0 million, will be used to optimize our data middle office and big data analytics platforms; and (iii) approximately 1%, or HK$54.5 million, will be used to upgrade our Mao Home (茂家) mobile application;

- Approximately 5% or HK$272.5 million, will be used to attract and nurture talent. We plan to offer our employees more trainings on business operations and further enhance our compensation schemes; and

- Approximately 10% or HK$545.0 million, will be used for working capital and other general corporate purposes. We expect to have increasing needs for working capital as a result of the rapid and organic expansion as well as diversifying service offerings and property portfolio under management.

For more information, see "Future Plans and Use of Proceeds."

REASONS FOR THE SPIN-OFF

The board of directors of Shimao Group Holdings considers that the Spin-off is in the interests of Shimao Group Holdings and the shareholders of Shimao Group Holdings as a whole based on the following reasons: (i) allowing Shimao Group Holdings and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for the spin-off business; (ii) enabling our Group to build our identity as a separately listed group, to have a separate fund-raising platform and to broaden our investor base through the Global Offering; (iii) enabling us to enhance our corporate profile, thereby increasing our ability to attract strategic investors for making investment in and forming strategic partnerships directly with us, which could provide synergy for our Group; and (iv) enabling a more focused development, strategic planning and better allocation of resources for Shimao Group Holdings and our Group with respect to our respective businesses. For more information, see "History, Reorganization and Corporate Structure — Reasons for the Spin-Off" in this Prospectus.

GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering and the Preferential Offering as part of the Global Offering. The Global Offering comprises: (i) the Hong Kong Public Offering of 58,824,000 New Shares (subject to reallocation) for subscription by the public in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering" in this Prospectus; and (ii) the International Offering of an aggregate of 529,412,000 Shares (comprising 294,118,000 New Shares and 235,294,000 Sale Shares, and subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Of the 529,412,000 Offer Shares initially being offered under the International Offering, 58,823,000 Offer Shares are available for subscription by the Qualifying Shimao Group Holdings Shareholders under the Preferential Offering as Assured Entitlement.

The Offer Shares will represent approximately 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The Preferential Offering

In order to enable the Qualifying Shimao Group Holdings Shareholders to participate in the Global Offering on a preferential basis as to allocation only, the Qualifying Shimao Group Holdings Shareholders are being invited to apply for an aggregate of 58,823,000 Reserved Shares in the Preferential Offering, representing approximately 11.1% and 10.0% of the Offer Shares available under the International Offering and the Global Offering, respectively, as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this Prospectus.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 352,942,000 New Shares are issued pursuant to the Global Offering; (ii) 2,352,942,000 Shares are in issue immediately following the completion of the Global Offering; and (iii) the Over-allotment Option is not exercised.

	Based on the low end of the indicative Offer Price Range of HK$14.8 per Share	Based on the high end of the indicative Offer Price Range of HK$17.2 per Share
Market capitalization of our Shares	HK$34,823.5 million	HK$40,470.6 million
Unaudited pro forma adjusted consolidated net tangible asset per Share[(1)(2)]	HK$2.54	HK$2.89

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" in this Prospectus and on the basis of 2,352,942,000 Shares to be in issue immediately following the completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets does not take into account the acquisition of Sinew Group by the Group subsequent to June 30, 2020. Had such acquisition been taken into account, the unaudited pro forma adjusted net tangible asset per Share would be as follows.

	Unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company as of June 30, 2020 *(Note i)*	Estimated net proceeds from the Global Offering *(Note ii)*	Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to owners of the Company as of June 30, 2020	Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to owners of the Company per Share as of June 30, 2020 *(Note iii)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$14.8 per Share	128,651	4,379,106	4,507,757	1.92	2.21
Based on an Offer Price of HK$17.2 per Share	128,651	5,092,912	5,221,563	2.22	2.56

Notes:

(i) The unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company as of June 30, 2020 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the owners of the Company as of June 30, 2020 of approximately RMB1,123,483,000, after deduction of the pro forma fair value adjustment of intangible assets attributable to the owners of the Company and goodwill amounting to RMB633,995,000 and RMB360,837,000, respectively.

(ii) The estimated net proceeds from the Global Offering are based on 352,942,000 new shares at the indicative Offer Price of HK$14.8 and HK$17.2 per Share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses (excluding the listing expenses of approximately RMB15,605,000 which have been accounted for in the Group's consolidated statement of comprehensive income prior to June 30, 2020) payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

(iii) The unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,352,942,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering have been completed on June 30, 2020 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, we had expanded our property management portfolio which comprises properties under our management and properties we were contracted to manage but have not yet been delivered to cover 615 properties with an aggregate contracted GFA of approximately 144.3 million sq.m. The table below sets forth the number of properties under management, the number of properties contracted, the total GFA under management and the aggregate contracted GFA by developer type as of the Latest Practicable Date.

	Number of properties under management	**GFA under management**	**Number of contracted properties**	**Contracted GFA**
		(sq.m. in thousands)		*(sq.m. in thousands)*
Shimao Group[(1)]	109	51,001	202	69,691
Joint ventures and associates of the Shimao Group[(2)]	18	4,296	87	17,826
Independent third-party property developers[(3)]	266	46,492	326	56,808
Total	393	101,789	615	144,325

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

Since June 30, 2020 and up to the Latest Practicable Date, we had entered into 108 new property management agreements (of which 82 are due to our acquisition of Beijing Guancheng and Zheda Sinew) with an aggregate contract value of RMB578.8 million, among which RMB85.3 million was related to property management agreements without fixed terms.

Acquisitions

On July 14, 2020, we entered into an equity transfer agreement pursuant to which our Company agreed to acquire a 100% equity interest of Beijing Guancheng, a property management company located in Beijing for a cash consideration of RMB130.0 million. Beijing Guancheng had an aggregate GFA under management of 3.5 million sq.m. as of the Latest Practicable Date. On

August 5, 2020 we acquired a 51% equity interest in Zheda Sinew, a property management company located in Hangzhou, Zhejiang Province for a cash consideration of RMB614.7 million. Zheda Sinew had an aggregate GFA under management of 8.9 million sq.m. as of the Latest Practicable Date. See "Waivers from Strict Compliance with the Listing Rules — Equity Interests Proposed to be Acquired after the Track Record Period." Zheda Sinew offers a wide range of lifestyle services, including on-campus catering services, accommodation services and business trading services. These services are very different from our main property management services, and we cannot assure you that our entry into the lifestyle services will be successful, or at all, which could materially and adversely affect our results of operations and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — We have expanded our business through acquisitions, which may fail to yield the desired benefits, leading to goodwill and intangible asset impairments and investment losses." We acquired the above-mentioned targets from Independent Third Parties, and the acquisition considerations were determined through arms length negotiations based on the fair market value, the net profits and other financial and operating data of the targets in the year of acquisition. The terms of the acquisitions are on normal commercial terms.

As of the Latest Practicable Date, we had unpaid consideration for four acquisitions of an aggregate RMB450.7 million, among which RMB7.4 million for Chengdu Xinyi, RMB13.0 million for Beijing Guancheng and RMB430.3 million for Zheda Sinew. We expect to settle this RMB450.7 million by installments with the final installment to be paid by April 2021.

COVID-19 Pandemic

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and continues to expand within China and globally. In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. The COVID-19 pandemic is likely to have an adverse impact on the livelihood of the people in, and the economy of, the PRC, particularly Hubei Province which reported the largest number of confirmed cases and fatalities in the PRC. We had six properties under management that were located in Hubei Province as of June 30, 2020. Our revenue generated from the properties located in Hubei Province accounted for 5.6%, 5.1%, 3.1% and 2.7% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In response to the COVID-19 pandemic, we have adopted various hygiene and precautionary measures across the properties under our management since late January 2020. See "Business — Effects of the COVID-19 Pandemic — Our Response to the COVID-19 Pandemic." We estimate that the additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, was approximately RMB6.4 million from January 1, 2020 to the Latest Practicable Date. Our Directors confirm that (i) the additional costs associated with the enhanced measures will not have a significant impact on our Group's financial position or results of operations for the year ending 2020; (ii) there were no suspension of operations or termination of contracts; and (iii) our collectability of management fees had not been adversely affected as a result of the COVID-19 pandemic during the Track Record Period and up to the Latest Practicable Date. Even for properties located in Hubei Province, our collection rate of property management fees still reached 87.7% in the six months ended June 30, 2020. In the very unlikely event that we are forced to reduce or suspend a substantial part of our business operations due to the COVID-19 pandemic, we estimate that our existing financing resources (including cash and cash balances) as of June 30, 2020 and the 10% of the proceeds from the Global Offering allocated for general business operations and working capital, and based on the following assumptions, our Group will remain financially viable for at least 2.8 years from July 1, 2020. Key assumptions for the above estimates include: (i) we do not generate any cash flow from operating activities; (ii) proceeds of approximately HK$545.0 million, being 10% of the proceeds from Global Offering for general working capital purpose, is expected to be received upon the Listing; (iii) we do not undertake any acquisitions; (iv) future cash outflow only takes into considerations the necessary spendings in operations, selling and administrative activities based on the annualized amount actually spent in the six months ended June 30, 2020; and (v) the existing trade receivables as of June 30, 2020 will be recovered based on historical settlement pattern.

The above-mentioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is extremely remote. The actual impact from the COVID-19 pandemic will depend on its subsequent development; and its impact on our Group may be out of our control and beyond our estimate and assessment.

We believe that our expansion plan as discussed "Business — Our Business Strategies" is feasible, and it is unlikely that we would change the use of the net proceeds from the Global Offering as disclosed in "Future Plans and Use of Proceeds" in this Prospectus as a result of the COVID-19 pandemic. However, we are still subject to certain risks caused by the COVID-19 pandemic. For details, see "Business — Effects of the COVID-19 Pandemic" and "Risk Factors — Risks Relating to Our Business and Industry — Our business operations may be affected by the COVID-19 pandemic."

Our Financial Position Subsequent to the Track Record Period

Based on our unaudited management accounts, our revenue for July 2020 increased as compared to July 2019, which was primarily attributable to our business expansion. Our gross profit margin for July 2020 remained relatively stable as compared to July 2019.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial or trading position since June 30, 2020 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since June 30, 2020 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus.

RISK FACTORS

Our business is subject to certain risks involved in our operations. We believe that the following are some of the major risks that we face: (i) a substantial portion of our revenue is derived from property management services to properties developed by the Shimao Group; (ii) our historical results may not be indicative of our future prospects and our future growth may not materialize as planned; (iii) we have expanded our business through acquisitions, which may fail to yield the desired benefits, leading to goodwill and intangible asset impairments and investment losses; (iv) we may fail to procure new property management service agreements as planned, or at all; (v) we may fail to renew our property management service agreements, and our ongoing service agreements may be terminated before expirations; and (vi) we incurred losses during the

Track Record Period with respect to certain of our property management service agreements on a lump sum basis. See "Risk Factors."

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Company did not declare or pay any dividends during the Track Record Period. Declaration and payment of any future dividends, if any, will be at the sole discretion of our Board of Directors and will also depend on various factors that our Board of Directors deem relevant. Our Board of Directors intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2020. The recommendation of the payment of dividend is subject to the absolute discretion of our Board of Directors, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholder. As of June 30, 2020, the retained earnings attributable to the owners of the Company amounted to RMB424.1 million.

The following table sets forth the details of dividends that were declared by our operating subsidiaries during the Track Record Period.

Dividend declared by	Dividend payable to	Amount of dividend declared	Date of dividend declared	Amount of dividend settled	Date of dividend settlement	Amount of dividend not settled as of June 30, 2020	Method of settlement
		(RMB'000)		*(RMB'000)*		*(RMB'000)*	
Shimao Tiancheng	Shanghai Shiying	559,247	November 8, 2019	559,247	February 26, 2020	–	Cash
Shanghai Runshang	Shimao Tiancheng	42,522	October 10, 2019	42,522	February 26, 2020	–	Cash
Shanghai Fanying	Shimao Tiancheng	12,640	October 10, 2019	12,640	February 26, 2020	–	Cash
Quanzhou Sanyuan	Shimao Tiancheng	385	October 10, 2019	–	–	385	–
Quanzhou Sanyuan	He Yanyan	2,364	October 10, 2019	2,364	December 31, 2019	–	Converted into paid-in share capital
Quanzhou Sanyuan	He Guoying	2,956	October 10, 2019	2,956	December 31, 2019	–	Converted into paid-in share capital
Quanzhou Sanyuan	Wang Herong	591	October 10, 2019	591	December 31, 2019	–	Converted into paid-in share capital
Suifenhe Shifu	Super Rocket	10,310	January 31, 2020	–	–	10,310	–
Mudanjiang Maoju	Shanghai Rongcheng	720	January 31, 2020	720	March 11, 2020	–	Cash
Super Rocket	Class Font Limited	9,744	February 28, 2020	9,744	March 30, 2020	–	Cash

The Company confirms that the declared but unpaid dividend of its subsidiaries will be settled prior to the Listing.

LISTING EXPENSES

The total amount of listing expenses in connection with the Global Offering, including underwriting commissions, is estimated to be approximately RMB259.0 million (based on the midpoint of the indicative Offer Price range and assuming the Over-allotment Option is not exercised) of which, approximately RMB170.7 million will be borne by our Group and approximately RMB88.3 million will be borne by the Selling Shareholder. Among the RMB170.7 million to be borne by us, (i) approximately RMB15.6 million was charged to our consolidated statement of comprehensive income in the six months ended June 30, 2020; (ii) approximately RMB18.0 million will be charged to our consolidated statement of comprehensive income in the year ending December 31, 2020; and (iii) approximately RMB137.1 million is expected to be accounted for as a deduction from equity upon the Listing. The amount of the listing expenses is expected to account for approximately 3.5% of the gross proceeds from the Global Offering. The professional fees and/or other expenses related to the preparation of the Listing are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our listing expenses will adversely affect on our financial performance for the year ending December 31, 2020.

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms" in this Prospectus.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them in connection with the Hong Kong Public Offering and the **BLUE** Application Form(s) in connection with the Preferential Offering;
"Articles of Association" or "Articles"	the articles of association of the Company adopted on October 14, 2020, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this Prospectus;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Assured Entitlement"	the entitlement of the Qualifying Shimao Group Holdings Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering to be determined on the basis of their respective shareholdings in Shimao Group Holdings at 4:30 p.m. on the Record Date;
"Available Reserved Shares"	has the meaning ascribed to it in "Structure of the Global Offering — The Preferential Offering — Basis of Allocation for Applications for Reserved Shares" in this Prospectus;
"Beijing Guancheng"	北京冠城酒店物業有限公司 (Beijing Guancheng Hotel Management Co., Ltd.), a limited liability company established in the PRC on September 22, 1998 and an indirect wholly-owned subsidiary of our Company;
"Best Cosmos"	Best Cosmos Limited, a BVI business company incorporated in the BVI with limited liability on November 18, 2019, which is wholly owned by Shimao Group Holdings, and is one of our Controlling Shareholders;
"**BLUE** Application Form(s)"	the application form(s) for the Preferential Offering for use by the Qualifying Shimao Group Holdings Shareholders for the subscription of the Reserved Shares pursuant to the Preferential Offering;
"Board" or "Board of Directors"	the board of Directors of our Company;

"Bohai Economic Rim"	a region in the PRC covering Beijing Municipality, Tianjin Municipality, Inner Mongolia Autonomous Region, Hebei, Liaoning and Shandong Provinces for purpose of this Prospectus;
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong;
"BVI"	the British Virgin Islands;
"CAGR"	compound annual growth rate;
"Capitalization Issue"	the issue of Shares to be made upon capitalization of certain sum standing to the credit of the share premium account of the Company as referred to in "Appendix IV — Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of our Shareholders Passed on October 14, 2020" to this Prospectus;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant;
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant;
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation;
"CCASS Operation Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
"Central and Western China"	a region in the PRC covering Chongqing Municipality, Henan, Hubei, Hunan, Gansu, Ningxia, Jiangxi, Qinghai, Shaanxi and Sichuan Provinces for purpose of this Prospectus;

"Chengdu Xinyi"	成都信誼物業有限公司 (Chengdu Xinyi Property Co., Ltd.) (formerly known as 成都信誼物業股份有限公司 Chengdu Xinyi Property Holdings Co., Ltd.), a limited liability company established in the PRC on December 14, 2000 and an indirect subsidiary of our Company, which is owned as to 67% by Shimao Tiancheng and 33% by three Independent Third Parties save for the interest therein;
"China" or the "PRC"	the People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"CIA"	China Index Academy, our independent industry consultant;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Law"	the Companies Law (2020 Revision) of the Cayman Islands, as amended, consolidated or supplemented 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;
"Company", "the Company", or "our Company"	Shimao Services Holdings Limited (世茂服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on December 3, 2019;
"Connected Person(s)" or "connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Hui, Best Cosmos, Shimao Group Holdings, Gemfair, Overseas Investment and Shiying Finance Limited;
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules;

"COVID-19"	a coronavirus identified as the cause of an outbreak of respiratory illness that was first reported in December 2019;
"CSRC"	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;
"Deed of Indemnity"	the deed of indemnity dated October 16, 2020 executed by Shimao Group Holdings in favor of our Company (for ourselves and for each of our subsidiaries), as further described under "D. Other Information — 1. Tax and other indemnities" in Appendix IV to this Prospectus;
"Deed of Non-Competition"	the deed of non-competition dated October 16, 2020 executed by Shimao Group Holdings and Mr. Hui in favor of our Company (for ourselves and for each of our subsidiaries), as further described under "Relationship with Controlling Shareholders — Deed of Non-Competition" in this Prospectus;
"Director(s)" or "our Directors"	the director(s) 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;
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
"Fusheng Life Services"	福晟生活服務集團有限公司 (Fusheng Life Services Group Co., Ltd.), a limited liability company established in the PRC on July 27, 2018 and an indirect subsidiary of our Company, which is owned as to 51% by Shimao Tiancheng and 49% by two Independent Third Parties save for the interest therein;
"Fuzhou Shimao Tiancheng"	世茂天成(福州)城市服務有限公司 (Shimao Tiancheng (Fuzhou) City Services Co., Ltd.), a limited liability company established in the PRC on September 10, 2020 and an indirect wholly-owned subsidiary of our Company;

"Gemfair"	Gemfair Investments Limited, a limited liability company incorporated in the BVI on August 8, 2002 which is wholly owned by Mr. Hui, and is one of our Controlling Shareholders;
"General Rules of CCASS"	the General Rules of CCASS as from time to time in force;
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering);
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company;
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time;
"Guangzhou Yuetai"	廣州市粵泰物業服務有限公司 (Guangzhou Yuetai Property Services Co., Ltd.), a limited liability company established in the PRC on June 2, 1999 and an indirect wholly-owned subsidiary of our Company;
"Hailiang Property Management"	海亮物業管理有限公司 (Hailiang Property Management Co., Ltd.), a limited liability company established in the PRC on July 7, 2014 and an indirect wholly-owned subsidiary of our Company;
"**HK eIPO White Form**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or in the **IPO App**;
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company as specified on the designated website at **www.hkeipo.hk** or in the **IPO App**;
"**HK eIPO Blue Form**"	the application for Reserved Shares to be issued in a Qualifying Shimao Group Holdings Shareholder's own name by submitting applications online through the designated website of the **HK eIPO Blue Form** at **www.hkeipo.hk**;
"**HK eIPO Blue Form** Service Provider"	the **HK eIPO Blue Form** Service Provider designated by our Company as specified on the designated website at **www.hkeipo.hk**;

"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants;
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"HK$" or "Hong Kong dollars" "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Offer Shares"	the 58,824,000 New Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described in "Structure of the Global Offering" in this Prospectus;
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this Prospectus and the Application Forms;
"Hong Kong Share Registrar"	Tricor Investor Services Limited;
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this Prospectus;
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 19, 2020 relating to the Hong Kong Public Offering entered into among our Company, the Warranting Shareholders, China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and the Hong Kong Underwriters as further described in "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering" in this Prospectus;

"Hubei Shimao Yunrui"	湖北世茂雲瑞物業管理有限公司 (Hubei Shimao Yunrui Property Management Co., Ltd., a limited liability company established in the PRC on September 1, 2020, an indirect subsidiary of our Company, which is owned as to 51% by Shanghai Maojia and 49% by an Independent Third Party save for its interest therein;
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules;
"International Offer Shares"	the 294,118,000 New Shares initially being offered by our Company for subscription and the 235,294,000 Sale Shares initially being offered for sale by the Selling Shareholder, at the Offer Price under the International Offering (including, for the avoidance of doubt, 58,823,000 Reserved Shares under the Preferential Offering), subject to reallocation, together with, where relevant, any additional Shares which may be issued by our Company and which may be sold by the Option Grantor pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering" in this Prospectus);
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this Prospectus (for the avoidance of doubt, of the International Offer Shares initially being offered under the International Offering, the Reserved Shares are made available for subscription by the Qualifying Shimao Group Holdings Shareholders under the Preferential Offering);
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering;

"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, the Warranting Shareholders, the Selling Shareholder, the Option Grantor, the Joint Global Coordinators and the International Underwriters in respect of the International Offering, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this Prospectus;
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**;
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering" in this Prospectus;
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering" in this Prospectus;
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering" in this Prospectus;
"Joint Sponsors"	the joint sponsors of the Listing, being China International Capital Corporation Hong Kong Securities Limited and Morgan Stanley Asia Limited *(in alphabetical order)*;
"Latest Practicable Date"	October 12, 2020, being the latest practicable date for the purpose of ascertaining certain information in this Prospectus prior to its publication;
"Listing"	listing of our Shares on the Stock Exchange;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Date"	the date expected to be on or about October 30, 2020, on which dealings in our Shares first commence on the Stock Exchange;
"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"	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by 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), MOFCOM, SAT, SAMR, CSRC and SAFE on August 8, 2006 and re-issued by MOFCOM on June 22, 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange;
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, adopted on October 14, 2020 and will come into effect upon listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this Prospectus;
"Mianyang Shimao Tiancheng"	綿陽世茂天成物業服務有限責任公司 (Mianyang Shimao Tiancheng Property Service Co., Ltd.), a limited liability company established in the PRC on July 24, 2019 and an indirect wholly-owned subsidiary of our Company;
"Minhou Shimao Tiancheng"	閩侯縣世茂天成物業服務有限公司 (Minhou Shimao Tiancheng Property Service Co., Ltd.), a limited liability company established in the PRC on December 6, 2018 and an indirect wholly-owned subsidiary of our Company;
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部);
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);
"MOHURD"	Ministry of Housing and Urban and Rural Development (中華人民共和國住房與城鄉建設部);
"Mr. Hui"	Mr. Hui Wing Mau (許榮茂), our ultimate Controlling Shareholder;
"Mudanjiang Feixia"	牡丹江斐夏管理服務有限公司 (Mudanjiang Feixia Management Services Co., Ltd.), a limited liability company established in the PRC on October 25, 2019 and an indirect wholly-owned subsidiary of our Company;

"Mudanjiang Maoju"	牡丹江茂居家居用品有限公司 (Mudanjiang Maoju Houseware Co., Ltd.), a limited liability company established in the PRC on April 17, 2018 and an indirect wholly-owned subsidiary of our Company;
"Nanjing Haixia"	南京海峽物業管理有限公司 (Nanjing Haixia Property Management Co., Ltd.), a limited liability company established in the PRC on October 11, 2011 and an indirect wholly-owned subsidiary of our Company;
"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);
"New Shares"	Shares offered for subscription by our Company under the Global Offering;
"Non-Qualifying Shimao Group Holdings Shareholder(s)"	the Shimao Group Holdings Shareholder(s) whose names appeared in the register of members of Shimao Group Holdings on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any Shimao Group Holdings Shareholders or beneficial Shimao Group Holdings Shareholders at that time who are otherwise known by Shimao Group Holdings to be resident in any of the Specified Territories;
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which Offer Shares are to be subscribed for and offered, to be determined as further described in "Structure of the Global Offering" in this Prospectus;
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares;
"Option Grantor"	Best Cosmos;
"Option Shares"	the Shares to be sold or issued pursuant to the exercise of the Over-allotment Option (comprising up to 52,941,000 additional Shares to be issued by our Company and up to 35,294,000 additional Shares to be sold by the Option Grantor);
"Origin Prime"	Origin Prime Property Services Limited (銳純物業服務有限公司), a limited liability company incorporated in Hong Kong on April 18, 2019 and an indirect wholly-owned subsidiary of our Company;

"Over-allotment Option"	the option expected to be granted by our Company and the Option Grantor to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Option Grantor may be required to sell up to an aggregate of 35,294,000 additional Shares and our Company may be required to allot and issue up to an aggregate of 52,941,000 additional New Shares at the Offer Price cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering" in this Prospectus;
"Overseas Investment"	Overseas Investment Group International Limited, a limited liability company incorporated in the BVI on July 26, 2001, which is wholly owned by Mr. Hui, and is one of our Controlling Shareholders;
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"People's Congress"	The PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them;
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to PRC laws;
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure";
"Pre-IPO Investor(s)"	SCC Growth V 2020-B, L.P., SCC Growth IV Holdco A, Ltd. and Image Frame Investment (HK) Limited;

"Preferential Offering"	the preferential offering to the Qualifying Shimao Group Holdings Shareholders of 58,823,000 Shares (representing approximately 10.0% of the Offer Shares initially offered under the Global Offering) as Assured Entitlement out of the International Offer Shares offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this Prospectus and in the **BLUE** Application Form, as further described in "Structure of the Global Offering — The Preferential Offering" in this Prospectus;
"Price Determination Date"	the date, expected to be on or around October 23, 2020 on which the Offer Price is determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) may agree, but in any event no later than October 27, 2020;
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering;
"Province" or "province"	include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions in China;
"QIB"	a qualified institutional buyer within the meaning of Rule 144A;
"Qualifying Shimao Group Holdings Shareholder(s)"	Shimao Group Holdings Shareholder(s), whose name(s) appeared on the register of members of Shimao Group Holdings as of 4:30 p.m. on the Record Date, other than the Non-Qualifying Shimao Group Holdings Shareholders;

"Quanzhou Sanyuan"	泉州世茂三遠物業服務有限公司 (Quanzhou Shimao Sanyuan Property Management Services Co., Ltd.) (formerly known as 泉州市三遠物業管理有限公司 (Quanzhou Sanyuan Property Management Co., Ltd.)), a limited liability company established in the PRC on June 26, 2003 and an indirect subsidiary of our Company, which is owned as to 51% by Shimao Tiancheng and 49% by three Independent Third Parties save for the interest therein;
"Record Date"	October 19, 2020, being the record date for ascertaining the Assured Entitlement of the Qualifying Shimao Group Holdings Shareholders to the Reserved Shares;
"Regulation S"	Regulation S under the U.S. Securities Act;
"Regulations on Property Management (2018 Revision)"	Regulations on Property Management (2018 Revision) (《物業管理條例》(2018年修正)), as amended, supplemented or otherwise modified from time to time;
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC;
"Reorganization"	the reorganization of our Group in preparation of the Listing, details of which are set out in "History, Reorganization and Corporate Structure" in this Prospectus
"Reserved Shares"	the 58,823,000 Shares being offered by our Company pursuant to the Preferential Offering at the Offer Price to the Qualifying Shimao Group Holdings Shareholders as Assured Entitlement, which are to be allocated out of the International Offer Shares as described in "Structure of the Global Offering" in this Prospectus;
"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);
"Sale Shares"	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering (excluding pursuant to the Over-allotment Option);
"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), previously known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局);

"SAT"	the State 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;
"Selling Shareholder"	Best Cosmos;
"Sequoia Capital China"	in the context of this Prospectus means SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. collectively, each an Independent Third Party;
"Series A Preferred Share(s)"	the series A preferred shares of par value HK$0.01 per share in the authorized capital of our Company, of which 10,000 series A preferred shares are in issue as of the Latest Practicable Date, each having the rights and preferences, privileges and restrictions, details of which are set out in the section headed "History, Reorganization and Corporate Structure";
"Series A Preferred Share Purchase Agreement"	the series A preferred share purchase agreement dated April 30, 2020 between, among others, the Company, certain of its subsidiaries, Best Cosmos, Shimao Group Holdings and the Pre-IPO Investors;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shanghai Aoling"	上海奧聆企業管理有限公司 (Shanghai Aoling Enterprise Management Co., Ltd.), a limited liability company established in the PRC on June 17, 2019 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Fanying"	上海繁英環境工程有限公司 (Shanghai Fanying Environmental Engineering Co., Ltd.) (formerly known as 上海繁英園林綠化工程有限公司 (Shanghai Fanying Landscaping Engineering Co., Ltd.)), a limited liability company established in the PRC on December 30, 2014 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Guanghe"	上海光核教育科技有限公司 (Shanghai Guanghe Education Technology Co., Ltd.), a limited liability company established in the PRC on April 9, 2019 and an indirect wholly-owned subsidiary of our Company;

"Shanghai Huiguan"	上海卉觀園林景觀工程有限公司 (Shanghai Huiguan Landscape Engineering Co., Ltd.), a limited liability company established in the PRC on May 6, 2011 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Jiashu"	上海嘉樞企業管理有限公司 (Shanghai Jiashu Enterprise Management Co., Ltd.), a limited liability company established in the PRC on July 17, 2019 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Maojia"	上海茂嘉物業服務有限公司 (Shanghai Maojia Property Services Co., Ltd.), a limited liability company established in the PRC on August 3, 2020 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Maosheng"	上海茂聲智能科技有限公司 (Shanghai Maosheng Intelligent Technology Co., Ltd.), a limited liability company established in the PRC on December 30, 2019 and an indirect subsidiary of our Company, which is owned as to 51% by Shimao IoT and 49% by an Independent Third Party save for its interest therein;
"Shanghai Maoyi"	上海茂怡管理諮詢有限公司 (Shanghai Maoyi Management Consulting Co., Ltd.) (formerly known as 上海茂怡酒店管理有限公司 (Shanghai Maoyi Hotel Management Co., Ltd.), a limited liability company established in the PRC on March 19, 2014 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Runshang"	上海潤尚房地產經紀有限公司 (Shanghai Runshang Real Estate Agency Co., Ltd.), a limited liability company established in the PRC on August 9, 2012 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Shibei"	上海世貝智能化工程有限公司 (Shanghai Shibei Intelligent Engineering Co., Ltd.), a limited liability company established in the PRC on December 30, 2014 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Shibin"	上海世濱電子商務有限公司 (Shanghai Shibin E-Commerce Co., Ltd.), a limited liability company established in the PRC on December 24, 2014 and an indirect wholly-owned subsidiary of our Company;

"Shanghai Shijihui"	上海世集匯企業管理有限公司(Shanghai Shijihui Enterprises Management Co., Ltd.) (formerly known as 上海世集匯商業管理有限公司 (Shanghai Shijihui Commercial Management Co., Ltd.)), a limited liability company established in the PRC on March 18, 2020 and an indirect wholly-owned subsidiary of our Company;
"Shanghai Shimao"	上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.), a limited liability company established in the PRC on July 1, 1992, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600823), and a non wholly-owned subsidiary of Shimao Group Holdings;
"Shanghai Shimao Group"	Shanghai Shimao and its subsidiaries;
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of the Company, which are to be traded in Hong Kong dollars and listed on the Main Board;
"Shareholders"	holders of our Shares;
"Shimao Group"	Shimao Group Holdings and its subsidiaries which for the purpose of this Prospectus and unless the context otherwise requires, excludes our Group;
"Shimao Group Holdings"	Shimao Group Holdings Limited (世茂集團控股有限公司) (formerly known as Shimao Property Holdings Limited (世茂房地產控股有限公司)) (stock code: 813), an exempted company incorporated in the Cayman Islands with limited liability on October 29, 2004, the shares of which are listed on the Main Board of the Stock Exchange, and one of our Controlling Shareholders;
"Shimao Group Holdings Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of Shimao Group Holdings;
"Shimao Group Holdings Shareholder(s)"	holder(s) of Shimao Group Holdings Shares;
"Shimao Macalline"	上海世茂美凱龍家居科技有限公司 (Shanghai Shimao Macalline Home Technology Co., Ltd.) (formerly known as 上海天茆建設工程有限公司 (Shanghai Tianmao Construction Engineering Co., Ltd.)), a limited liability company established in the PRC on April 14, 2017 and an indirect subsidiary of our Company, which is owned as to 51% by Shanghai Jiashu and 49% by an Independent Third Party save for the interest therein;

"Shimao Services BVI"	Shimao Services (BVI) Limited, a BVI business company incorporated in the BVI with limited liability on December 4, 2019 and is a direct wholly-owned subsidiary of our Company;
"Shimao Tiancheng"	世茂天成物業服務集團有限公司 (Shimao Tiancheng Property Services Group Co., Ltd.) (formerly known as 上海世茂南京物業服務有限公司 (Shanghai Shimao Nanjing Property Services Co., Ltd.), 上海世茂物業服務有限公司 (Shanghai Shimao Property Services Co., Ltd.), 上海世茂第一太平物業服務有限公司 (Shanghai Shimao First Pacific Property Services Co., Ltd.) and 上海世茂第一太平物業管理有限公司 (Shanghai Shimao First Pacific Property Management Co., Ltd.)), a limited liability company established in the PRC on September 16, 2005 and an indirect wholly-owned subsidiary of our Company;
"Shimao IoT"	上海世茂物聯網科技有限公司 (Shimao IoT Technology Co., Ltd.), a limited liability company established in the PRC on December 29, 2018 and an indirect wholly-owned subsidiary of our Company;
"Southern China"	a region in the PRC covering Fujian, Guangdong, Hainan and Guangxi Provinces for purpose of this Prospectus;
"Specified Territories"	jurisdictions outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdictions, Shimao Group Holdings and our Company consider the exclusion of the Shimao Group Holdings Shareholders with registered addresses in, or who are otherwise known by Shimao Group Holdings to be residents of, such jurisdictions from the Preferential Offering to be necessary or expedient;
"Spin-off"	the separate listing of our Shares on the Main Board, by way of Global Offering (including the Preferential Offering);
"sq.m."	the measurement unit of square meters;
"Stabilization Manager"	Morgan Stanley Asia Limited;
"State Council"	State Council of the PRC (中華人民共和國國務院);

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilization Manager (or its affiliate(s)) and Best Cosmos, pursuant to which the Stabilization Manager (or its affiliate(s)) may borrow up to 88,235,000 Shares to cover any over-allocations in the International Offering;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Suifenhe Shifu"	綏芬河世福家居用品有限公司 (Suifenhe Shifu Houseware Co., Ltd.), a limited liability company established in the PRC on December 10, 2018 and an indirect wholly-owned subsidiary of our Company;
"Super Rocket"	Super Rocket Limited (迅起有限公司), a limited liability company incorporated in Hong Kong on May 16, 2017 and an indirect wholly-owned subsidiary of our Company;
"Suzhou Chongtian"	蘇州翀天智能化工程有限公司 (Suzhou Chongtian Intelligent Engineering Co., Ltd.), a limited liability company established in the PRC on April 3, 2020 and an indirect wholly-owned subsidiary of our Company;
"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;
"Tencent"	Tencent Holdings Limited (騰訊控股有限公司) (stock code: 700), a company listed on the Main Board of the Stock Exchange, and/or its subsidiaries, as the case may be and an Independent Third Party;
"Track Record Period"	the period comprising the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;
"Underwriters"	the Hong Kong Underwriters and the International Underwriters;
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States;
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder;
"VAT"	the PRC value-added tax;
"Warranting Shareholders"	Mr. Hui, Gemfair, Shimao Group Holdings and Best Cosmos;
"Wenzhou Shimao"	溫州世茂物業服務有限公司 (Wenzhou Shimao Property Services Co., Ltd.), a limited liability company established in the PRC on November 27, 2019 and an indirect wholly-owned subsidiary of our Company;
"**WHITE** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name;
"Xianghe Wantong"	香河萬通物業服務有限公司 (Xianghe Wantong Property Services Co., Ltd.), a limited liability company established in the PRC on July 27, 2011 and an indirect wholly-owned subsidiary of our Company;
"Xuancheng Shimao Tiancheng"	宣城世茂天成物業服務有限公司 (Xuancheng Shimao Tiancheng Property Services Co., Ltd.), a limited liability company established in the PRC on October 17, 2019 and an indirect wholly-owned subsidiary of our Company;
"Yangtze River Delta Region"	a region in the PRC covering Shanghai Municipality, Anhui, Jiangsu and Zhejiang Provinces for purpose of this Prospectus;
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;

"Zheda Sinew"	浙江浙大新宇物業集團有限公司 (Zhejiang Zheda Sinew Property Services Group Co., Ltd.) (formerly known as 浙江浙大新宇集團有限公司 (Zhejiang Zheda Sinew Group Co., Ltd.) and 浙江大學新宇物業發展有限公司 (Zhejiang University Sinew Property Development Co., Ltd.), a limited liability company established in the PRC on January 21, 2000 which was owned as to 26% by Shimao Tiancheng, 40% by Zhejiang Xiangyu and 34% by an Independent Third Party save for its interest therein as of the Latest Practicable Date;
"Zhejiang Xiangyu"	浙江翔宇投資有限公司 (Zhejiang Xiangyu Investment Co., Ltd.), a limited liability company established in the PRC on May 15, 2009 which was owned as to 62.5% by Shimao Tiancheng and 37.5% in aggregate by 21 Independent Third Parties and one other Independent Third Party save for its interest therein as of the Latest Practicable Date.

Unless the content otherwise requires, references to "2017," "2018" and "2019" in this Prospectus refer to our financial year ended December 31 of such year.

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

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

In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"ABS"	asset-backed securities;
"artificial intelligence"	intelligence demonstrated by machines;
"average monthly property management fee(s)"	revenue generated from property management services of the last month of a period divided by the revenue-bearing GFA as of the end of the same period;
"cloud computing"	an Internet computing method that can provide shared computer processing resources and data on demand to computers and other devices;
"commission basis"	a revenue generating model for our property management business line whereby our fee income from property management consists only of a specified percentage of the total management fees payable by the property owners or property developers while the remainder of such management fees would be used to procure services to the property from other service providers;
"common area"	common areas in residential properties, typically including parking lots, swimming pools, advertisement bulletin boards, and club houses;
"contracted GFA"	GFA managed or to be managed by our Group under our operating property management service agreements, including both GFA under management and undelivered GFA;
"GFA"	gross floor area;
"GFA under management"	GFA managed by our Group under operating property management service agreements;
"Grid Unit Management"	a mechanism where we divide properties under our management into grid units and evaluate financial operational performance and customer satisfaction of each grid unit to better monitor our business operations and incentivize our employees;

"Internal Marketization"	a set of policies where we encourage semi-contractual relationships between grid units and our Group to improve accountability and competition;
"IoT" or "Internet of Things"	a network of physical devices, vehicles, buildings and other items embedded with electronics, software, sensors and network connectivity that enable these items to collect and exchange data;
"lump sum basis"	a revenue generating model for our property management business line whereby we charge a predetermined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the all-inclusive fees for all of the property management services provided by our teams and subcontractors. Under a lump sum basis, the property owners and property developers will be responsible for paying our management fees for the sold and unsold units respectively on a monthly basis;
"Mao YUE Island"	a brand under which we offer community educational services;
"More+ platform"	a platform through which we offer marketing and promotional services to third-party home furnishing service providers;
"new tier-one cities"	according to CIA, as of December 31, 2019, included Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou, Dongguan, Qingdao, Shenyang, Ningbo and Kunming as specified by China Business News;
"residential communities" or "residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are nonresidential in nature such as commercial or office units but excluding pure commercial properties;
"revenue-bearing GFA"	the portion of our GFA under management for which we charge property management fees, which equals our GFA under management excluding the GFA of common areas, such as common facilities, visitor parking lots and swimming pools;

"SUNIT"	a set of offline community spaces which we intend to operate under our community value-added services;
"tier-one cities"	according to CIA, as of December 31, 2019, included Beijing, Shanghai, Shenzhen and Guangzhou as specified by China Business News;
"tier-two cities"	according to CIA, as of December 31, 2019, included Wuxi, Foshan, Hefei, Dalian, Fuzhou, Xiamen, Harbin, Jinan, Wenzhou, Nanning, Changchun, Quanzhou, Shijiazhuang, Guiyang, Nanchang, Jinhua, Changzhou, Nantong, Jiaxing, Taiyuan, Xuzhou, Huizhou, Zhuhai, Zhongshan, Taizhou , Yantai, Lanzhou, Shaoxing, Haikou and Yangzhou as specified by China Business News;
"tier-three and tier-four cities"	according to CIA, as of December 31, 2019, included cities in the PRC other than tier-one cities, new tier-one cities and tier-two cities, as specified by China Business News;
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall strength published by CIA solely or jointly with other institution(s) based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility of such companies in the preceding year. The number of companies included in 2015, 2016, 2017, 2018 and 2019 are 210, 200, 200, 220 and 244, respectively. The number of companies for 2015, 2016, 2017, 2018 and 2019 exceeded 100 as multiple companies with the same or very close scores were assigned the same ranking.

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

We have included in this Prospectus forward-looking statements that relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. 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 any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in "Risk Factors" and elsewhere in this Prospectus. In some cases, you can identify these forward-looking statements by words such as "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "propose," "seek," "should," "will," "would" or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- our capability to identify and integrate suitable acquisition targets;
- expected growth of and changes in the PRC property management industry;
- our ability to maintain a strong relationship with our business partners or customers;
- our future business development, results of operations and financial condition;
- the future competitive environment for the PRC property management industry;
- determination of the fair value of our Shares;
- our dividend policy;
- capital market development;

- exchange rate fluctuations and restrictions; and
- risks identified under “Risk Factors” of this Prospectus.

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

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

An investment in our Offer Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial statements and related notes, before you decide to purchase our Offer Shares. You should pay particular attention to the fact that our subsidiaries in China are located in a legal and regulatory environment that in some respects differ significantly from that of other countries. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into (i) risks relating to our business and industry; (ii) risks relating to conducting business in China; and (iii) risks relating to the Global Offering and Spin-off. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A substantial portion of our revenue is derived from property management services to properties developed by the Shimao Group.

A significant portion of our property management service agreements was related to the management of properties developed by the Shimao Group. In 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from property management services provided to such properties accounted for approximately 88.8%, 89.9%, 83.9% and 67.0%, respectively, of our revenue from property management services. However, we do not have control over the Shimao Group's management strategy or the macro-economic factors that affect its business operations. We cannot assure you that the Shimao Group will continue to engage us as their property management service provider or give us priority when selecting their future property management service provider for any properties they develop, particularly because the appointment of property management service provider is subject to a tender process. We may lose business opportunities if the Shimao Group suffers adverse developments that materially affect its property development business. There is no assurance that we will be able to procure property management service agreements from alternative sources to make up for the shortfall in a timely manner or on favorable terms. Nor can we guarantee that we will be successful in any efforts to diversify our customer base. In addition, there is no assurance that all of our property management service agreements with the Shimao Group will be renewed successfully upon their expiration. Should any of these events occur, our results of operations, financial position and growth prospects may be materially and adversely affected.

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

We have been seeking to expand our business since our inception through organic growth, acquisitions of and strategic investments in other property management companies. For example, in 2019, we acquired Hailiang Property Management which had properties under management in Anhui Province and 12 other provinces in China, adding GFA under management and contracted GFA of 14.8 million sq.m. and 16.7 million sq.m., respectively, to our property management portfolio as of December 31, 2019. We also acquired a 51% equity interest in Quanzhou Sanyuan, a property management company in Fujian Province, in 2019, which added GFA under management and contracted GFA of 1.3 million sq.m. and 1.5 million sq.m., respectively, to our portfolio as of December 31, 2019. In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai, adding GFA under management and contracted GFA of 3.8 million sq.m. and 3.9 million sq.m., respectively, to our property management portfolio as of June 30, 2020. In March 2020, we acquired a 51% equity interest in Fusheng Life Services, adding GFA under management and contracted GFA of 10.7 million sq.m. and 15.0 million sq.m., respectively, to our property portfolio as of June 30, 2020. In June 2020, we acquired a 67% equity interest in Chengdu Xinyi, adding GFA under management and contracted GFA of 2.3 million sq.m. and 2.3 million sq.m., respectively, to our property portfolio as of June 30, 2020.

We plan to continue to increase the total GFA under our management and the number of properties in existing and new markets, including properties developed by the Shimao Group, its joint ventures or associates and independent third-party property developers. See “Business — Our Business Strategies — Continue to Expand Our Business Scale through Multiple Channels.” However, our expansion plans are based on our assessment of market prospects. We cannot assure you that our assessment is correct or that we can grow our business as planned. Our expansion may be affected by a number of factors, most of which are beyond our control. Such factors include:

- changes in China’s economic condition in general and the real estate market in particular;
- changes in disposable personal income in China;
- changes in government regulations;
- changes in the supply of and demand for property management and value-added services;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable subcontractors and suppliers;
- our ability to understand the needs of property developers, property owners, and residents in the properties;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more connections, resources and experience than us; and

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

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

We have expanded our business through acquisitions, which may fail to yield the desired benefits, leading to goodwill and intangible asset impairments and investment losses.

In 2019, we acquired 100% equity interest in Hailiang Property Management and a controlling interest in Quanzhou Sanyuan. In the six months ended June 30, 2020, we acquired 100% equity interest in Guangzhou Yuetai 51% equity interest of Fusheng Life Services and 67% equity interest of Chengdu Xinyi. Since June 30, 2020 and up to the Latest Practicable Date, we have conducted several other acquisitions. For example, on July 21, 2020, we acquired a 100% equity interest of Beijing Guancheng. On August 5, 2020, we acquired a 51% equity interest in Zheda Sinew. See "Business — Property Management Services — Portfolio of Properties under Our Management." We may acquire or invest in other companies to expand our business scale. Our ability to generate profits and cash flow from these new businesses will depend on our ability to integrate them with our existing business, which may be affected by a variety of factors not within our control, such as the complexity and size of their business operations, limited experience in managing certain types of properties and certain type of business, the risks of operating in new markets, unfamiliarity in corporate cultures, the inability to retain key personnel, as well as additional hidden costs associated with the acquisition and investment and the integration of these new businesses into our operations. If we fail to successfully integrate and manage the new businesses, we may not be able to expand as originally planned prior to the acquisition or investment. In particular, one of the main business lines of Zheda Sinew is catering services. Any rise in the cost of raw materials such as food ingredients may lead to declines in its profit margins and results of operations. Fluctuations in weather, supply and demand and economic conditions could adversely affect the costs, availability and quality of its critical food materials and ingredients. If Zheda Sinew is not able to obtain the requisite quantities of quality ingredients at commercially reasonably prices, its ability to provide the menu items that are vital to its business would be adversely affected. If the costs of ingredients that it uses increase in the future and it cannot pass these cost increases onto its customers, its operating margins may decrease. Moreover, Zheda Sinew offers a wide range of lifestyle services, including on-campus catering services, accommodation services and business trading services. These services are very different from our main property management services, and we cannot assure you that our entry into the lifestyle services will be successful, or at all, which could materially and adversely affect our results of operations and financial condition.

In addition, we may be held liable for historical non-compliances of acquisition targets. For example, Zheda Sinew has failed to fully comply with the relevant laws and regulations on social insurance and housing provident fund contributions during the Track Record Period. In addition, it had exceeded the limit on the percentage of outsourced labor over its total number of employees by 589 people. The relevant PRC authorities may demand Zheda Sinew to reduce the percentage of outsourced labor and may impose a penalty of approximately RMB3.0 million to RMB5.9 million if Zheda Sinew fails to reduce the percentage within stipulated period. Although the acquisition agreement of Zheda Sinew provided that the original shareholders of Zheda Sinew would be responsible for any penalties or shortfalls in relation to the above-mentioned non-compliances, we cannot guarantee that the original shareholders would fulfill their obligations, or that we would not be ultimately responsible for paying such penalties or payments, which could materially and adversely affect our results of operations and financial condition.

From a financial perspective, if we cannot effectively integrate and manage the new businesses, we may incur goodwill impairment or fair value loss on investments. For acquisitions where we acquire a controlling interest in the acquiree such as Hailiang Property Management, Quanzhou Sanyuan, Guangzhou Yuetai, Fusheng Life Services, Chengdu Xinyi, Xianghe Wantong, Beijing Guancheng and Zheda Sinew, we recognize goodwill in the amount of the difference between the fair value of the acquiree on the acquisition date and the consideration we agreed to transfer. If subsequently the estimated recoverable amount of the acquiree drops below its carrying value, we recognize impairment to goodwill. Therefore, if we fail to integrate and manage the acquired business, its future cash generating capabilities could be negatively affected, which could lead to potential goodwill impairment, thus materially and adversely affecting our results of operations and financial condition.

For non-wholly owned acquisition targets in which we hold a controlling interest such as Quanzhou Sanyuan, Fusheng Life Services, Shimao Macalline, Chengdu Xinyi and Zheda Sinew, we recognize investments initially at cost. If the investee's performance falls below our expectations prior to the investment, it could lead to a material and adverse impact on our results of operations and financial condition.

The key assumptions on which we base to undertake impairment testing of goodwill may not be accurate and we may recognize significant impairment to goodwill as of December 31, 2020.

As of June 30, 2020, goodwill of RMB352.1 million has been allocated to Quanzhou Sanyuan, Hailiang Property Management, Xianghe Wantong, Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi. Management performed an impairment assessment on the goodwill arising from the acquisitions of these subsidiaries except for Chengdu Xinyi. We recognize impairment to goodwill when the estimated recoverable amount of an acquiree drops below its carrying value. According to the independent valuer who assessed the recoverable amounts of the property management business operated by these subsidiaries, all of their recoverable amounts exceeded their carrying value, respectively, as of June 30, 2020. As such, we determined that there was no impairment provision on goodwill as of June 30, 2020.

However, the recoverable amounts were determined based on value-in-use, or VIU calculation and estimating the value-in-use require us to make an estimation of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the impairment assessment of goodwill. As such, we cannot assure you that each key assumption on which we have based its cash flow projections to undertake impairment testing of goodwill is accurate. For details about the key assumptions, see "Financial Information — Significant Accounting Policies, Accounting Estimates and Judgments — Goodwill." Furthermore, we cannot assure that there will not be impairment to goodwill in the future. If we fail to integrate and manage the acquired business, its future cash generating capabilities can be negatively affected, which could lead to potential goodwill impairment.

In addition, we have not performed an impairment assessment on the goodwill in relation to the acquisition of Chengdu Xinyi, which was completed in June 2020. Subsequent impairment assessments on the goodwill in relation to Chengdu Xinyi may indicate that its estimated recoverable amount is significantly below its carrying value. In that case, we may recognize significant impairment to goodwill in the year ending December 31, 2020.

Meanwhile, assuming that the acquisition of Beijing Guancheng and Zheda Sinew had been completed as of June 30, 2020, goodwill of RMB77.3 million and RMB360.8 million would have been allocated to them. This may lead to significant increase in our intangible assets and goodwill as of December 31, 2020. However, if subsequent impairment assessments on the goodwill in relation to Beijing Guancheng and Zheda Sinew indicate that the estimated recoverable amount of one or both of them is significantly below the carrying value, we may also recognize significant impairment to goodwill in the year ending December 31, 2020, which could materially adversely affect our results of operations and financial condition.

Our future acquisitions may not be successful.

We plan to continue to evaluate opportunities to acquire other property management companies and other businesses that are supplementary to our existing business and integrate their operations into our business. However, we cannot assure you that we will be able to identify suitable opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. Additionally, our acquisitions may expose us to business risks that we have no experience of. For example, with our acquisition of Zheda Sinew, we began to offer lifestyle services, including on-campus catering services, accommodation services and business trading services. These services are very different from our main property management services, and we cannot assure you that our entry into the lifestyle services will be successful, or at all, which could materially and adversely affect our results of operations and financial condition.

Acquisitions that we complete also involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- inability to apply our business model or standardized business processes on the acquisition targets;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

We plan to use part of the net proceeds raised from the Global Offering to pursue strategic acquisition and investment opportunities and to further develop strategic alliances and expand our property portfolio. As of the date of the Prospectus, we have not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds." If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons beyond our control, the net proceeds may not be effectively used, and we may not be able to expand our business scale through acquisitions.

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

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

We usually enter into preliminary property management service agreements with property developers during the later stages of property development. We cannot assure you that we will be able to maintain our high success rate in obtaining such preliminary property management service agreements from the Shimao Group or other developers. In addition, such contracts are transitional in nature and facilitate the transfer of legal and actual control of the properties from property developers to property owners. A preliminary property management service agreement typically expires when another property management service provider is selected through the property owners' general meeting and the property management service agreement entered into between the property owners' association and the newly selected property management service provider becomes effective. We cannot guarantee that the property owners' associations will retain our services instead of replacing us with our competitors. Our customers select property management companies based on service quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms to their satisfaction.

We are subject to risks in relation to fair value changes and credit risks of our financial assets at fair value through profit or loss, or FVTPL, and financial assets at fair value through other comprehensive income.

We had FVTPL of nil, nil, nil and RMB69.9 million as of the as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively, primarily comprising wealth management products, the fair value of which may be subject to changes for the relevant period due to the addition or disposal of such assets, and gains or losses for the period recognized in profit or loss. We had financial assets at fair value through other comprehensive income of nil, nil, nil and RMB0.4 million same dates, respectively. Any decreases in the fair value of FVTPL may adversely affect our net profit. In addition, we cannot assure you that we will able to redeem our FVTPL when they become due if the financial institution fails to perform their payment obligation. In addition, we may record fair value losses from financial assets at fair value through other comprehensive income. Any occurrence of the above-mentioned event may adversely affect our financial position and results of operations.

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

We typically enter into property management service agreements with property developers and property owners' associations who are generally entitled to change property management companies upon expiration of existing property management service agreements. We cannot guarantee that the property developers and property owners' associations will renew their agreements with us and continue to engage us upon expiration of existing agreements, nor can we guarantee that our ongoing service agreements will not be terminated for cause prior to expirations. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our retention rate for property management service agreements was approximately 100%, 97.9%, 98.9% and 99.0%, respectively. There is no guarantee that we would be able to find other business opportunities and enter into alternative property management service agreements on favorable terms, or at all. If we fail to renew our current property management service agreements, or if we are terminated or dismissed prior to their expirations for cause, we may not be able to acquire new customers to compensate for our loss of business, and our brand image, results of operations and financial condition could be materially and adversely affected.

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

We generated a substantial portion of our revenue from property management services on a lump sum basis, which accounted for 99.6%, 99.7%, 99.8% and 99.8% of our revenue from property management services in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. On a lump sum basis, we charge property management fees at a predetermined fixed price per sq.m. per month, representing all-inclusive fees for the property management services provided. When total costs and expenses incurred exceed the amount of property management fees we receive, we bear the shortfall and may not charge additional fees from property developers, property owners or residents during the agreement term. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, based on our unaudited management accounts, we incurred losses of RMB19.6 million, RMB36.0 million, RMB33.2 million, RMB6.4 million and RMB16.7 million, respectively, with respect to 14, 19, 28, 11 and 22 properties under our management, respectively. Such losses were primarily because (i) for certain properties which we had managed for a long time, the pricing has not been adjusted for many years; and (ii) for certain high-end properties and properties located in remote areas, we assigned additional personnel to ensure service quality. Our revenue from property management services from such loss-making properties based on our unaudited management accounts was approximately RMB77.5 million, RMB145.4 million, RMB133.4 million, RMB38.5 million and RMB64.1 million in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 7.4%, 10.9%, 5.5%, 4.6% and 7.8% of our revenue from property management services for the same periods, respectively. To avoid losses, we can either improve our fee rates when renewing service agreements, or control our costs and expenses through a series of cost-saving initiatives. We are subject to pricing guidances for our property management fees in certain cities of the PRC. In those cities, relevant pricing guidances may limit our abilities to raise our fee rates, which may adversely affect our results of operations and financial condition. See "Regulatory Overview — Legal Supervision over Property Management Services — Fees Charged by Property Management Enterprises" for more details. We cannot guarantee that we will successfully raise our fee rates; nor can we guarantee that the cost-saving initiative will achieve their intended results, which could materially and adversely affect our results of operations and financial condition.

We may experience increases in labor and subcontracting costs.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, our staff costs represented 60.8%, 64.7%, 51.1% and 44.8%, respectively, of our total cost of sales. During the same periods, our subcontracting costs represented 24.1%, 22.4%, 25.8% and 26.7%, respectively, of our total cost of sales. The property management industry is a labor intensive industry. Thus, it is critical for us to control and reduce our labor and subcontracting costs to maintain and improve our profit margins. We face pressure from rising labor and subcontracting costs due to various factors, including but not limited to:

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

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

- *Delay in implementing management digitalization, service professionalization, procedure standardization and operation automation.* There is a lapse in time between our commencement of property management services for a particular property and any implementation of our management digitalization, service professionalization, procedure standardization and operation automation measures to that property to reduce labor costs. Before we carry out such measures, our ability to mitigate the impact of labor cost increase is limited.

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

Our profitability may decrease if we reduce reliance on the Shimao Group or its joint ventures and associates whose properties we charged higher average property manage fee than those developed by independent third-party property developers during the Track Record Period.

Historically, we charged higher average property management fees for residential properties developed by the Shimao Group and joint ventures and associates of the Shimao Group compared to those developed by independent third-party property developers. In 2017, 2018 and 2019 and the six months ended June 30, 2020, our average monthly property management fee per sq.m. was RMB2.3, RMB2.4, RMB2.4 and RMB2.4, respectively, for residential properties developed by the Shimao Group, and RMB2.4 , RMB2.5, RMB2.5 and RMB2.6, respectively, for residential properties developed by the joint ventures and associates of the Shimao Group. By contrast, in 2017, 2018 and 2019 and the six months ended June 30, 2020, our average monthly property management fee per sq.m. was RMB2.5, RMB1.8, RMB1.5 and RMB1.6, respectively, for residential properties developed by independent third-party developers. The relatively low average monthly property management fee per sq.m. for residential properties developed by independent third-party developers in 2019 was primarily due to our acquisition of Hailiang Property Management in 2019 which primarily offered property management services to residential properties located in cities that are tier-three and below, where average property management fees are typically lower.

While we plan to continue to work with the Shimao Group and its joint ventures and associates, we also plan to increase our efforts to obtain new engagements for properties developed by independent third-party property developers. For example, in 2019, we acquired a 100% equity interest in Hailiang Property Management as well as a 51% equity interest in Quanzhou Sanyuan, increasing the percentage of properties (in terms of GFA under management) developed by independent third-party developers from 0.8% as of December 31, 2018 to 25.5% as of December 31, 2019. The percentage of properties (in terms of GFA under management) developed by independent third-party developers further increased to 37.9% in the six months ended June 30, 2020 as a result of our acquisitions conducted in the six months ended June 30, 2020, mainly including the acquisitions of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi. As we continue to expand our business operations by exploring opportunities with independent third-party property developers and increasing the percentage of revenue from property management services to properties developed by independent third-party developers, if the properties under management by the acquisition targets are located in lower tier cities, and/or if they are not profitable, our results of operations in terms of profitability may be materially adversely affected.

Shimao Group Holdings may cease to be our Controlling Shareholder if its equity interest in us drops in the future.

Shimao Group Holdings is one of our Controlling Shareholders, holding its interest in us through its wholly-owned subsidiary Best Cosmos. Shimao Group Holdings and Best Cosmos have provided certain profit guarantee to our Pre-IPO Investors. We cannot assure you that our audited consolidated net profit and audited consolidated revenue for the year ending December 31, 2021 will be at or above the guaranteed amounts, and in the event the guaranteed amounts are not met, the Pre-IPO Investors will have the option to require compensation from Shimao Group Holdings and Best Cosmos in the form of Shares. For the potential impact on the shareholding of Shimao Group Holdings in us in the event the consolidated net profit and the consolidated revenue of our Group for the year ending December 31, 2021 remain the same as those for the year ended December 31, 2019 while taking into account the 2019 pro forma results of Zheda Sinew, and both Pre-IPO Investors opt for compensation in the form of Shares, see "History, Reorganization and Corporate Structure — Pre-IPO Investments — 2. Special Rights." In such scenario, Shimao Group Holdings would, through Best Cosmos, remain our Controlling Shareholder and would continue to hold an interest of not less than 50% in the Company. None of the Pre-IPO Investors would hold 30% or more of the interest in the Company upon the transfer of the compensation Shares in such scenario.

However, Shimao Group Holdings may cease to be our Controlling Shareholder if its equity interest in us declines due to various reasons, including but not limited to (i) Shimao Group Holdings' decision to reduce its investment in our Company due to strategic shifts; (ii) the joining of other investors which dilute Shimao Group's equity interest; and (iii) where the consolidated net profit and the consolidated revenue of our Group for the year ending December 31, 2021 is lower than the level adopted in the hypothetical scenario set out in "History, Reorganization and Corporate Structure — Pre-IPO Investments — 2. Special Rights" to such an extent that results in Shimao Group Holdings and Best Cosmos holding, after making the Share compensation, less than 50% of the equity interest in our Company or even ceasing to be our Controlling Shareholders. If Shimao Group Holdings ceases to be our Controlling Shareholder, its interests may no longer be as closely aligned with ours. During the Track Record Period, our close business cooperation with the Shimao Group helped us solidify our market position and expand our business nationwide. However, if Shimao Group Holdings is no longer our Controlling Shareholder, we cannot assure you that we will continue to be able to capitalize on the growth and expansion of the Shimao Group, or continue to leverage the commercial resources from the Shimao Group, which could materially adversely affect our business prospects, results of operations and financial condition.

Some of our community value-added services were recently launched with limited history.

Some of our community value-added services were recently launched, such as our smart community solutions and home improvement services. We have limited experience in operating such businesses in a competitive market. We have encountered and expect to continue to encounter risks and difficulties frequently experienced in relation to new business offerings, and those risks and difficulties may be heightened in a rapidly evolving market. Some of the risks may affect our ability to:

- retain customers and qualified employees;
- maintain stable cooperation with strategic partners to offer certain businesses, such as home improvement services;
- maintain effective control of our development as well as operating costs and expenses;
- develop and maintain internal personnel, systems, controls and procedures to comply with the extensive regulatory requirements applicable to the relevant industries;
- respond to competitive market conditions in the relevant industries; and
- respond to changes in our regulatory environment.

Our failure to achieve any of the above may jeopardize our ability to offer newly introduced community value-added services, as well as other new service offerings we plan to launch, which in turn would cause an adverse effect on our business and prospects, and financial position, results of operations and cash flows.

Our plan to expand our community value-added service scope might not be successful.

We plan to offer additional community value-added services to property owners and residents in certain residential properties under our management, such as property sales and rental facilitation services, home furnishing services, ticketing services and operations of community healthcare service. See "Business — Our Business Strategies — Continue to Expand Our Business

Scale through Multiple Channels" and "Business — Our Business Strategies — Diversify People-oriented and Property-oriented Value-added Service Offerings." Our expansion plans are based on our assessment of market prospects and customer demand and preferences. We cannot assure you that our assessment is correct or that we can expand as planned.

Currently, we are not required to obtain permits or certificates for conducting and operating our community education services under the Mao YUE Island (茂YUE島). However, when we expand our educational service scope under our Mao YUE Island brand, we may be required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For example, we may be required to obtain private school operation permits by some local authorities. If we fail to obtain any required permit or certificate in a timely manner or renew any such permit or certificate, we may be subject to fines, suspension of our non-compliant operations, compensation payments for any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business, financial condition and results of operations.

Moreover, some of the community value-added services may only be performed by professionals with the relevant training or licenses. We may not be able to attract and retain sufficient number of qualified practitioner or staff to expand our services as planned. As our service coverage is limited by physical locations, we might need to maintain professional staff at each residential community where we provide such community services, which may increase our labor costs. In addition, we cannot assure you that there will be sufficient consumer interest for our services at the residential communities where these services are offered, or that we may be able adjust our services to meet customer needs in a timely manner. Therefore, there is no guarantee that we will be able to generate profits from any of these services.

Furthermore, since we have limited prior experience in offering these services, we cannot guarantee that we can gain relevant management expertise, recruit sufficient professionals and adapt to the regulatory environment in a timely fashion. Any such delay could materially and adversely affect our expansion plans, which in turn could have a material and adverse effect on our results of operations and financial condition.

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

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

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on the PRC property management industry, and adversely affect our business operations. For example, to comply with the requirements of local governments with respect to community management during the outbreak of the COVID-19 pandemic, we assigned additional personnel and incurred additional costs to conduct visitor control for properties under our management. In addition, we expect that revenue from value-added services provided to non-property owners may decrease as a result of the closure of sales offices and display units during the outbreak of the COVID-19 pandemic. We are uncertain as to when the COVID-19 pandemic will be contained in China and globally, and we also cannot predict whether COVID-19 pandemic will have long-term impact on our business operations. If we are not able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenue from as anticipated, our business operations, financial condition and prospects may subsequently be materially and adversely affected. See "Business — Effects of the COVID-19 Pandemic."

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

We may encounter difficulties in collecting property management fees from customers especially in communities where the move-in rate is relatively low. We cannot assure you that our measures to collect overdue property management fees will be effective or enable us to improve our future collection rate. Our collection rate of property management fees, calculated as the aggregate property management fees we actually collected during a period divided by the aggregate amount of property management fees to which we are entitled during the same period, was 96.5%, 95.3%, 94.7% and 85.3%, respectively, in 2017, 2018 and 2019 and the six months ended June 30, 2020. Our collection rate of our property management fees for the six months ended June 30, 2020 was relatively low compared to those for the prior years because property owners tend to pay such fees in one or more installments during or towards the end of a year. As a result, in general, the collection rate of our property management fees is lower in the first half of a year and continues to increase towards the end of such year.

Our loss allowance provision for trade receivables increased from RMB33.3 million as of December 31, 2017 to RMB35.5 million as of December 31, 2018 and RMB41.3 million as of December 31, 2019, and further to RMB52.6 million as of June 30, 2020. The steady increases were primarily due to the annual increases in our revenue and business volume. We make estimates and related assumptions when determining loss allowance provision for trade receivables. However, such estimates or assumptions may need to be adjusted if new information becomes known. See "Financial Information — Significant Accounting Policies, Accounting Estimates and Judgments — Trade and Other Receivables." In the event that the actual recoverability is lower than expected, or that our past impairment loss on trade receivables becomes insufficient in light of any new information, we may need to increase allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

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

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

We rely on third-party subcontractors to perform certain property management services.

We subcontract certain property management services, including security, cleaning, greening and gardening, and common area facility repair and maintenance services, to third-party subcontractors. In 2017, 2018 and 2019 and the six months ended June 30, 2020, the fees paid to third-party subcontractors were approximately RMB181.8 million, RMB210.4 million, RMB425.6 million and RMB276.2 million, respectively, which accounted for approximately 24.1%, 22.4%, 25.8% and 26.7% of our total cost of sales, respectively. We may not be able to monitor their services as directly and efficiently as with our own services. We have limited control over our subcontractors or their workers. Subcontractors may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may be subject to disputes with our subcontractors, may be sued in relation to services provided by subcontractors or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims.

We cannot assure you that upon the expiration of our agreements with our current third-party subcontractors we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all.

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

We may fail to compete effectively.

According to CIA, China's property management industry is highly competitive and fragmented. See "Industry Overview — Competition — Competitive Landscape." Our major competitors include large national, regional and local property management companies. Competition may intensify as our competitors expand their product or service offerings or as new competitors enter into our existing or new markets. We believe that we compete with our competitors on a number of factors, including business scale, brand recognition, financial resources, price and service quality. Our competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale and support of their services than us. In addition to competition from established companies, emerging companies may enter into our existing or new markets. We cannot assure you that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success is, in part, attributed to our standardization of operations in providing our property management services. We plan to refine our service standardization practice to enhance the quality and consistency of our services, improve our on-site service teams' efficiency and reduce our costs. Our competitors may emulate our business model, and we may lose a competitive advantage that we believe has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

Furthermore, we may lose property developer clients who decide to enter into the property management business themselves, which will also intensify competition in the market. We seek to have large and reputable property developers as our clients, and such clients may develop their own property management businesses and provide property management services in-house. In such event, we may lose future business from such property developers, and our business, results of operations and financial position could be materially and adversely affected.

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

In 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our property management services on a commission basis accounted for 0.4%, 0.3%, 0.2% and 0.2%, respectively, of our revenue from property management services. When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners. Since the management offices of these communities have no separate bank accounts, all transactions related to these management offices are settled through our finance department. As of the end of a period, if the working capital of a management office accumulated in our finance department is insufficient to cover the expenses the management office has incurred and paid through our finance department to arrange for property management services at the relevant community, the shortfall is recognized as receivables subject to impairment. Our management makes estimates on whether the management offices have the ability to settle the payments made on behalf of residents. For the balances that our management believes may not be recovered within a reasonable time, we write such balances off as an impairment of trade receivables.

Although our management's estimates were made in accordance with currently available information, such estimates may not be accurate. In the event that the actual recoverability is lower than expected, or that our past allowance on bad debt becomes insufficient in light of new information, we may need to make more allowance on bad debt, which in turn may materially and adversely affect our business, financial position and results of operations.

We may not be able to collect indemnity from the selling shareholders of our acquired companies for residual liabilities arising from the acquired companies' non-compliances and/or disputes prior to our acquisition, and we may be unable to include the indemnity clauses in the agreements of our future acquisition.

We have been seeking to expand our business through acquisitions of other property management companies. For example, in 2019, we acquired a 100% equity interest in Hailiang

Property Management and a 51% equity interest in Quanzhou Sanyuan. In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai. In March 2020, we acquired a 51% equity interest in Fusheng Life Services. In June 2020, we acquired a 67% equity interest in Chengdu Xinyi. In August, 2020, we acquired a 51% equity interest in Zheda Sinew. In July 2020, we acquired a 100% equity interest in Beijing Guancheng.

Except for the acquisition agreement of Fusheng Life Services, all of our standard acquisition agreements have indemnified us from any residual liabilities or potential penalty arising from the acquired companies' non-compliances and/or disputes prior to the acquisition. However, we may encounter difficulties in collecting indemnity from the selling shareholders of the acquired companies if we are held liable for such non-compliances or disputes. We cannot assure you that our measures to collect indemnity will be effective. With respect to Fusheng Life Services, the acquisition agreement did not provide such terms. While the relevant non-compliance and disputes do not have materially adverse impact on our operation and financial condition, we cannot assure you that we will not be liable for other non-compliance or disputes related to Fusheng Life Services in the future, which may materially impact our operation and financial condition.

In addition, although the indemnity clause is a standard term in our acquisition agreements, we may not be able to include the indemnity clause in our future acquisition agreements. Even if we do, we may not be able to collect indemnity if we are held liable for such non-compliances or disputes, which could materially adversely affect our results of operations and financial condition.

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

We use various platforms and systems in our business operations. We have established a set of policies on data recovery and access management to deal with failures and disruptions to our information technology systems. See "Business — Management Digitalization, Service Professionalization, Procedure Standardization and Operation Automation — Contingency Plans and Access Management." If we are unable to detect any system error, we may experience system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays or other technical problems that make any of our relevant online applications and their services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of our applications and even incur losses to our customers who may bring legal proceedings against us. Moreover, failures in or disruptions to our information technology systems, loss or leakage of confidential information, breach of network security or other misappropriation or misuse of personal information could cause transaction errors, processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

We entered into some of our property management agreements without going through the required tender and bidding process.

From 2017 to 2019, we were selected to provide management services for two properties with an aggregate GFA under management of 0.6 million sq.m. without going through the required tender and bidding processes, because as confirmed by our PRC Legal Advisors we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations, and we obtained the relevant property management service agreements through regular business negotiations at arm's length. We did not derive any revenue from these two properties in 2017. Based on our unaudited management account, the revenue from our management of these two properties accounted for 0.04%, 0.2% and 0.4%, respectively, of our total revenue in 2018 and 2019 and the six months ended June 30, 2020. In the six months ended June 30, 2020, we obtained management service agreements for additional 13 properties as a result of our acquisitions of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi, with an aggregate GFA under management of 1.9 million sq.m. without going through the required tender and bidding process. The failure of these 13 properties to go through the required tender and bidding processes took place before our acquisitions of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi. These 13 properties were managed by Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi, which we acquired in January 2020, March 2020 and June 2020, respectively. Revenue derived from the management of these 13 properties amounted to RMB9.7 million in the six months ended June 30, 2020, accounting for 0.6% of our total revenue for the six months ended June 30, 2020. Since June 30, 2020 and up to the Latest Practicable Date, we were selected to provide management services for additional four properties with an aggregate GFA under management of 0.7 million sq.m. without going through the required tender and bidding process, because as confirmed by our PRC Legal Advisors we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations, or we obtained these property management service agreements through acquisitions of the relevant subsidiaries. Among these four properties, three were due to our acquisition of Beijing Guancheng and one was obtained from the Shimao Group. See "Business — Property Management Services — Property Management Service Agreements."

Pursuant to the Regulations on Property Management (2018 Revision), a residential property developer shall engage property management companies by going through a tender and bidding process and, a residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement.

Our Directors confirm that the lack of a required tender and bidding process for the selection of property management companies for these 19 properties was primarily attributable to the relevant property developers. Such property management contracts may be determined to be invalid by the administrative authorities or the local judicial authorities, and the relevant property developer may be required to organize a tender and bidding process to select a property management service provider for their developed properties in compliance with the Regulations on Property Management (2018 Revision). In the case that we do not win the tender and bidding, we may not be able to continue our property management services for the relevant properties and, as a result, our revenue and business may be adversely impacted. See "Business — Property Management Services — Property Management Service Agreements."

We recorded net current liabilities.

We recorded net current liabilities of RMB184.7 million as of December 31, 2019. Our net current liabilities as of December 31, 2019 were primarily due to a significant increase in our current liabilities as a result of an increase in trade and other payables caused by the significant advance we received from related parties, an increase in accrued expenses as we expanded our business scale, and the recognition of dividend payables. We recorded net current assets of RMB559.0 million as of June 30, 2020, primarily due to an increase in our current assets driven by the increase cash and cash equivalents as a result of the receipt of proceeds from the Pre-IPO Investments of RMB864.5 million. See "Financial Information — Net Current Assets or Liabilities."

We cannot assure you that we will not record net current liabilities again in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of borrowings will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position may be materially and adversely affected.

We face exposure to fair value change for FVTPL and valuation uncertainty due to the use of unobservable inputs.

During the Track Record Period, under limited circumstances, we purchased low-risk investments for cash management purposes, which mainly included wealth management products issued by reputable banks. As of June 30, 2020, our financial assets at fair value through profit or loss amounted to RMB69.9 million. We face exposure to fair value change for the financial assets at FVTPL. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our result of operations for future periods. In addition, the valuation of fair value change of financial assets at FVTPL are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets at FVTPL valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We may record losses on our carpark inventory.

In 2019, we began to purchase and sell carpark spaces at properties that came under our management as a result of our acquisition of Hailing Property Management. These carpark spaces were treated as our inventories instead of investment properties on our consolidated balance sheets. See "Financial Information — Description of Certain Consolidated Statement of Balance Sheet Items — Inventories" for more details.

The market's preferences regarding the price, quality and location of carpark spaces may change rapidly, making it difficult to accurately forecast future demand. If we overestimate demand, we may choose to sell the carpark spaces at discounts, which may adversely affect our profit margins. We may also be forced to record losses for write-offs on inventory if we fail to sell the carpark spaces or have to sell them at prices that are below our purchase costs, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2017 and 2018 and 2019 and June 30, 2020, we had deferred tax assets of approximately RMB32.1 million, RMB27.3 million, RMB24.6 million and RMB36.7 million, respectively. For details of the movements of our deferred tax assets during the Track Record Period, please refer to note 33 to the Accountant's Report set out in Appendix I to this Prospectus. Based on our accounting policies, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. These estimations of future taxable profits depend on numerous factors beyond the control of our management, and if such judgments turn out to be incorrect or imprecise, we may need to adjust our tax provisions accordingly. We cannot guarantee recoverability and predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may have a material adverse effect on our financial conditions in the future.

Our current tax benefits and government grants may be discontinued.

Hailiang Property Management, our wholly-owned subsidiary acquired in 2019, enjoys a preferential corporate income tax rate of 15% until the year ending December 31, 2030 because its head office is in Tibet Autonomous Region where the 15% tax rate applies as part of the Western Region Development strategy. Chengdu Xinyi, our subsidiary acquired in 2020, enjoys a preferential corporate income tax of 15% until the year ending December 31, 2030 pursuant to the tax policies for China's western development strategy. Shimao IoT, our wholly-owned subsidiary, enjoys tax free treatment in 2020. We cannot assure you that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retroactive effect. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, we recognized government grants in other income of RMB1.4 million, RMB3.0 million, RMB5.0 million and RMB11.3 million, respectively. As government grants are typically awarded at the discretion of the relevant governmental authorities and are one-off in nature, we cannot assure you that we will continue to receive them in the future. We face uncertainty relating to the availability of government grants due to unexpected changes in PRC laws, regulations and governmental policies. Any loss of or reduction in government grants could have an adverse effect on our financial condition, results of operations and prospects.

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

We cannot guarantee that our risk management and internal control systems will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties in a timely and effective manner. Examples of such behavior include crimes such as theft, vandalism and bribery during tenders.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. To the extent that we cannot recover related costs from the employees, subcontractors or third parties involved, we may experience material adverse effects on our business, financial position and results of operations. We may also attract negative publicity, damaging our reputation and brand value.

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

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

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

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

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

Although we have established procedures to monitor the quality of our services and maintained communication channels through which customers may provide feedbacks and submit complaints, there is no assurance that all property owners' and residents' expectations and demands can be addressed in a timely and effective manner. There is no guarantee that certain individual property owners and residents and/or groups of property owners and residents of a property under our management will not have specific demands or expectations which are beyond what we can provide within our normal course of operations. Furthermore, there is no guarantee that, in order to compel us to meet these demands, such property owners and residents will not attempt to exert pressure on us by means beyond our control, such as by way of lodging or making frivolous or vexatious complaints directly to us or through various media sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse effect on our business, our reputation and the trading price of our Shares.

During the Track Record Period, our Directors confirm that we did not receive any complaints from our customers that may have a material adverse impact on our operations and financial position. Nevertheless, we cannot assure you that we will not receive customer complaints which may affect our reputation even if the complaints are frivolous or vexatious.

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

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

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

We could be held liable for accidents or injuries or other harm to residents or other people at properties under our management, including those caused by or otherwise arising in connection with property facilities or employees. We could also face claims alleging that we were negligent, provided inadequate maintenance to property facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our residents or other people at properties under our management. For example, in 2019, there was an accident at one property under our management, which caused two fatalities. We reached an amicable settlement in relation to such accident and paid a compensation of approximately RMB3.0 million. We have implemented a series of risk management policies in terms of personal safety in order to effectively reduce risk of injuries or fatalities. These policies cover areas such as general security, fire safety, safety equipment management and natural disaster management. We regularly inspect electricity and other common area utility equipment to early-detect and repair wear and tear. We routinely hold training and information sessions on various aspects of safety management which improve our staff's safety awareness and provide clear guidance on ensuring personal safety. In addition, we maintain certain liability insurance. However, these policies and insurance coverage may not be adequate to fully protect us from these kinds of incidents and the resulting claims and liabilities. A liability claim against us or any of our employees could adversely affect our reputation. Further, such a claim may create unfavorable publicity, cause us to pay compensation, incur costs in defending such claim and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees.

Our continued success is highly dependent upon the efforts of our Executive Directors and other key employees, including Mr. Hui Sai Tan, Jason, our executive Director and the chairman of our Board, and Mr. Ye Mingjie, our executive Director and president, who are experienced in property management and related industries. We believe our success and future prospects have been, and will continue to be, dependent on the quality of our management team. Our senior management team has extensive experience in the property management related industries, with an average experience of over 13 years. Moreover, our senior management possesses in-depth knowledge of the industry and share the strategic vision and positive outlook of our Company. For details on the experience of our members of our senior management team, see "Directors and Senior Management." If any of our key employees leave and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

We may fail to effectively protect our intellectual property rights.

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

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter.

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

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

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

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

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for our employees. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we made provisions in the amounts of RMB5.8 million, RMB4.3 million, RMB7.6 million and RMB3.0 million, respectively. Under the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), if we do not pay housing provident fund contributions within the stipulated deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we do not make such payments by the stipulated deadline, we may be liable to a fine of one to three times the contribution amount. We cannot assure you that the relevant PRC authorities would not notify and require us in the future to pay the outstanding contributions by a stipulated deadline, or any of our employees would not make complaints or demand for payment for any outstanding contribution. In the case we do not pay the outstanding contributions in accordance with PRC laws and regulations and as required by the relevant PRC authorities, we may be subject to a penalty fine and/or an order from the relevant people's court to enforce such payment. See "Business — Employees — Social Insurance and Housing Provident Fund Contributions."

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

We have been and may continue to be involved in disputes with and subject to claims by property developers, property owners and residents, as well as property management companies to whom we provide services. Disputes may also arise if they are dissatisfied with our services whether reasonably or not. In addition, our customers may take legal action against us if they perceive whether reasonably or not that our services are inconsistent with the standards we agreed to. Furthermore, we have been and may continue to be involved in disputes with, and subject to, claims by other parties involved in our business, including our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages at properties under our management whether or not arising from our fault. As of December 31, 2019 and June 30, 2020, we made provision of approximately RMB3.0 million and RMB5.1 million, respectively, for pending legal claims against us in the ordinary course of our business. Adverse outcome in lawsuits or similar proceedings may result in monetary damage that could adversely affect our results of operations.

In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities. For example, we did not fully withhold individual income taxes on behalf of our employees for certain bonus payments during the Track Record Period due to our unfamiliarity with the relevant PRC laws and regulations. In 2017, 2018 and 2019, the number of employees for whom we did not fully withhold individual income taxes was 59, 133 and nil, respectively. Eventually we paid an RMB2.9 million shortfall and a late fee of RMB0.4 million in 2020, which represents the full and final settlement of our liabilities in connection with the foregoing.

All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

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

We are required to obtain governmental approvals in the form of permits, licenses, certificates and fillings to provide our value-added services. These permits, licenses, certificates and filings are generally issued or renewed only after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles in fulfilling such conditions, which could delay or result in our failure to obtain or renew the required governmental approvals. Moreover, we anticipate that the PRC Government and relevant authorities will promulgate new policies in relation to the conditions for issuance or renewal from time to time. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Though we currently hold the required permits for sales of food products on the Mao Home mobile application, we engaged in the sales of food products before obtaining such permit. Loss of or failure to obtain or renew our permits, licenses and certificates may stall or even result in closure of our business operations, and could materially and adversely affect our business operations, results of operations and financial condition.

Zheda Sinew may not be able to obtain or renew required permits, licenses, certificates or other relevant governmental approvals necessary for its business operations.

Zheda Sinew has a diversified business portfolio, including but not limited to, property management services, catering services, accommodation services and business trading services. It is required to hold relevant licenses, approvals and permits such as Food Operation License (食品經營許可證), among others. It may not successfully or timely obtain or renew such approvals, licenses or permits relating to its business operations now or in the future. Loss of or failure to obtain or renew its permits, licenses and certificates in a timely manner, if at all, may stall or even result in closure of its business operations, and could materially and adversely affect its business operations, results of operations and financial condition.

The operation of our Mao Home mobile application is subject to relevant PRC privacy and personal data protection laws, rules and regulations and any non-compliance may materially affect our business and reputation.

We launched Mao Home mobile application for property owners and residents of our managed properties. During the course of our business operations and through Mao Home, we collect data from our customers. For example, we receive, process and store personal information of property owners and residents when they create an online account and make use of the services available on Mao Home. Although we have implemented a series of measures to ensure the security of our customers' data, our current security measures may still not be sufficient. Privacy and data protection laws for mobile platforms are evolving rapidly. Any failure or perceived failure by us to comply with the relevant privacy and data protection laws, rules, regulations, our data protection policies, or any compromise in data security resulting from unauthorized access, release or transfer of personally identifiable information or data on Mao Home may result in enforcement actions, litigations or public sanctions against us. Any losses of trust or confidence in us by property owners and residents of our managed properties may also deter them from using Mao Home and lead to a long-term detrimental effect on our business and reputation.

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

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

Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines.

As of the Latest Practicable Date, we had not filed the lease agreements for 210 leased properties. According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with the relevant governmental authorities within 30 days after the execution of the lease agreement and if the filing is not made, the governmental authorities may require that the filing to be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. As the lessors of the related leases need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we might be subject to fines. See "Business — Properties."

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

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

The limits on fees imposed by government authorities may negatively affect our pricing capability and profit margin. We may experience diminished profit margins should our labor and other operating costs increase but we are unable to raise property management fees accordingly. If a property is managed on a lump sum basis, we may experience a decrease in profit margin. If a property is managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. In our experience, however, given the stringent governmental regulations on property management fees, together with the difficulties we may face in obtaining the requisite votes at the property owners' meetings, it may be impracticable to collect additional property management fees. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the residents.

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

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

We generated a majority of our revenue from our property management services during the Track Record Period. The performance of our property management services business is primarily dependent on the total GFA and number of residential properties we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC Government regulations of the real estate industry.

The PRC Government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The PRC Government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations.

The macroeconomic conditions and real estate markets of the PRC have been and may continue to be adversely affected by the COVID-19 pandemic.

According to the data released by the National Bureau of Statistics, China's GDP in the first quarter of 2020 contracted by 6.8% compared to the first quarter of 2019. China's GDP in the second quarter of 2020 was RMB25,011.0 billion, representing an increase of 3.2% from the second quarter of 2019, according to the National Bureau of Statistics. China's GDP in the first half of 2020 amounted to RMB45,661.4 billion, representing a decrease of 1.6% from the first half of 2019. According to the data published by the National Bureau of Statistics, the cumulative contracted sales GFA of commodity properties was 694 million sq.m. in the first half of 2020, representing a decrease of 8.4% from the first half of 2019. The cumulative completed GFA in the first half of 2020 was 290.0 million sq.m., representing a decrease of 10.5% from the first half of 2019.

The PRC property management industry may be adversely affected as the COVID-19 pandemic has curbed the real estate market. The property management companies may be unable to enter into new agreements as expected when the property developers stop expanding. The growth of property management companies may also slow down as the properties they were contracted to manage experience delays in delivery as a result of the COVID-19 pandemic. According to CIA, the PRC property management industry is under pressure in the short term as property management companies are required to suspend certain services and incur additional costs to comply with additional regulations and government measures. In particular, our services such as property management services, sales office management services, community asset management services and carpark sales related services have experienced certain short-term impacts. For more details, see "Business — Effects of the COVID-19 Pandemic — Effects of the COVID-19 Pandemic on Our Business Operations" and "Risk Factors — Risks Relating to Our Business and Industry — Our business operations may be affected by the COVID-19 pandemic."

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

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

We may be adversely affected by fluctuations in the global economy and financial markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. There are talks of trade tariffs on goods imported from China to the United States and a possibility of a trade war between the United States and China if negotiations fail to resolve trade issues amicably. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union, or Brexit. On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, property owners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

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

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

Any significant liability claims, food contamination complaints from Zheda Sinew's customers or reports of ingredients of food tampering could adversely affect its reputation, business and operations.

On August 5, 2020, we acquired a 51% equity interest in Zheda Sinew. Zheda Sinew offers catering services to schools and universities, and faces inherent risks of food contamination and liability claims. The food quality depends largely on the quality of the food ingredients and raw materials provided by Zheda Sinew's suppliers and it may not be able to identify all defects in its supplies. Any food contamination at its canteens and on-campus chain supermarkets or during the transportation from its suppliers to its canteens and on-campus chain supermarkets that Zheda Sinew may fail to notice or prevent could adversely affect the quality of the food sold at its canteens and on-campus chain supermarkets. Certain of its employees may not follow its internal guidance on food handling and its quality control procedures and requirements. Any failure in detecting defective food supplies, or observing proper sanitation, cleanliness and other quality control requirements or standards in its operations could adversely affect the quality of the food Zheda Sinew sold at its canteens and on-campus chain supermarkets, which could lead to liability claims, complaints and related negative publicity, reduced the number of customers at its canteens and on-campus chain supermarkets, the imposition of penalties by relevant authorities and compensation awards by courts in the PRC. We cannot assure you that Zheda Sinew will not receive any food contamination claims or defective products from its suppliers in the future. Also, Zheda Sinew may be unable to receive compensation from suppliers for contaminated ingredients used in its dishes according to indemnity provisions in its supply contracts, if any. Any such incidents could materially harm Zheda Sinew's reputation, financial condition and results of operations.

Zheda Sinew's growth depends on its ability to locate and maintain suitable properties for its canteens and on-campus chain supermarkets, which may become more difficult or expensive in the future.

Two of Zheda Sinew's main business lines are catering services to schools and universities and business trading services where Zheda Sinew operates on-campus chain supermarkets. Zheda Sinew's ability to purchase or lease suitable properties on commercially viable terms for its canteens and on-campus chain supermarkets will be crucial to the success of its expansion strategy. If Zheda Sinew is unable to secure desirable properties, it may not be able to achieve its expansion as planned, and its continued growth may be adversely affected. Given the scarcity of prime and convenient locations of schools and universities and their relatively higher rental rates, we cannot assure you that it will be able to secure such desirable locations on acceptable terms for deployment of its canteens and on-campus chain supermarkets. Failure to successfully locate and operate its future canteens and on-campus chain supermarkets may slow down its growth in sales, and hence, may negatively affect its future growth.

Accidents, injuries or prohibited activities in Zheda Sinew's on-campus dormitory buildings may adversely affect its reputation and subject it to liability.

Zheda Sinew offers accommodation services and provides dormitory buildings to students. There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling or violence by guests) taking place in its on-campus dormitory buildings. The occurrence of one or more accidents, injuries or prohibited activities at any of its dormitory buildings could adversely affect its safety reputation among guests, harm its brand, decrease its overall occupancy rates, and increase its costs by requiring it to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of its on-campus dormitory buildings, it may be held liable for costs or damages and fines. Its current property and liability insurance policies may not provide adequate or any coverage for such losses, and it may be unable to renew its insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all. We cannot guarantee that such incidents will not occur in the future.

Zheda Sinew may incur cost overruns or disruptions of its on-campus dormitory buildings if it refurbishes or further develops its existing on-campus dormitory buildings.

In order to improve and maintain the condition of its on-campus dormitory buildings, Zheda Sinew conduct refurbishments of its dormitory buildings. These refurbishments may be more costly than expected and are subject to risk of delays and cost overruns. In addition, even though the operations of on-campus dormitory buildings under refurbishment or development may not need to be closed down entirely, there may be instances where refurbishment or development would seriously disrupt the operations of on-campus dormitory buildings and adversely affect the revenue of the relevant on-campus dormitory buildings. The disruptions and other risks associated with refurbishments and further development or Zheda Sinew's failure to improve and maintain the conditions of the on-campus dormitory buildings could have an adverse effect on its business, financial condition and results of operations.

Zheda Sinew may have to forfeit land if it fails to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

A subsidiary of Zheda Sinew entered into a land grant contract with local authorities in Hangzhou over a parcel of land of 9,830 sq.m. on April 12, 2018. It obtained the land use rights certificate on September 6, 2018, and obtained the relevant construction work commencement permits on November 28, 2018. See "Business — Properties" for more details. As of July 30, 2020, the date we entered into the acquisition agreement of Zheda Sinew, construction work on such land had not begun.

Under relevant PRC laws and regulations, if the subsidiary of Zheda Sinew fails to commence development within one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning and impose an idle land penalty of up to 20% of the land premium; if it fails to commence development within two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may confiscate our land use rights without compensation, except where the delay in the development is attributable to a force majeure event or the action of the relevant government department or delay in the requisite preliminary work preceding commencement of such development pursuant to the Measures on the Disposal of Idle Land (《閒置土地處置辦法》).

None of us, Zheda Sinew or the relevant subsidiary of Zheda Sinew have received any notice from the relevant government authorities in relation to the above-mentioned penalties or land use right confiscation. However, we cannot guarantee that such penalties, confiscations or other legal consequences will not follow. According to the acquisition agreement of Zheda Sinew, the selling shareholders of Zheda Sinew and Zhejiang Xiangyu, or collectively, the selling shareholders, agreed to hold us harmless by assuming all potential liabilities arising out of the delay in commencement of construction on such land. The selling shareholders also agreed to deduct RMB40.0 million from the acquisition consideration, which shall be used for compensation to us should we become subject to fines, penalties or land use right confiscation. We may also seek additional compensation from the selling shareholders if the RMB40.0 million is insufficient to fully cover our losses. However, we cannot guarantee that the selling shareholders will fulfill or be able to fulfill its obligations under the acquisition agreement, in which case we may become liable for fines and penalties, and may lose the opportunity to develop the land as planned. Our results of operations and financial condition could be materially adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

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

- political instability or changes in social conditions in the PRC;
- changes in laws, regulations or policies or the interpretation of laws, regulations or policies;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

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

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

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

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

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

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

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. See "Regulatory

Overview — Regulations Relating to Foreign Exchange." We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. The foreign exchange control system may prevent us from obtaining sufficient foreign currency to satisfy our currency demands. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to our shareholders, or otherwise satisfy our foreign currency denominated obligations, if any.

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

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

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

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

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

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

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

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

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

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

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

On February 3, 2015, the SAT promulgated the Announcement on Several Issues Concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers Income of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise, or the Chinese Taxable Assets. For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such indirect transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any indirect transfer of equity interest in the PRC resident enterprises, including those transfers which are part of the reorganization, or any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises(other than through a public securities market), any indirect transfers of equity interest in the PRC resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

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

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

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

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (《反壟斷法》), and the Rules of MOFCOM on Implementation of Security Review System of

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

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

SAFE promulgated Circular 37 in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through special purpose vehicles. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

RISKS RELATING TO THE GLOBAL OFFERING AND SPIN-OFF

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

The Offer Price substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the Global Offering. If we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Shares.

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

- variations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- industrial or environmental accidents, litigation or loss of key personnel;

- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

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

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

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of any lock-up or other transfer restrictions on the outstanding Shares or sales of perceived sales of additional Shares by our Company or other Shareholders.

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

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

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

Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will have substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association and the Companies Ordinance and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

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

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

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

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

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

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

Certain facts and other statistics with respect to China, the PRC economy, the PRC property management industry in this Prospectus are derived from various official government sources and third-party sources which may not be reliable.

Certain facts and other statistics in this Prospectus relating to China, the PRC economy, the PRC property management industry have been derived from various official government publications, industry associations, independent research institutions and other publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Forward-looking information is subject to risks and uncertainties.

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering and for the Qualifying Shimao Group Holdings Shareholders under the Preferential Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering and the Preferential Offering.

The Hong Kong Offer Shares and the Reserved Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. For further information relating to the underwriting arrangements, please refer to "Underwriting" in this Prospectus.

The Offer Price is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, October 23, 2020 and, in any event, not later than Tuesday, October 27, 2020 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder)). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Tuesday, October 27, 2020 the Global Offering will not become unconditional and will lapse immediately.

Please refer to "Underwriting" in this Prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES AND THE RESERVED SHARES

The application procedures for the Hong Kong Offer Shares and the Reserves Shares are set forth in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering" in this Prospectus.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering and the Reserved Shares under the Preferential Offering respectively will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this Prospectus and on the relevant Application Forms.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-Allotment Option). Save as disclosed in this Prospectus (and as detailed in "Structure of the Global Offering" in this Prospectus), no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering" in this Prospectus. Assuming that the Over-allotment Option is exercised in full, our Company and Option Grantor may be required to issue/sell up to an aggregate of 88,235,000 Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Friday, October 30, 2020. The Shares will be treated on the Main Board of the Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares will be 873.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles;

- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of our Shareholders resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this Prospectus contains certain translations for the convenience of the reader at the following rates:

HK$1 to RMB0.86614

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

TRANSLATION

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail unless otherwise stated. If there is any inconsistency between the names of any of the entities mentioned in this English Prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this Prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hui Sai Tan, Jason (許世壇)	23 Severn Road Hong Kong	Chinese
Mr. Ye Mingjie (葉明杰)	Room 1501, No. 5 Lane 910 Dingxiang Road Pudong New Area Shanghai PRC	Chinese
Mr. Cao Shiyang (曹士揚) (formerly known as Cao Shiyang (曹世楊))	Room 1105, Block 16 Hanhe Yuan Gusu District Suzhou Jiangsu Province PRC	Chinese
Mr. Cai Wenwei (蔡文為)	Room 502 No. 1, Lane 500 Xingshan Road Putuo District Shanghai PRC	Chinese
Non-executive Directors		
Ms. Tang Fei (湯沸)	Room 301, No.5 Lane 1399 Dingxiang Road Pudong New Area Shanghai PRC	Chinese
Mr. Sun Yan (孫岩)	Room 901, No. 12 Lane 1701 Luoxiu Road Minhang District Shanghai PRC	Chinese
Independent Non-executive Directors		
Mr. Gu Yunchang (顧雲昌) (formerly known as Gu Yongchuang (顧勇闖))	Room 1801, No. 20 Lane 99 Guangzhong West Road Jing'an District Shanghai PRC	Chinese

Name	Address	Nationality
Ms. Kan Lai Kuen, Alice (簡麗娟)	12/F, Block 31 550 Victoria Road Pokfulam Hong Kong	Chinese
Ms. Zhou Xinyi (周心怡) (formerly known as Zhou Xiaorong (周小榮))	Room 802, Unit 1 Building 4 Zone F, Xinghe Dandi Huayuan Minzhi Meiguan Expressway Longhua District Shenzhen Guangdong Province PRC	Chinese

For further information regarding our Directors, please refer to "Directors and Senior Management" in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	*(in alphabetical order)* **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Joint Global Coordinators	*(in alphabetical order)* **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

(in alphabetical order)

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

(in alphabetical order)

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

(in alphabetical order)

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Legal Advisors to our Company	*as to Hong Kong and U.S. law:* **Sidley Austin** 39th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong *as to PRC law:* **Commerce & Finance Law Offices** 10/F, Tower 1 Jing An Kerry Centre 1515 West Nanjing Road Shanghai PRC *as to Cayman Islands law:* **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors, Joint Global Coordinators and the Underwriters	*as to Hong Kong and U.S. law:* **Allen & Overy** 9th Floor, Three Exchange Square Central Hong Kong *as to PRC law:* **Tian Yuan Law Firm** 10/F, Tower B China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing PRC
Independent Industry Consultant	**China Index Academy** Tower A No. 20 Guogongzhuang Middle Street Fengtai District Beijing PRC

Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *and Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Compliance Advisor	**First Shanghai Capital Limited** 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
Receiving Banks	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower, 3 Garden Road, Central Hong Kong **The Bank of East Asia, Limited** 10 Des Voeux Road Central Central, Hong Kong

Registered Office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters and Principal Place of Business in the PRC	26th Floor Shanghai Shimao Tower No. 55, West Weifang Road Shanghai PRC
Principal Place of Business in Hong Kong	Unit 3820, 38th Floor Tower One, Lippo Centre 89 Queensway Hong Kong
Company's Website	**www.shimaofuwu.com** *(Information contained in this website does not form part of this Prospectus)*
Company Secretary	Ms. Chan Ka Yan *(ACIS, ACS)* Unit 3820, 38th Floor Tower One, Lippo Centre 89 Queensway Hong Kong
Authorized Representatives	Mr. Hui Sai Tan, Jason 23 Severn Road Hong Kong Mr. Ye Mingjie Room 1501, No. 5 Lane 910 Dingxiang Road Pudong New Area Shanghai PRC
Audit Committee	Ms. Kan Lai Kuen, Alice *(chairperson)* Mr. Gu Yunchang Ms. Zhou Xinyi
Remuneration Committee	Ms. Zhou Xinyi *(chairperson)* Mr. Gu Yunchang Ms. Kan Lai Kuen, Alice

Nomination Committee	Mr. Gu Yunchang *(chairperson)* Ms. Kan Lai Kuen, Alice Ms. Zhou Xinyi
Principal Share Registrar and Transfer Office in the Cayman Islands	**Harneys Fiduciary (Cayman) Limited** 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bank	**China Minsheng Bank, Shanghai Zhangjiang Branch** 1st Floor, Tower E Lane 2889 Jinke Road Pudong New Area Shanghai PRC

In preparation for the Listing, our Group has sought the following waivers and consents from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, save for Mr. Hui Sai Tan, Jason, none of our executive Directors ordinary resides in Hong Kong.

Since our core business and operations are primarily located, managed and conducted in the PRC, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong, and it would be practically difficult and commercially unnecessary for us to relocate one more of our executive Directors to Hong Kong for the purpose of satisfying the requirements under 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 compliance with Rule 8.12 of the Listing Rules on the basis that the following measures have been adopted by us:

(a) we have appointed two authorized representatives, Mr. Hui Sai Tan, Jason and Mr. Ye Mingjie, both executive Directors of our Company, pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. Mr. Hui Sai Tan, Jason is ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

(b) both our authorized representatives have means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. 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. All Directors have provided his/her mobile phone numbers, fax numbers and e-mail addresses (where available) 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 and all Directors and authorized representatives have provided his/her mobile numbers, office phone numbers, fax numbers and email addresses (where available) to the Stock Exchange;

(c) we have appointed First Shanghai Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the compliance advisor.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "Connected Transactions — (B) Continuing Connected Transaction subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement"; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements." Please see "Connected Transactions" in this Prospectus for further information.

EQUITY INTEREST ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, a new listing applicant is required to include in its accountant's report in the listing document the results and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the listing applicant have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to the Stock Exchange.

For the purpose of expanding our business, on July 14, 2020, we entered into an equity transfer agreement with Beijing Guanhai Real Estate Co., Ltd. (北京冠海房地產有限公司), Ye Yan (葉彥), Cao Liling (曹莉玲) and Beijing Guancheng, pursuant to which our Company agreed to acquire the entire equity interest of Beijing Guancheng (the "**Acquisition**") for a consideration of RMB130 million, which was determined on an arm's length basis mainly with reference to Beijing Guancheng's net profit in 2019 and its registered capital at the time of the Acquisition. According to the unaudited management accounts of Beijing Guancheng, its net asset as of December 31, 2019 was RMB38.4 million and its net profit for the year ended December 31, 2019 was RMB7.7 million. Upon completion of the Acquisition in July 2020, Beijing Guancheng became our wholly-owned subsidiary. 90% of the consideration was settled in cash in July 2020, and the remaining is expected to be settled by the end of October 2020, with our internal resources.

Beijing Guancheng is a company established in the PRC and is engaged in the provision of property management services, community value-added services and value-added services to non-property owners. To the best of our knowledge, information and belief having made all reasonable enquiries, each of Beijing Guancheng and its ultimate beneficial owners prior to the Acquisition is an Independent Third Party.

We have applied for and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the preparation of financial statements in respect of the Acquisition on the following grounds:

(a) **Ordinary and usual course of business** — the Acquisition is in the ordinary and usual course of business of our Group as it is one of our principal business strategies to expand its market share through acquisitions of local players in the property management industry. Our Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

(b) **Immateriality of the target company** — the scale of the business operated by Beijing Guancheng as compared to that of our Group is not material. Based on the financial information of Beijing Guancheng available to our Company according to its unaudited management accounts for the year ended December 31, 2019, all the applicable size test percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition referenced against the financials of our Company in the most recent financial year of the Track Record Period are expected to be less than 5%.

Accordingly, our Directors believe that (i) the Acquisition is immaterial when compared to the scale of our Group's operations as a whole; (ii) the Acquisition will not result in any significant change to the financial position of our Group since the end of the Track Record Period; and (iii) all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this Prospectus. As such, an exemption from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

(c) **Unduly burdensome** — The time between the completion of the Acquisition and the publication of this Prospectus is limited and insufficient for our Company and our reporting accountants to become fully familiarized with the accounting systems and policies of Beijing Guancheng to compile the necessary financial information for disclosure in this Prospectus within a timeframe that would not cause unnecessary delay to our listing timetable, unless substantial time and resources are dedicated to such task. Having considered the size of Beijing Guancheng, which as disclosed above is not significant as demonstrated by its immateriality when compared to the scale of our Group, as well as other factors including (i) the accounting system of Beijing Guancheng had not yet been fully integrated to the accounting system of our Group as of the Latest Practicable Date; (ii) Beijing Guancheng has property management projects in various cities in the PRC, which would require significant time and resources for our reporting accountants to obtain and review the accounting records in those cities; and (iii) the audit report of Beijing Guancheng for each of the three years ended December 31, 2017, 2018 and 2019 is either not available or even if available, was not prepared by a professional accounting firm, and there are no financial statements compiled in a form readily available for our reporting accountants to conduct audit within the time required for our compliance under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules; and (iv) the limited additional value the required financial information could bring to potential investors, we consider that it would be unduly burdensome to our Company to disclose the audited financial information of the target company as required under the Listing Rules.

(d) **Alternative disclosure available** — our Company has provided in this Prospectus alternative information regarding the Acquisition which includes:

(i) description of the principal business activities of Beijing Guancheng;

(ii) the unaudited net asset as of December 31, 2019 and the net profit for the year ended December 31, 2019 of Beijing Guancheng;

(iii) confirmation that the counterparties and the ultimate beneficial owners of the counterparties are Independent Third Parties;

(iv) the date of the Acquisition;

(v) the consideration of the Acquisition, the basis on which the consideration was determined and how the consideration was satisfied;

(vi) the reasons for the Acquisition and the benefits which are expected to accrue to our Group as a result of the Acquisition; and

(vii) a statement that our Directors believe that the terms of the Acquisition are fair and reasonable and in the interest of our Shareholders as a whole.

CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares offered under the Global Offering if a certain prescribed total demand level is reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 to the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be approximately 10.00% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 to the Listing Rules, following the closing of the application lists as disclosed in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this Prospectus.

The information contained in this section is derived from various government publications, other publications and the market research report prepared by CIA, which was commissioned by us. We believe that the sources of the information presented here are appropriate, including forward-looking information for future periods as identified, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. We, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person (other than CIA) involved in the Global Offering have not independently verified such information and have made no representation as to the accuracy, completeness or fairness of such information. The information may not be consistent with other information available from other sources within or outside the PRC. As a result, you should not unduly rely on such information.

RESEARCH BACKGROUND AND METHODOLOGIES

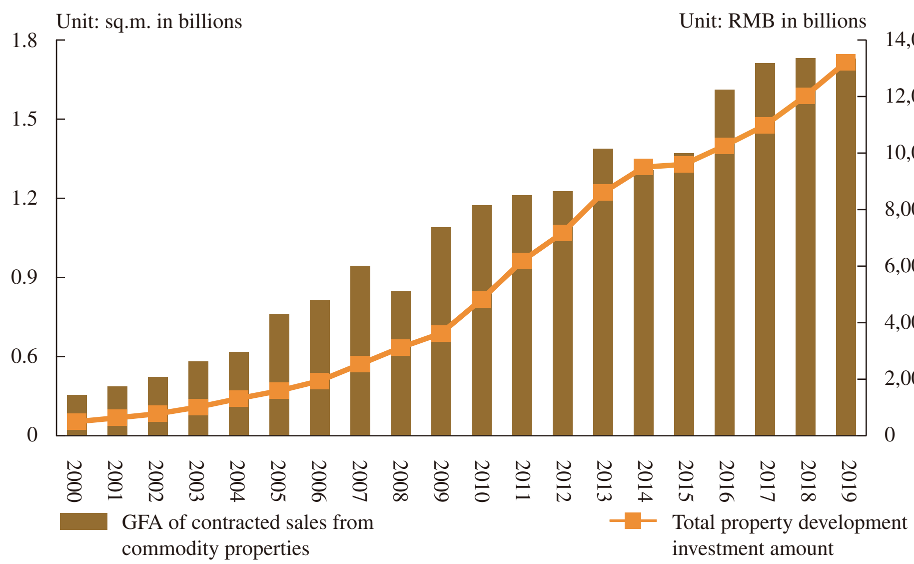
In connection with the Global Offering, we have commissioned CIA, an Independent Third Party, to conduct a detailed analysis and to prepare an industry report on the PRC property management industry. Such report has been prepared by CIA independently from our influence. We have agreed to pay CIA a fee of RMB0.8 million for the preparation of such report which we consider is in line with the market rates. CIA is an independent real estate research institute co-founded by experts with over 500 professional analysts. CIA has extensive experience in researching and tracking the PRC property management industry, and has conducted research on the Top 100 Property Management Companies in the PRC since 2008. In its research, CIA considers primarily property management companies that have on average managed at least 10 properties or an aggregate GFA of 500,000 sq.m. or above for the previous three years. CIA uses research parameters and assumptions and gathers data from a multitude of primary and secondary sources, including data from property management companies (including data from reported statistics, websites and marketing materials), surveys it has conducted, data gathered from the China Real Estate Index System, the China Real Estate Statistics Yearbooks, public data from governmental authorities and data gathered for prior reports it has published. CIA derives its rankings of overall strength of property management companies primarily by evaluating each property management company's property management scale, operational performance, service quality, growth potential and social responsibility.

In preparing the CIA report, CIA assumed that: (i) the social, economic and political conditions in China and the world will remain stable during the forecast period; (ii) government policies on the property management industry in the PRC will remain unchanged during the forecast period; (iii) all published data by the relevant statistics bureaus are accurate; and (iv) all information relating to residential sales transactions collected from the relevant local housing administrative bureaus is accurate.

OVERVIEW OF THE DEVELOPMENT OF THE REAL ESTATE MARKET IN THE PRC

The gross domestic product, or GDP, of the PRC reached RMB99.1 trillion in 2019, representing a CAGR of 9.5% from RMB68.9 trillion in 2015, according to CIA. Replacing traditional growth drivers, the new GDP growth drivers focus on optimizing the economic structure and improving quality of life.

Driven by rapid economic growth, favorable monetary policies, and strong demands, the real estate market in the PRC has experienced rapid development in the last 20 years, according to CIA. The GFA of contracted sales from commodity properties reached 1.7 billion sq.m. in 2019, which was 9.2 times that of 2000, and represents a CAGR of 7.5% from 1.3 billion sq.m. in 2015. Total property development investment amount increased from RMB9.6 trillion in 2015 to RMB13.2 trillion in 2019, representing a CAGR of 8.3%, according to CIA. The GFA of contracted sales from commodity residential properties increased from 1.1 billion sq.m. in 2015 to 1.5 billion sq.m. in 2019, representing a CAGR of 7.5%, according to CIA. The total GFA of commodity residential property that began construction increased from 1.1 billion sq.m. in 2015 to 1.7 billion sq.m. in 2019, representing a CAGR of 11.9%, according to CIA. Such growth has provided an excellent opportunity for the development of the property management industry. The following chart sets forth the GFA of contracted sales from commodity properties and total property development investment amount for the years indicated.



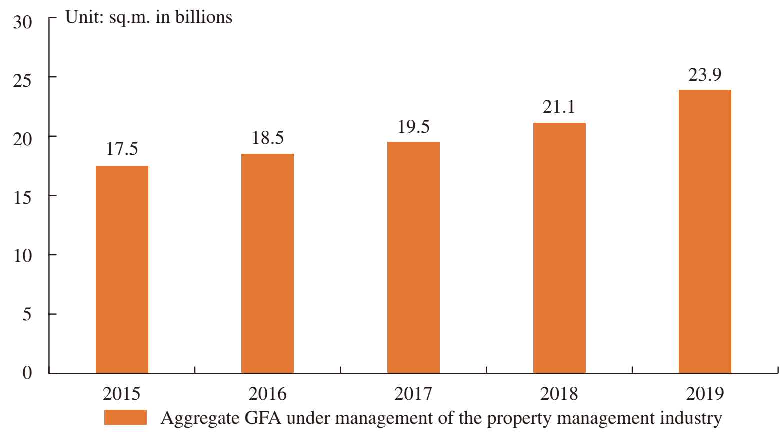
Source: National Bureau of Statistics, sorted out by CIA

THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview

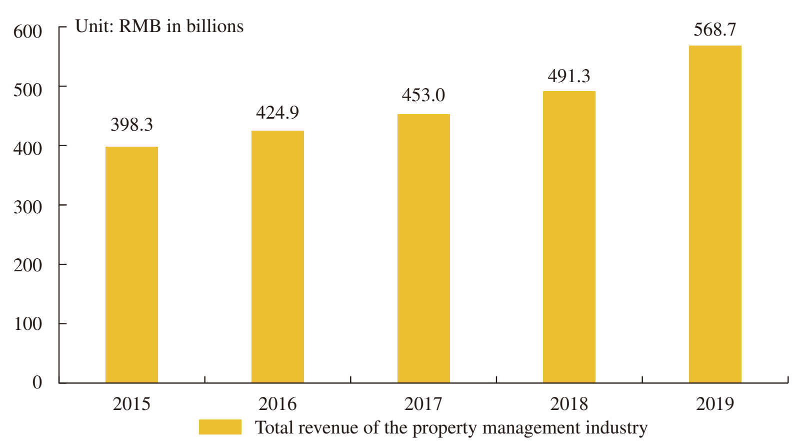
The PRC property management industry emerged in the 1980s, when the first domestic property management company was founded in Shenzhen. Since then, the PRC property management industry has undergone several stages of development, such as the initial stage, standardized stage and diversified stage. Followed by the official promulgation of the Provisions on Property Management (《物業管理條例》) in 2003 and Property Law of the PRC (《中華人民共和國物權法》) in 2007, the regulatory framework for the property management industry gradually took shape and matured. Meanwhile, an open and fair market system for the industry was established, which encouraged significant growth of the PRC property management industry. The PRC property management industry now serves a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties.

The urbanization rate of the PRC increased from 29.0% in 1995 to 60.6% in 2019. The increase of the urbanization rate has directly facilitate the real estate market in the urban area and the growth of the property management industry. The aggregate GFA under management of the property management industry has increased from 17.5 billion sq.m. in 2015 to 23.9 billion sq.m. in 2019, representing a CAGR of 8.2%. The following chart sets forth the total GFA under management of the property management industry in the PRC for the years indicated.



Source: CIA

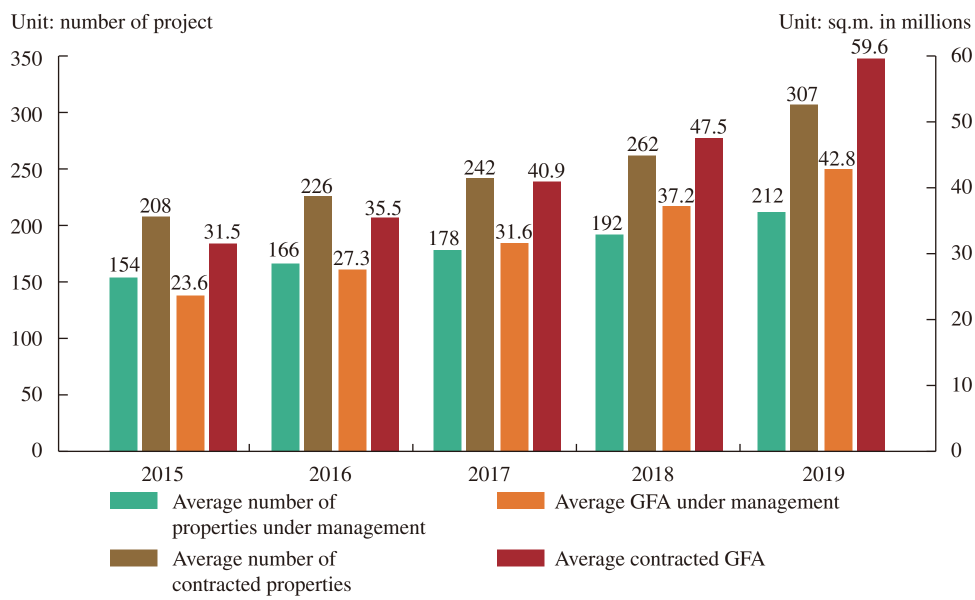
Driven by the significant increase in GFA under management of the property management industry and the expansion of value-added services, the total revenue of the property management industry in the PRC reached RMB568.7 billion, representing a CAGR of 9.3% from 2015 to 2019, according to CIA. The following chart sets forth the total revenue of the property management industry during the years indicated.



Source: CIA

Property Management Services

According to CIA, aggregate GFA under management of properties managed by the Top 100 Property Management Companies in the PRC increased from 5.0 billion sq.m. in 2015 to 10.4 billion sq.m. in 2019, representing a CAGR of 20.5%. According to CIA, the average number of properties managed by the Top 100 Property Management Companies in the PRC increased from 154 in 2015 to 212 in 2019, representing a CAGR of 8.3%, while the average GFA under management of properties managed by the Top 100 Property Management Companies in the PRC increased from 23.6 million sq.m. in 2015 to 42.8 million sq.m. in 2019, representing a CAGR of 16.0%. The following chart sets forth the average number of properties under management, average number of contracted properties, average GFA under management and average contracted GFA of the Top 100 Property Management Companies in the PRC for the years indicated.



Source: CIA

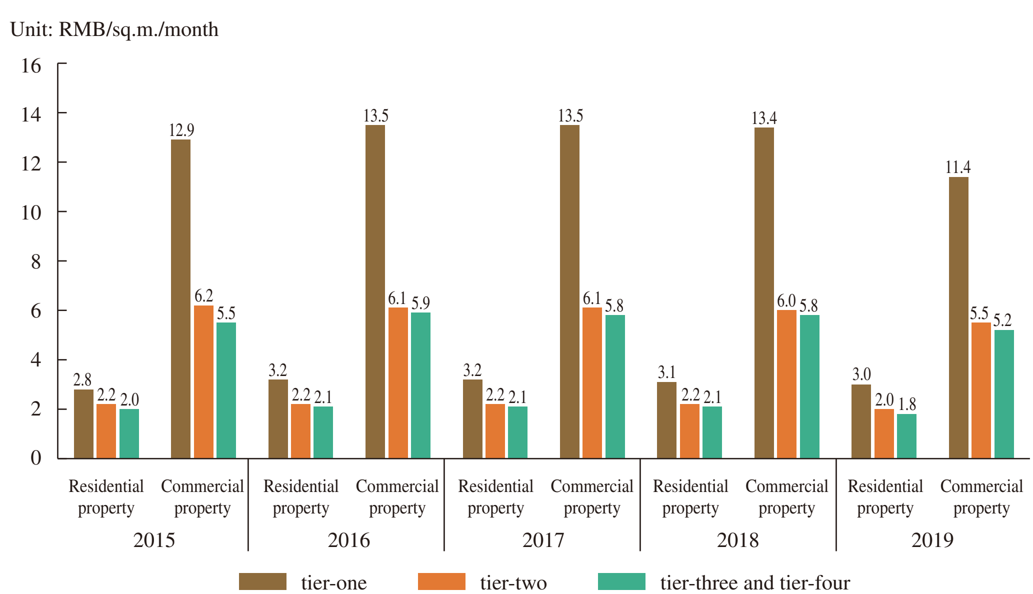
In comparison, the number of properties under our management was 88, 93 and 184 as of December 31, 2017, 2018 and 2019, respectively, while the GFA under our management was 42.6 million sq.m., 45.0 million sq.m. and 68.2 million sq.m. as of the same dates.

In the PRC, property management service fees are the primary revenue source for property management companies, and revenue contribution from value-added services is continuously increasing, according to CIA. Property management fees may be charged either on a lump sum basis or a commission basis. The lump sum basis is the dominant revenue model in the property management industry in the PRC, especially for residential properties, because it brings efficiency by simplifying the collective decision-making processes of property owners and residents in case of large expenditures and incentivizing service providers to enhance profitability by optimizing the operations, according to CIA. On the other hand, the commission model is increasingly adopted in non-residential properties to promote property owners' involvement in the management of their properties with closer supervision over the performance of the property management companies, according to CIA. The following chart sets forth the average property management fee for all types of properties and average property management fee for residential properties of the Top 100 Property Management Companies in the PRC for the years indicated.

Source: CIA

The average property management fee for all types of properties experienced a general decreasing trend from 2015 to 2019, primarily due to the expansion into tier-three and tier-four cities by many Top 100 Property Management Companies where the average property management fees are generally lower than in tier-one cities, new tier-one cities and tier-two cities, according to CIA.

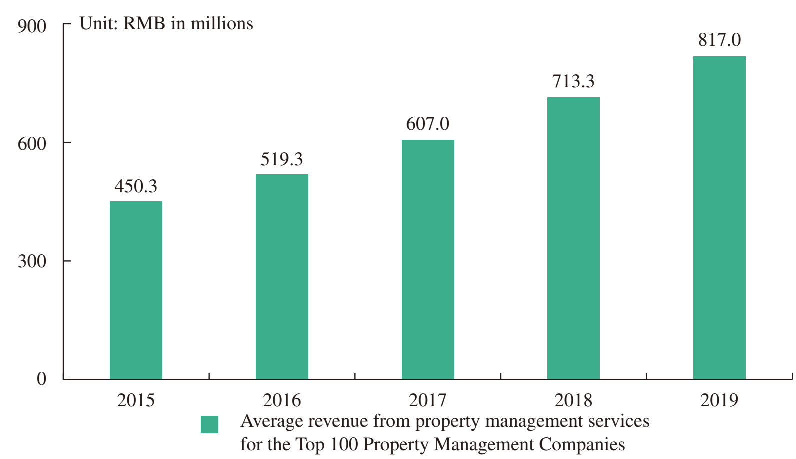
The following chart sets forth the average property management fees for residential properties and commercial properties in different tiers of cities in the PRC during the years indicated.



Source: CIA

The average property management fees for residential properties and commercial properties in tier-one and tier-two cities were generally higher compared to tier-three and tier-four cities from 2015 to 2019.

The revenue from property management services of the Top 100 Property Management Companies in the PRC has achieved steady growth through both organic growth and external acquisitions, according to CIA. The average revenue from property management services of the Top 100 Property Management Companies in the PRC increased from RMB450.3 million in 2015 to RMB817.0 million in 2019, representing a CAGR of 16.1%, according to CIA. The following chart sets forth the average revenue from property management services for the Top 100 Property Management Companies during the years indicated.



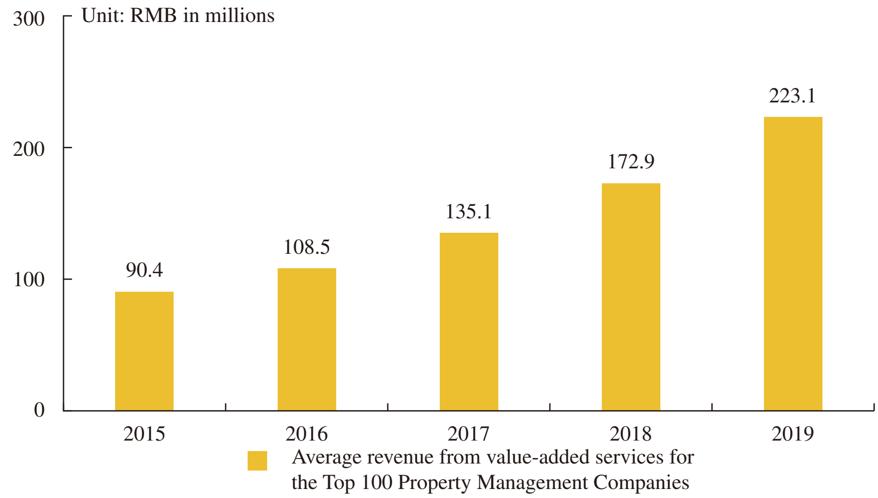
Source: CIA

The average revenue from property management services of the Top 100 Property Management Companies in the PRC was RMB607.0 million, RMB713.3 million and RMB817.0 million in 2017, 2018 and 2019, respectively, which accounted for 81.8%, 80.5% and 78.5% of the average total revenue of the Top 100 Property Management Companies in the PRC during the same years, respectively. In comparison, our revenue from property management services amounted to RMB733.8 million, RMB848.6 million and RMB1,199.4 million in 2017, 2018 and 2019, respectively, which accounted for 70.4%, 63.9% and 48.2% of our total revenue for the same years, respectively.

The net profit margin from property management services of the Top 100 Property Management Companies in the PRC was 6.0%, 5.4%, 5.5%, 5.6% and 6.0% in 2015, 2016, 2017, 2018 and 2019, respectively.

Value-added Services

Property management companies in the PRC are continuously diversifying the scope and content of value-added services. The average revenue from value-added services of the Top 100 Property Management Companies in the PRC was RMB223.1 million in 2019, representing a CAGR of 25.3% from 2015. The following chart sets forth the average revenue from value-added services of the Top 100 Property Management Companies during the years indicated.



Source: CIA

The average revenue from value-added services of the Top 100 Property Management Companies in the PRC was RMB135.1 million, RMB172.9 million and RMB223.1 million in 2017, 2018 and 2019, respectively, which accounted for 18.2%, 19.5% and 21.5% of the average total revenue of the Top 100 Property Management Companies in the PRC in during the same years, respectively. In comparison, our revenue from value-added services amounted to RMB308.8 million, RMB480.7 million and RMB1,289.7 million in 2017, 2018 and 2019, respectively, which accounted for 29.6%, 36.1% and 51.8% of our total revenue for the same years, respectively.

In terms of specific types of value-added services, the Top 100 Property Management Companies primarily focus on offline value-added services, especially housekeeping, other household related services, community space operations services and property sales and rental facilitation services. In 2019, percentages of revenue from housekeeping and other household services of total community value-added services by the Top 100 Property Management Companies increased from 8.0% and 3.8%, respectively, in 2018, to 11.6% and 10.5%, respectively, in 2019, according to CIA. In addition, percentages of revenue from community space operations services and property sales and rental facilitation services of total revenue from community value-added services of the Top 100 Property Management Companies reached 24.4% and 19.6% in 2019, according to CIA.

Industry Growth Drivers

According to CIA, the growth of the PRC property management industry depends on the following key drivers.

Growth in Demand Driven by the Acceleration of Urbanization Process in the PRC and the Increase in Disposable Income Per Capita

Since 1949, there had been three peaks of population growth. People who were born in the third population peak have reached 32 to 40 years old in 2019, an age group with strong demand for properties either as their first home or as their first upgraded house, which in turn drives the growth of related industries, in particular, the property management industry. The level of urbanization and per capita disposable income in the PRC have increased significantly in recent years and are also underlying drivers for the growth of the property management industry. According to CIA, the urbanization rate (being the projected average rate of the size of the urban population during a given period) in the PRC increased from 34.8% in 1999 to 60.6% in 2019, with the urban population increasing by approximately 20.6 million each year. Disposal income of urban residents has also steadily increased to RMB42,359 per capita in 2019, representing a CAGR of 9.4% from 2009, driving their increasing demand for quality property management services, and creating growth opportunities for property management companies.

Sufficient Supply in Commodity Properties and Significant Potentials for Market Expansion

The cumulative contracted sales GFA of commodity properties has reached 18.7 billion sq.m. in 2019, and the cumulative completed area has reached 14.6 billion sq.m. in 2019, according to CIA. According to CIA, the total GFA of commodity properties sold in the PRC increased from 1.2 billion sq.m. in 2014 to 1.7 billion sq.m. in 2019, representing a CAGR of 7.3%, while the total GFA of the newly constructed commodity properties increased from 1.8 billion sq.m. in 2014 to 2.3 billion sq.m. in 2019, representing a CAGR of 4.8%. The continuous expansion of the real estate market has provided favorable opportunities for the development of the property management industry.

Favorable Policies

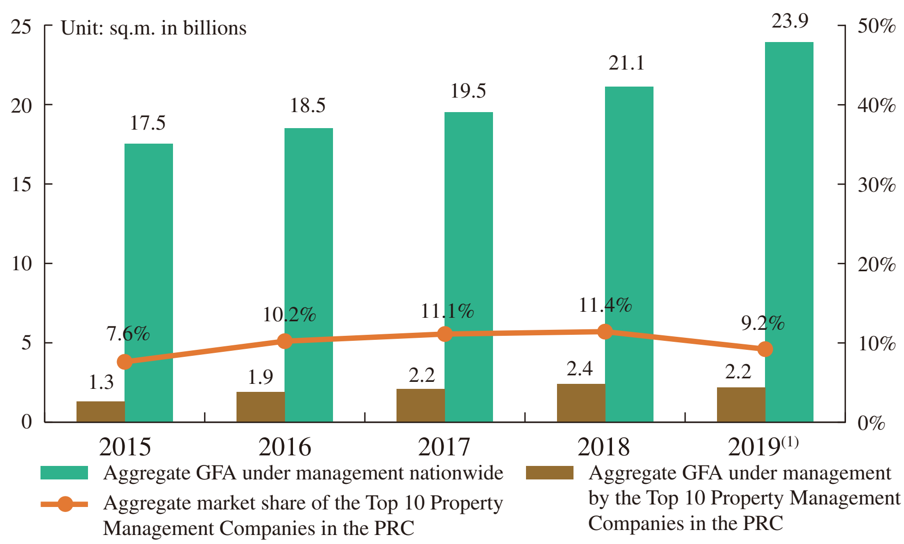
Introduction of favorable laws, regulations and policies serves as a critical foundation for the health and growth of China's property management industry. The promulgation of the Provisions on Property Management (《物業管理條例》) in June 2003 by the State Council was a milestone in the regulatory history of the PRC property management industry. Subsequently, a series of favorable policies supporting the development of the property management industry have come into effect, including the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), which was issued in December 2014 and requires provincial level price administration authorities to abolish all price control or guidance policies on non-government supported properties other than government-supported housing, housing reform properties, properties in old residential areas and preliminary property management services, and the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrade of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》), which was issued in November 2015, aiming to further standardize the provision of property management services as part of the industrial upgrade and diversification of the resident service sectors. The Guidelines for Smart Communities Construction (Trial) (《智慧社區建設指南(試行)》) issued in 2014 by the MOHURD encourage an upgrade of traditional property management services through digitization and smart management. It broadens the scope of property management services and brings more prospects for the property management industry. In addition, the decentralization reforms in governmental functions and responsibilities lead to more demand for property management services for public and other properties and creates more opportunities for property management companies to expand their scale of property management services for public and other properties. These laws and policies jointly create and will continue to offer a supportive environment and accelerate the development of the industry and property management companies in the PRC. In August 2014, the NDRC released the Guiding Opinion on the Promotion of the Healthy Development of Smart Cities (《關於促進智慧城市健康發展的指導意見》), which laid out a comprehensive plan for the development of smart cities in the PRC. In December 2018, the NDRC promulgated the Notice on Continuing to Evaluate the Development of New Smart Cities and Further Promoting the Rapid and Healthy Development of New Smart Cities (《關於繼續開展新型智慧城市建設評價工作深入推動新型智慧城市健康快速發展的通知》). Other relevant government authorities also promulgated detailed policies related to the various aspects of developing smart cities. These policies provide comprehensive policy support and clear guidance on smart city development for property management companies in the PRC.

Market Trends

Key market trends of the property management industry in the PRC include:

Increasing Market Concentration

The PRC property management industry is highly competitive and fragmented. In order to expand GFA under management and realize economies of scale to strengthen market positions, large-scale property management companies actively accelerate their expansions by means of both organic growth and mergers and acquisitions of small- and medium-sized property management companies. As a result, the market continues to become more concentrated. The following chart sets forth the total GFA under management of property management companies in the PRC and of the Top 10 Property Management Companies, and the aggregate market share of the Top 10 Property Management Companies in the PRC in terms of the total GFA under management for the years indicated.



Source: CIA

Note:

(1) The market share of the Top 10 Property Management Companies in the PRC above decreased from 11.4% in 2018 to 9.2% in 2019, since a major market player who had been ranked among the top ten from 2015 to 2018 did not participate in the ranking in 2019 and as such its data was not included.

Diversifying Revenue Sources through Multiple Channels

With the widespread adoption of the Internet, mobile applications, cloud computing, artificial intelligence, and other related technologies, along with policy support from the PRC Government, property management companies increasingly engage in developing intelligent and smart management systems. Integrating online and offline information and resources, they aim to digitalize, automate, modernize and connect their various services and provide a one-stop service platform to property owners, residents and tenants. Property management companies also keep diversifying their revenue streams by offering various value-added services with a higher profitability. These mainly include pre-delivery services and consultancy services to property developers and community value-added service to property owners and residents, such as community living services, e-commerce services, property value management services and other various bespoke services.

In addition, leveraging further urbanization and favorable policies in the PRC, property management companies have begun to offer municipal services leveraging their professional property management experience and well-developed service capabilities.

Professionalized Staff and Enhanced Service Quality

To enhance service quality and reduce labor costs, most of the Top 100 Property Management Companies in the PRC have set up their own internal standardized operating procedures and are increasingly adopting information technologies in their daily operations. They are also increasingly outsourcing labor-intensive aspects of their operations to subcontractors while placing greater emphasis on recruiting and training professionalized and skilled employees to facilitate the implementation of smart management and information technologies and promote innovations to maintain their leading market positions.

Marketization

In the past, the property management services had long been provided by the affiliates of property development companies. In recent years, due to the increasingly higher level of marketization of the PRC property management industry, property management companies have been exploring new projects and developing various value-added services so as to enhance their respective competitiveness and meet market demand.

Standardization of Services as the Basis for Expansion and Efficient Operation

One critical step of market expansion of property management companies is to provide standardized services, which is also one of the trends of the PRC property management industry. It allows property management companies to improve their service quality, and is the foundation for the sustainable expansion of business operation across regions. An increasing number of leading property management companies are making efforts to enhance the standardization of property management services, such as intelligent system in communities, including access control system and parking system.

Industry Risk and Challenges

According to CIA, the property management industry in the PRC primarily faces the following risks:

- *Competition.* Property management industry in the PRC is increasingly competitive. As a result, property owners have more choices and are placing greater emphasis on professional and standardized services.

- *Cost control.* Property management companies in the PRC charge property management fees primarily on a lump sum basis. They charge fees at a predetermined fixed price per sq.m. per month, representing all-inclusive fees for the property management services provided. As a result, when total costs and expenses incurred exceed the amount of property management fees they receive, the property management companies will bear the shortfall and may not charge additional fees from property developers, property owners or residents during the agreement terms.

- *Limited sources of property management agreements.* The top property management companies in the PRC are typically either subsidiaries or affiliated companies of property development companies. In the event that the related property development companies stop engaging the property management companies as their property management service providers, the performance of the property management companies may be adversely affected.

- *Increasing labor costs.* The property management industry in the PRC is labor-intensive. Staff costs as a percentage of cost of services of the Top 100 Property Management Companies in the PRC increased from 56.8% in 2015 to 59.1% in 2019, according to CIA. The minimum wage in various regions has increased in recent years.

- *Shortage of talent.* The property management industry is in need of a large number of talent to improve service quality and to expand property management scale. Development of property management companies may be hindered if they are not able to recruit a sufficient number of suitable talent.

- *Risks from mergers and acquisitions.* Many property management companies in the PRC expanded their business scales through mergers and acquisitions. However, mergers and acquisitions may subject them to various risks due to the complexity and size of their business operations, unfamiliarity in corporate cultures and the inability to retain key personnel.

COMPETITION

Competitive Landscape

The PRC property management industry is highly competitive and fragmented with approximately 130,000 property management companies operating in the industry in 2019, according to CIA. As a reputable player with large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC. Our value-added services compete against other property management companies as well as relevant industry participants providing similar services.

We are a leading comprehensive property management and community living service provider in the PRC, according to CIA. Among the Top 100 Property Management Companies in the PRC, we were ranked 12th in terms of overall strength, total revenue and market share in 2019, according to CIA. Furthermore, we were ranked 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. In 2019, our revenue from value-added services reached 58.6% of our total revenue based on our unaudited management accounts, which were ranked second among the Top 100 Property Management Companies in the PRC, according to CIA.

Entry Barriers

According to CIA, entry barriers for the property management industry in the PRC mainly include:

- *Brand.* Brand reputation is key to the development and expansion of property management companies. As consumers are demanding higher quality property management services and the players in the property management industry are growing, it is critical for property management companies to offer services of superior quality. Brand reputation therefore increasingly becomes an entry barrier in the industry. We and other top property management companies have built a brand reputation in the PRC through decades of services and operations. In contrast, newer entrants without an established brand and cultivated business relationships with industry participants face a greater challenge when penetrating into the market.

- *Technical barriers and capital threshold.* Due to expansion of business scale, property management companies are increasingly inclined to adopt automated and intelligent technologies. Companies are replacing intensive manual labor tasks with intelligent management systems and equipment, introducing corporate information management systems, and promoting the idea of a smart community. Management efficiency has improved and the industry is moving towards a technology driven industry. This will further increase the capital threshold for new entrants in the property management industry.

- *Operation and management.* As the property management industry becomes increasingly competitive, experience and capabilities of core management members of industry players play a critical role in maintaining core competitiveness. Established property management companies typically have developed their unique management competencies in terms of property management procedures, application of information systems, and financial management, and are therefore better positioned to manage large properties.

- *Professional talent.* Property management depends on manual labor, not only for the performance of property management services but also for implementing and innovating technological solutions such as big data and internet technologies. In addition, the innovation of property management business models, especially the launch of value-added services to property owners and property developers, requires significant support from talented employees. It is increasingly difficult for property management companies to recruit and retain talented individuals who are up to date with the technological advances in the industry to help achieve the above-mentioned goals.

DIRECTORS' CONFIRMATION

The Directors confirm that, after due enquiry, there is no material adverse change in the market information since the issue date of the above-mentioned sources which may qualify, contradict or adversely impact on the information contained in this section.

A summary of the most significant laws, regulations and rules that affect our business activities and operation in People's Republic of China is set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (No. 346 Order of the State Council) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects are divided into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. Foreign investment projects of the encouraged, restricted and prohibited categories are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). Foreign investment projects that are not of the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects which are not listed in the Catalogue of Industries for Guiding Foreign Investment.

The Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) (the "**Catalogue**") was jointly promulgated by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on June 30, 2019, and came into effect on July 30, 2019. The "Industry Guidelines on Encouraged Foreign Investment" in the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) released on June 28, 2017 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (2017 Revision) (《中西部地區外商投資優勢產業目錄(2017年修訂》) released on February 17, 2017, were repealed simultaneously.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) which was jointly promulgated by the NDRC and the MOFCOM on June 30, 2020 and took effect on July 23, 2020, the property management service does not fall into such categories which foreign investment is restricted or prohibited.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and implements a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the "**foreign investors**") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law of the PRC. The Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was jointly promulgated by the MOFCOM and the SAMR on December 30, 2019 and came into effect on January 1, 2020, sets out the details of the foreign investment information report system.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

On May 28, 2020, the National People's Congress approved the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "**Civil Code**"), which will come into effect on January 1, 2021 and replace the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code, which basically follows the current regulatory principles of property management industry, will form the legal foundation for the property management services in the PRC in the future. Prior to the effectiveness of the Civil Code, the Provisions on Property Management (《物業管理條例》) and the Property Law of the PRC (《中華人民共和國物權法》) have laid down the basic legal framework for the property management industry in China.

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》), which was promulgated by the State Council on June 8, 2003, took effect on September 1, 2003 and was amended on August 26, 2007 and February 6, 2016, a qualification system for companies engaging in property management activities has been adopted.

In accordance with the Decision of the State Council on Cancelling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on January 12, 2017 and took effect on the same day, the examination and approval of Second and Third Class qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Cancelling a Batch of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on September 22, 2017 and came into effect on the same day, the examination and approval of First Class qualification of property management enterprises was cancelled.

In accordance with the Notice of the General Office of the MOHURD on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》), which was promulgated on December 15, 2017 by the MOHURD and became effective on the same day, the application, change, renewal or re-application of the qualifications of property management enterprises shall no longer be accepted, and the qualifications obtained already shall not be a requirement in any way for property management enterprises to undertake new property management projects.

On March 19, 2018, the State Council promulgated the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (Order of the State Council No. 698), according to which the Regulations on Property Management (《物業管理條例》) was further amended. The Regulations on Property Management (2018 Revision) (《物業管理條例》) (2018年修正) has removed all the qualification requirements for the property management enterprises.

Appointment of Property Management Enterprises

According to the Property Law of the PRC (《中華人民共和國物權法》), which was promulgated by the National People's Congress on March 16, 2007 and came into effect on October 1, 2007, property owners can either manage the buildings and ancillary facilities by themselves or engage a property management enterprise or other managers. Property owners are entitled to change the property management enterprises or other managers hired by the developer in accordance with law. Property management enterprises or other managers shall manage the buildings and ancillary facilities within the area of the building in accordance with the property owners' wishes and accept the property owners' supervision.

According to the Regulations on Property Management (2018 Revision) (《物業管理條例》(2018年修正)), a general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of owners who own more than half of the GFA of the community and who account for more than half of the total number of the property owners. Property owners' association, on behalf of the general meeting, can sign the property management contract with the property management enterprise engaged at the general meeting. Before the engagement of a property management enterprise by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property management enterprise. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' association and the property management enterprise comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates.

According to the Civil Code, a quorum for the general meeting of the property owners to engage or dismiss a property management enterprise shall consist of the property owners who holding more than two-thirds of private areas and representing more than two-thirds of the total number of property owners. A general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of property owners who participate in the voting and own more than half of the private areas and who account for more than half of the total number of the property owners participating in the voting. In addition, the Civil Code clarifies that if property owners do not renew the property management contract or engage a new property service provider upon expiration of the term of property management services, the original property service contract shall continue to be valid without a fixed term. Each party may rescind the contract by sixty days' advance written notice to the other parties.

According to the Regulations on Property Management (2018 Revision) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》), which was promulgated by the Ministry of Construction on June 26, 2003 and took effect on September 1, 2003, the developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by bid-invitation and bidding. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

In addition, on May 15, 2009, the Supreme People's Court promulgated the Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (the "**Interpretation**"), which came into effect on October 1, 2009. The Interpretation stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, the preliminary property management contract signed by the developer and the property management enterprise according to the relevant laws and regulations, and the property management contract signed by the property owners' association and property management enterprises which hired by the general meeting according to the relevant laws and regulations are legally binding on property owners, the people's court shall not support a claim if property owners plead as they are not a party to the contract. The court shall support a claim in case property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (the "**Measures on the Charges**"), which was jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to the property management contract.

The competent price administration department of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management enterprises in their respective administrative regions. The fees charged by property management can be either the government guidance price or market-based price depending on the basis of the nature and features of relevant properties, which shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the Central Government. According to the Measures on the Charges and relevant local regulations, if the fees charged by property management companies are subject to government guidance price, the competent local price administration departments and property administration departments shall set the benchmark prices and the range of variations with reference to factors such as (i) the specific property type, which may vary between high rise apartment buildings with elevators and apartment buildings with fewer floors and without elevator; (ii) service scopes, which may include different types of services, such as landscaping, repair and maintenance for common areas and elevator maintenance; and (iii) the grading criteria, which classify property management services into several categories according to quality and standards on the number and experience of service staff, working hours, and frequency of services, among other factors.

Dependent on the agreement between the property owners and property management enterprises, the fees for the property management services can be charged either as a lump sum basis or a commission basis. The lump sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses to property management enterprises who shall enjoy or assume the surplus or deficit. The commission basis refers to that property management enterprises may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or deficit.

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

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which was jointly promulgated by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management enterprises shall clearly mark the price, as well as state service items and standards and relevant information on services (including the property management services as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. Property management enterprises shall neither use any false or misleading price items or mark prices in a false or misleading manner to commit price fraud, nor charge any fees not clearly specified, other than those expressly marked.

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》) which was jointly promulgated by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent price administration department of people's government formulates or regulates property management charging standards, the pricing cost of property management services should be the social average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organize the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

In accordance with the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》), which was promulgated by NDRC on December 17, 2014 and became effective on the same day, the price control on property services of non-government-supported houses was cancelled. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property management fees for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. As a result of the removal of price control stated above, if the property management agreements for managing non-government-supported houses are entered into between property owners' associations and property management companies, the service price will not be subject to government guidance prices and can be negotiated and agreed on by the parties. For preliminary property management services for residential properties which we provide to property developers or owners, if the competent government departments decide to implement government guidance prices, the benchmark and floating range of these government guidance prices vary from region to region.

The specific government guidance prices in different cities vary mainly depending on the property type, the existing conditions of the local property management market and the policies of the local government with respect to property management. For example, in Nanjing, the local government only sets price guideline for normal residential properties and has removed the price guidelines for property management services for villas, serviced apartments, commercial and residential buildings and other upscale residential properties. In Guangzhou, the local government set the maximum monthly price for preliminary property management of residential properties, which shall not be higher than RMB2.8 per sq.m. Moreover, in recent years, the property management industry has generally seen supportive polices from the central and local governments aiming to stimulate the development of the industry, which included policy relaxation by local governments on price guidance. For tier-one cities, new tier-one and tier-two cities on which we primarily focus, several local governments have loosened price controls on the local property management markets by removing the government guidance prices for residential properties.

During the Track Record Period and up to the Latest Practicable Date, based on advice from our PRC Legal Advisors, our Directors confirm that the property management fees charged by us complied with the relevant PRC laws and regulations in all material aspects in relation to such government price controls.

Regulations on Parking Service Fees

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

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

According to the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》), the price control on parking services in residence communities was cancelled.

Property Management Service Outsourcing

In accordance with the Regulations on Property Management (2018 Revision) (《物業管理條例》(2018年修正)), a property management enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management business within such area to third parties.

Fire Protection

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on April 29, 1998, and was amended on October 28, 2008 and April 23, 2019, property management enterprises of residential districts shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

Regulation on Operation of School Canteen

Pursuant to the Food Safety Law of the PRC (the "Food Safety Law",《中華人民共和國食品安全法》), which was promulgated by the Standing Committee on February 28, 2009, and last amended on December 29, 2018, the state shall adopt a licensing system for food production and trade. Any person engaging in the production or sale of food or the catering services shall obtain a permit in accordance with the law. The Administrative Measures for Food Business Operation Licensing (the "Food Licensing Measures",《食品經營許可管理辦法》), which was promulgated by China Food and Drug Administration (now integrated into the State Administration for Market Regulation) on August 31, 2015, came into force on October 1, 2015 and amended on November 17, 2017, specifies the detailed measures for food distribution licensing management. According to the Food Licensing Measures, food business operation licensing shall be subject to the principle of one license for one place, which means a food trader that engages in food business operation activities shall obtain a food business operation license for each business premise. If an entity applies to establish a canteen, the applicant shall be the subject indicated in its business licenses or other registration certificate. The local food and drug administrations at and above the county level shall oversee and inspect the licensing matters of food business operators in accordance with the responsibilities prescribed by laws and regulations.

Pursuant to the School Food Safety and Nutritional Health Management Rules (《學校食品安全與營養健康管理規定》), which was promulgated by the Ministry of Education, the SAMR and the National Health Commission on February 20, 2019 and came into force on April 1, 2019, for contracting or entrusting the operation of school canteen, the school shall engage qualified catering service units through a tender and bidding process or other public methods. Such qualified catering service units shall obtain food business operation licenses, be able to assume food safety responsibilities and have good social reputation. The school shall enter into a contract with the contractor or the entrusted operator to clarify the rights and obligations of both parties in terms of food safety, nutrition and health. The contractor or the entrusted operator shall conduct business in accordance with laws, regulations, rules, food safety standards and contractual agreements, be responsible for food safety and be supervised by the entrusting party. The school canteen shall obtain a food business operation license and be operated in strict accordance with the business scope specified in the food business operation license, which shall be displayed in a prominent position in the canteen.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was promulgated by the State Council on September 25, 2000, became effective on the same day and was amended on January 8, 2011, internet information service refers to the provision of information through internet to web users, and includes two categories: commercial and non-commercial. Commercial internet information service refers to the service activities of compensated provision for online subscribers through the internet of information or website production. Non-commercial internet service refers to the provision free of charge of public, commonly-shared information through the internet to web users. Entities engaged in providing commercial internet information service shall apply for a license for value-added telecommunication services of internet information services. As for the operation of non-commercial internet information services, a record-filing is required. Internet information service provider shall provide services within the scope of their licenses or filings. Non-commercial internet information service providers shall not provide services with charge of payment. In case an internet information service provider changes its services, website address, etc., it shall submit such changes within 30 days in advance at the relevant government department.

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

SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

On July 5, 1994, the SCNPC promulgated the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), which came into effect on January 1, 1995 and was amended on August 30, 2007, August 27, 2009 and August 26, 2019. According to the Urban Real Estate Administration Law, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (i) have their own name and organization; (ii) have a fixed business site; (iii) have the necessary assets and funds; (iv) have a sufficient number of professionals; and (v) other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》), which was promulgated by the MOHURD, NDRC and Ministry of Human Resources and Social Security on January 20, 2011, came into effect on April 1, 2011 and was amended on March 1, 2016, real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient real estate agents are required to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the competent housing and urban-rural development (real estate) authority for filing formalities within 30 days from the date of receiving business licenses.

LEGAL SUPERVISIONS OVER LABOR PROTECTION IN THE PRC

According to Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and policies to ensure the rights of its workers.

According to Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, employers and employees shall enter into written labor contracts to establish their employment relationship. The labor contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and conditions to terminate the labor contracts. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the date when the employee begins to work.

According to Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect since July 1, 2011, and was amended on December 29, 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work Injury Insurance (《工傷保險條例》), Regulations on Unemployment Insurance (《失業保險條例》) and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, the employer shall undertake housing provident fund payment and deposit registrations at the housing provident fund administration center, and open housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. With respect to companies that fail to undertake housing provident fund registrations or open housing provident fund accounts for their employees, such companies may ordered by the housing provident fund administration center to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of no less than CNY 10,000 nor more than CNY 50,000 shall be imposed. When an employer fails to pay up housing provident fund contributions in full amount on the due date, the housing provident fund administration center shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982, taking effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002, came into effect on September 15, 2002, and was amended on April 29, 2014. The trademark office under the SAMR undertakes trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others by improper means in registering a trademark which is already in use and has certain influence.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984, came into effect on April 1, 1985, and was amended on September 4, 1992, August 25, 2000 and December 27, 2008, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative areas. Chinese patent system adopts the principle of "prior application", i.e. where two or more applicants file applications for patent for the identical invention-creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes his invention or utility models to be granted patent right, the invention or utility model should possess novelty, inventiveness and practical applicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may exploit the patent after obtaining the permission or proper authorization from the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001 and February 26, 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on December 20, 2001, came into effect on January 1, 2002 and was amended on January 8, 2011 and January 30, 2013.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for managing internet network domain names of China. The principle of "first to-file" is adopted for domain name services. The applicant for domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the purpose of registration, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《企業所得稅法實施條例》) which was issued by the State Council on December 6, 2007, came into effect on January 1, 2008, and was amended on April 23, 2019), the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual administration institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in PRC, are deemed as resident enterprise. Thus, the tax rate of 25% applies to their income originating from both inside and outside PRC.

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

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006 and implemented the Arrangement since January 1, 2007. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in a PRC company, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in a PRC company.

In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Value-added Tax

According to the Temporary Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993 by the State Council, came into effect on January 1,1994 and was amended on November 10, 2008 and February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, became effective on the same day and was amended on December 15, 2008 and October 28, 2011 (collectively, the "**VAT Law**"), taxpayers engaged in the sale of goods, the provision of processing, repairing and replacement services, leasing service of tangible movable property or import goods within the territory of the PRC shall pay value-added tax. Except those specified listed in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the MOF and the SAT on March 23, 2016 and taking effect on May 1, 2016, and was amended on July 11, 2007 and March 20, 2019 the state started to fully implement the pilot program from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

According to the Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), which was promulgated by the State Council on October 18, 2010 and came into effect on December 1, 2010, since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》), which was promulgated in 1985, the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which was promulgated in 1986, and other rules and regulations promulgated by the State Council and other competent departments in charge of relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》),which was promulgated by the State Council on February 8, 1985, retroactive to January 1, 1985 and was amended on January 8, 2011, entities and individuals who pay consumption tax, value-added tax and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, value- added tax and business tax paid by the entities and individuals and shall be paid at the same time along with the above taxes. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which was promulgated by the State Council on April 28, 1986, came into effect on July 1, 1986 and was amended on June 7, 1990, August 20, 2005 and January 8, 2011, the tax rate of education surcharges shall be 3% of the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and paid at the same time along with the above taxes.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to Administration Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, taking effect on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE on June 9, 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. RMB from the discretionary settlement of foreign exchange receipts under the capital account of domestic institutions shall be included in management of accounts for foreign exchange settlement and pending payment. This Circular reiterates the principle that RMB gained from foreign exchange settlement shall not directly or indirectly used for purpose beyond its business scope and in securities investment other than banks' principal guaranteed products. The proportion of the discretionary settlement of domestic institution under the capital account is temporarily set at 100%. The SAFE may adjust the aforesaid proportion in due time based on the balance of payment situations.

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

HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 2005 when we began providing property management services to properties developed by our Controlling Shareholder, the Shimao Group, a leading property development company in the PRC.

Leveraging our long-term and stable cooperation with the Shimao Group and benefiting from the Shimao Group's rapid expansion, we have since expanded our operations to cover the Yangtze River Delta Region, Central and Western China, Southern China and the Bohai Economic Rim. As of June 30, 2020, we managed a total of 293 properties located in 70 cities across 25 provinces in the PRC, with a total of 85.7 million sq.m. of GFA under management.

Over our years of operation, apart from expanding our business via organic growth and acquisitions, we have expanded and upgraded our community value-added services and value-added services to non-property owners. The provision of our services has also extended to properties developed by independent third-party property developers.

The quality of our services has been well recognized, evidenced by various awards and rankings detailed below.

Key Business Development Milestones

The following events set forth the key milestones in the history of our business development:

YEAR	EVENT
2005	Shimao Tiancheng was established and we started to provide property management services
	We also started to provide community value-added services and value-added services to non-property owners
2011	We obtained the qualification of First Class Property Service Enterprise (一級物業管理企業資質)
2015	We started to manage properties developed by independent third-party property developers
2019-2020	Our contracted GFA exceeded 100 million sq.m.
	We acquired Hailiang Property Management, a property management company which had properties under management in Anhui Province and 12 other provinces in China

YEAR	EVENT
	We acquired a 51% of the equity interest in Quanzhou Sanyuan, a property management company in Fujian Province
	We acquired a 51% of the equity interest in Fusheng Life Services, a property management company located in Fujian Province
	We acquired a 100% of the equity interest in Beijing Guancheng, a property management company located in Beijing
	We acquired a 51% of the equity interest in Zheda Sinew, a property management company located in Zhejiang Province
	According to publications by CIA in 2020:
	We were ranked 12th by CIA among the 2019 "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength
	We were ranked second by CIA among the 2019 "Top 100 Property Management Companies in the PRC" headquartered in the Yangtze River Delta Region in terms of total revenue and profit
	We were ranked third by CIA among the 2018 to 2019 "Top 20 Property Management Companies in the PRC" in terms of revenue growth rate
	We were recognized by CIA as one of the 2019 "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業)
	Our "Shimao Services" brand was recognized by CIA as a 2019 "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業)
	We were recognized by CIA as a 2019 "China Leading Property Management Company in terms of Characteristic Services" (中國特色物業服務領先企業)

Corporate Development

As of the Latest Practicable Date, our Group had either established or acquired operating subsidiaries and associates in the PRC to carry out our business. The major corporate developments of our subsidiaries which were material to our performance during the Track Record Period are set out below:

Shimao Tiancheng

Shimao Tiancheng was established in the PRC on September 16, 2005 with an initial registered capital of RMB1,000,000. It is engaged in the provision of property management services, community value-added services and value-added services to non-property owners. Shimao Tiancheng is the principal operating subsidiary of our Company in the PRC. Upon its establishment, Shimao Tiancheng was owned as to 50% by Shanghai Shimao Property Co., Ltd. (上海世茂房地產有限公司), an indirect wholly-owned subsidiary of Shimao Group Holdings, and 50% by First Pacific Davis Property Consultant (Shanghai) Co., Ltd. (第一太平戴維斯物業顧問(上海)有限公司), an Independent Third Party.

Subsequent to a series of equity transfers and increases in registered capital, Shimao Tiancheng became wholly owned by Shanghai Shiying Investment Management Co., Ltd. (上海世盈投資管理有限公司) ("**Shanghai Shiying**"), an indirect wholly-owned subsidiary of Shimao Group Holdings, in October 2014, with a registered capital of RMB8,000,000. On November 24, 2014, June 14, 2018 and July 26, 2018, the registered capital of Shimao Tiancheng was increased to RMB100,000,000, RMB300,000,000 and RMB800,000,000, respectively.

As part of the Reorganization, on December 24, 2019, Shanghai Shiying transferred the entire equity interest of Shimao Tiancheng to Shanghai Aoling. Upon completion of such transfer, Shimao Tiancheng became wholly owned by Shanghai Aoling. See "Reorganization" for details.

On June 8, 2020 and July 22, 2020, the registered capital of Shimao Tiancheng was further increased to RMB1,200,000,000 and RMB1,600,000,000, respectively.

Shanghai Runshang

Shanghai Runshang was established in the PRC on August 9, 2012 with an initial registered capital of RMB100,000. Shanghai Runshang is engaged in the provision of property agency services, being part of our community value-added service, and has been wholly owned by Shimao Tiancheng since its establishment.

On December 20, 2013, the registered capital of Shanghai Runshang was increased to RMB1,000,000.

Shanghai Fanying

Shanghai Fanying was established in the PRC on December 30, 2014 with an initial registered capital of RMB1,000,000. Shanghai Fanying is engaged in the provision of gardening and greening services, being part of our property management services, and has been wholly owned by Shimao Tiancheng since its establishment.

Hailiang Property Management

Hailiang Property Management was established in the PRC by Hailiang Property Holdings Group Co., Ltd. (海亮地產控股集團有限公司) ("**Hailiang Property Holdings**"), an Independent Third Party, on July 7, 2014 with an initial registered capital of RMB50,000,000. Hailiang Property Management is engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

On December 20, 2016, Hailiang Property Holdings transferred the entire equity interest of Hailiang Property Management to Xizang Dingfengsheng Industry Co., Ltd. (西藏鼎豐勝實業有限公司) ("**Xizang Dingfengsheng**"), an Independent Third Party and, to the best of our knowledge and understanding, a fellow subsidiary of Hailiang Property Holdings, at a consideration of RMB50,000,000. The consideration was determined with reference to the then registered capital of Hailiang Property Management considering both Hailiang Property Holdings and Xizang Dingfengsheng were subsidiaries of Hailiang Group Co., Ltd. (海亮集團有限公司).

On July 16, 2019, Shimao Tiancheng acquired from Xizang Dingfengsheng the entire equity interest of Hailiang Property Management. Upon completion of such transfer, Hailiang Property Management became wholly owned by Shimao Tiancheng. See "— Major Acquisitions" in this section for details.

Suifenhe Shifu

Suifenhe Shifu was established in the PRC on December 10, 2018 with an initial registered capital of HK$1,000,000. Upon establishment, it was wholly owned by Super Rocket, which was an indirect wholly-owned subsidiary of Shimao Group Holdings at the time. Suifenhe Shifu is engaged in the provision of home improvement services, being part of our community value-added service, and has been wholly owned by Super Rocket since its establishment.

As part of the Reorganization, on March 23, 2020, Suifenhe Shifu became our indirect wholly-owned subsidiary. See "Reorganization" for details.

Shimao IoT

Shimao IoT was established in the PRC on December 29, 2018 with an initial registered capital of RMB100,000,000. Shimao IoT is engaged in the provision of smart community solutions, being part of our community value-added services, and has been wholly owned by Shimao Tiancheng since its establishment.

Shanghai Guanghe

Shanghai Guanghe was established in the PRC on April 9, 2019 with an initial registered capital of RMB5,000,000. Shanghai Guanghe is engaged in the provision of community education services, being part of our community value-added services, and has been wholly owned by Shimao Tiancheng since its establishment.

MAJOR ACQUISITIONS

Acquisition of Hailiang Property Management

On July 7, 2019, Shimao Tiancheng entered into an equity transfer agreement with Xizang Dingfengsheng, an Independent Third Party, pursuant to which Shimao Tiancheng acquired from Xizang Dingfengsheng the entire equity interest of Hailiang Property Management at a total consideration of RMB290,000,000, which had been settled as of the Latest Practicable Date. The consideration was determined after arm's length negotiations having considered the future profitability and prospects of Hailiang Property Management with reference to its net profit for the year ended December 31, 2018 of approximately RMB19,215,800 and the paid up capital of Hailiang Property Management as of the date of the transfer of RMB50,000,000. Upon completion of such acquisition, Hailiang Property Management became wholly owned by Shimao Tiancheng. Hailiang Property Management is engaged in the provision of property management services, community value-added services and value-added services to non-property owners. We became acquainted with Xizang Dingfengsheng in early 2019 when we reached out to it to negotiate the acquisition of Hailiang Property Management, the opportunity of which was identified through market information. Save as disclosed above and for certain historical business cooperation between Hailiang Property Holdings and Shimao Group Holdings in respect of certain property development projects, there is no past or present relationship between Xizang Dingfengsheng and our Group, and to the best of our knowledge and understanding, our directors, shareholders or senior management, or any of their respective associates.

Acquisition of Fusheng Life Services

On March 30, 2020, Shimao Tiancheng entered into an equity transfer agreement with Guangzhou Qianlong Investment Co., Ltd. (廣州錢隆投資有限公司) ("**Guangzhou Qianlong**"), an Independent Third Party, pursuant to which Shimao Tiancheng acquired from Guangzhou Qianlong 51% of the equity interest of Fusheng Life Services at zero cash consideration. The consideration was determined after arm's length negotiations having considered the then net asset value of Fusheng Life Services. Upon completion of such acquisition, Fusheng Life Services became owned as to 51% by Shimao Tiancheng, 40% by Zheng Weixi, an Independent Third Party save for his interest therein, and 9% by Guangzhou Qianlong, an Independent Third Party. Fusheng Life Services is engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

None of the applicable percentage ratios as defined under the Listing Rules in respect of any of the above acquisitions exceeds 25% which would require disclosure under Rule 4.05(A) of the Listing Rules.

ACQUISITIONS AFTER THE TRACK RECORD PERIOD

Beijing Guancheng

On July 21, 2020, for the purpose of expanding our business, our Group acquired the entire equity interest of Beijing Guancheng, a company engaged in property management business. It is expected that such acquisition will broaden our management portfolio and expand our business in terms of services provided in respect of properties developed by independent third-party property developers. For details, see "Waivers from Strict Compliance with the Listing Rules — Equity Interest Acquired after the Track Record Period."

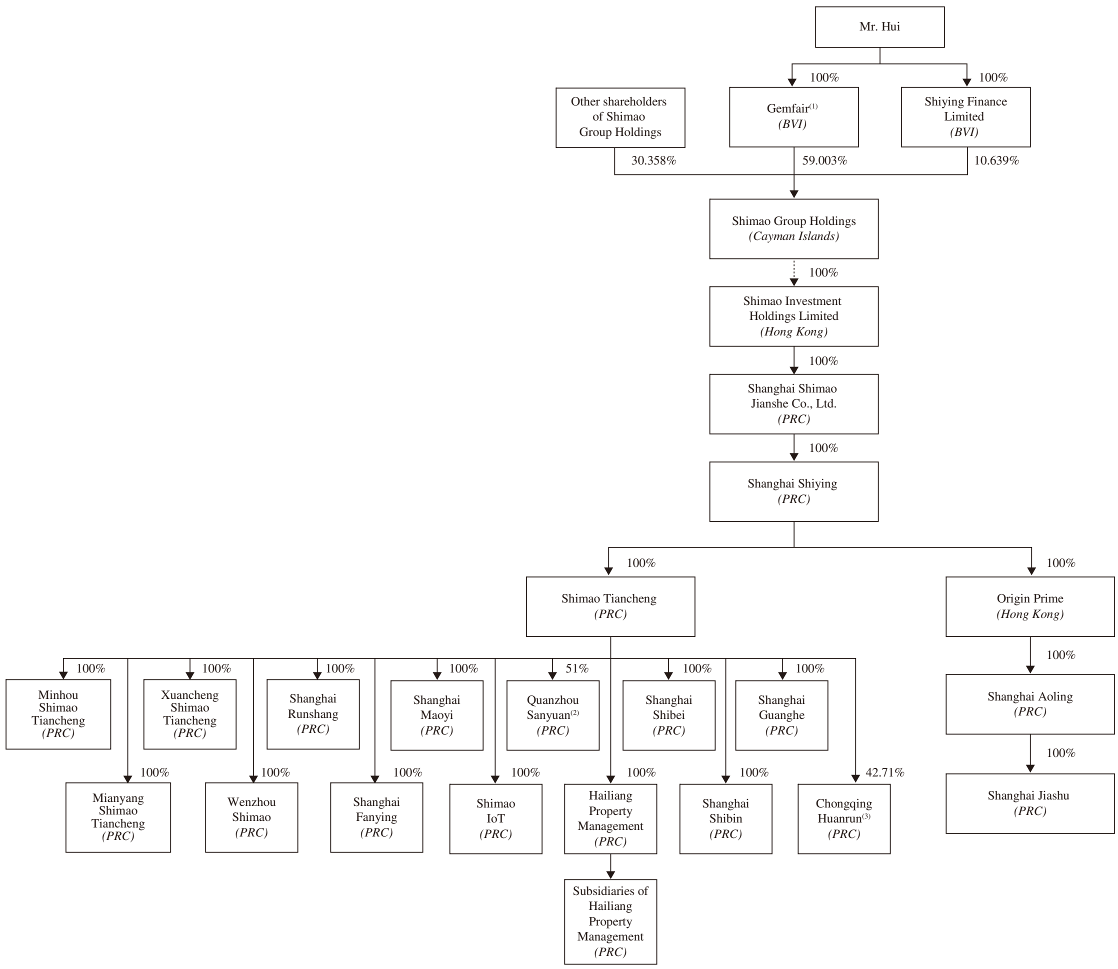
Zhejiang Xiangyu and Zheda Sinew

On July 30, 2020, Shimao Tiancheng entered into an equity transfer agreement with 21 of the 22 individual shareholders of Zhejiang Xiangyu, Ningbo Tianquan Equity Investment Limited Partnership (寧波天權股權投資合夥企業(有限合夥)) ("**Ningbo Tianquan**"), Zhejiang Xiangyu and Zheda Sinew, pursuant to which Shimao Tiancheng agreed to acquire 62.5% of the equity interest in Zhejiang Xiangyu from the 21 individual shareholders of Zhejiang Xiangyu and 26% of the equity interest in Zheda Sinew from Ningbo Tianquan, at a total consideration of approximately RMB614.7 million, which was determined after arm's length negotiations having considered the net profit of Zheda Sinew for the year ended December 31, 2019 and the net asset value of Zheda Sinew as of April 30, 2020. As of the date of the equity transfer agreement, Zheda Sinew was owned as to 40% by Zhejiang Xiangyu, 26% by Ningbo Tianquan and 34% by Zhejiang University Holdings Group Co., Ltd. (浙江大學控股集團有限公司) ("**Zhejiang University Holdings**"). Shimao Tiancheng obtained 26% of the equity interest in Zheda Sinew on July 31, 2020. Both Zheda Sinew and Zhejiang Xiangyu became indirect non-wholly owned subsidiaries of our Group on August 5, 2020. It is expected that the transfer of the 62.5% of the equity interest in Zhejiang Xiangyu to Shimao Tiancheng will complete in September 2020, upon which the original 22 individual shareholders will in aggregate own the remaining 37.5% of the equity interest. Approximately 30% of the consideration had been paid as of the Latest Practicable Date, and the remaining is expected to be settled by April 2021 in accordance with the terms of the equity transfer agreement. To the best of our Directors' knowledge, each of the 22 individual shareholders of Zhejiang Xiangyu and Ningbo Tianquan is an Independent Third Party save for one individual with a 11.0% interest in Zhejiang Xiangyu, and Zhejiang University Holdings is an Independent Third Party save for its interest in Zheda Sinew.

Zheda Sinew is a property management company located in Zhejiang Province, which is engaged in providing comprehensive property management and operational services for college campuses. Zhejiang Xiangyu is the holding company of Zheda Sinew and has no business operations. For details, see "Business — New Acquisitions."

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Notes:

1. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. Such assignment of voting rights had been arranged due to estate planning reasons, as Overseas Investment was the then trustee of a unit trust, all the units of which had been held by the trustee of a discretionary family trust established by Mr. Hui for the benefit of his family members.
2. The remaining equity interest was held as to 24.5% by He Guoying (the brother-in-law of Mr. Hui our ultimate Controlling Shareholder, and therefore a deemed connected person of the Company as defined under the Listing Rules), 19.6% by He Yanyan (an Independent Third Party save for her interest therein), and 4.9% by Wang Herong (an Independent Third Party). He Yanyan and Wang Herong became acquainted with our Group through He Guoying.
3. The remaining equity interest is held as to 38.99% by Shimao Investment Holdings Limited (世茂投資控股有限公司) ("**Shimao Investment**") and 18.3% by Shanghai Rongcheng Enterprise Management Co., Ltd. (上海容承企業管理有限公司), both indirect wholly-owned subsidiaries of Shimao Group Holdings.

In preparation for the Listing, the following steps were implemented to establish our Group:

1. Incorporation of our Company

On December 3, 2019, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one paid Share was issued to an initial subscriber, being an Independent Third Party, which was transferred to Best Cosmos at par on the same day.

As of the Latest Practicable Date, approximately 0.329% of the Shares in our Company held by Best Cosmos (representing approximately 0.280% of the Shares in our Company immediately upon completion of the Reorganization and the Spin-off assuming the Over-allotment Option is not exercised), were reserved for the future adoption of a share incentive scheme with the purpose of retaining talent and awarding contribution to our Group and the Shimao Group. The share incentive scheme is to be adopted at least six months after the Listing and as of the Latest Practicable Date, the detailed terms and intended awardees were yet to be determined.

2. Incorporation of Shimao Services BVI

On December 4, 2019, Shimao Services BVI was incorporated in the BVI with limited liability by our Company.

3. Acquisition of Origin Prime

On December 6, 2019, Shimao Services BVI acquired the entire equity interest of Origin Prime from Shanghai Shiying at a consideration of US$10,000, which was determined after arm’s length negotiations with reference to the paid up capital of Origin Prime as of the date of the acquisition and had been fully settled as of the Latest Practicable Date. Upon completion of such transfer, Origin Prime became wholly owned by Shimao Services BVI.

4. Acquisition of Shimao Tiancheng

On December 24, 2019, Shanghai Aoling, the wholly-owned subsidiary of Origin Prime, acquired the entire equity interest of Shimao Tiancheng at a consideration of RMB840,000,000, which was determined after arm’s length negotiations with reference to then paid up registered capital of Shimao Tiancheng and had been fully settled as of the Latest Practicable Date. Upon completion of such transfer, Shimao Tiancheng became wholly owned by Shanghai Aoling.

5. Restructuring of Shimao Tiancheng

The following transactions were effected to consolidate all the operating entities of our business into our Group.

Acquisition of the property management operating entities

On January 14, 2020, Shimao Tiancheng acquired the entire equity interest of Nanjing Haixia from Straits Construction Investment Management Consulting (Shanghai)

Co., Ltd. (海峽建設投資管理諮詢(上海)有限公司), an indirect wholly-owned subsidiary of Shimao Group Holdings, at a consideration of RMB500,000. Such consideration was determined after arm's length negotiations with reference to the then paid up registered capital of Nanjing Haixia and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, Nanjing Haixia became an indirect wholly-owned subsidiary of our Company. Nanjing Haixia is principally engaged in the provision of property management services and community value-added services.

On April 29, 2020, Shimao Tiancheng acquired the entire equity interest of Xianghe Wantong from Xianghe Wantong Property Development Co., Ltd. (香河萬通房地產開發有限公司), an indirect non-wholly owned subsidiary of Shimao Group Holdings since April 2019 when it became a 70% shareholder thereof, at a consideration of RMB10,000. Such consideration was determined after arm's length negotiations with reference to the then net asset value of Xianghe Wantong and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, Xianghe Wantong became an indirect wholly-owned subsidiary of our Company. Xianghe Wantong is principally engaged in the provision of property management and community value-added services.

Acquisition of the community value-added services operating entities

On December 27, 2019, Shimao Tiancheng acquired the entire equity interest of Mudanjiang Feixia from Mudanjiang Ruizhi Marketing Planning Co., Ltd. (牡丹江睿智營銷企劃有限公司), an indirect wholly-owned subsidiary of Shimao Group Holdings, at a consideration of RMB500,000. Such consideration was determined after arm's length negotiations with reference to the registered capital of Mudanjiang Feixia as of the date of the acquisition and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, Mudanjiang Feixia became an indirect wholly-owned subsidiary of our Company. Mudanjiang Feixia is principally engaged in the provision of community value-added services.

On March 13, 2020, Shimao Tiancheng acquired 90% of the equity interest of Shanghai Huiguan from Shanghai Shiying, and Shanghai Jiashu acquired 10% of the equity interest of Shanghai Huiguan from Shanghai Guantai Investment Management Co., Ltd. (上海冠臺投資管理有限公司), an indirect wholly-owned subsidiary of Shimao Group Holdings, at a total consideration of RMB10,000,000. Such consideration was determined after arm's length negotiations with reference to the then paid up registered capital of Shanghai Huiguan and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, Shanghai Huiguan became an indirect wholly-owned subsidiary of our Company. Shanghai Huiguan is principally engaged in the provision of home improvement services.

On March 30, 2020, Shimao Tiancheng acquired 90% of the equity interest of Mudanjiang Maoju, and Shanghai Jiashu acquired 10% equity interest of Mudanjiang Maoju, from Shanghai Rongcheng Enterprise Management Co., Ltd. (上海容承企業管理有限公司) ("**Shanghai Rongcheng**"), an indirect wholly-owned subsidiary of Shimao Group Holdings, at a total consideration of RMB1,000,000. Such consideration was determined after arm's length negotiations with reference to the then paid up registered capital of Mudanjiang Maoju and had been fully settled as of the Latest Practicable Date. Mudanjiang Maoju is principally engaged in the provision of home improvement services.

On March 23, 2020, Shimao Services BVI acquired the entire interest of Super Rocket from Classic Font Limited, an indirect wholly-owned subsidiary of Shimao Group Holdings, at a consideration of HK$1.00. Such consideration was determined after arm's length negotiations with reference to the paid up capital of Super Rocket as of the date of the acquisition and had been fully settled as of the Latest Practicable Date. Super Rocket is the holding company of Suifenhe Shifu, which is principally engaged in the provision of home improvement services.

6. Disposal of 42.71% of the equity interest of 重慶兩江新區寰潤小額貸款有限公司 (Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd.) ("Chongqing Huanrun")

Chongqing Huanrun was established on December 21, 2015 as a limited liability company for the purpose of providing microfinance services. Prior to the disposal detailed below, Chongqing Huanrun was owned as to 42.71% by Shimao Tiancheng, 38.99% by Shimao Investment, and 18.3% by Shanghai Rongcheng. Each of Shimao Investment and Shanghai Rongcheng is an indirect wholly-owned subsidiary of Shimao Group Holdings. For the years ended December 31, 2017, 2018 and 2019, the net profit of Chongqing Huanrun amounted to approximately RMB30 million, RMB54 million and RMB97 million, respectively. Given that our Group does not engage in the business of Chongqing Huanrun, being microfinance business, in order to streamline the corporate structure of our Group to enable it to focus on its core businesses, on April 8, 2020, Shimao Tiancheng transferred the entire equity interest of Chongqing Huanrun held by it to Shanghai Rongcheng, at a consideration of US$54,770,000. The consideration was determined after arm's length negotiations with reference to the then paid up registered capital of Chongqing Huanrun and had been fully settled as of the Latest Practicable Date. Upon completion of the equity transfer, Shimao Tiancheng ceased to be interested in Chongqing Huanrun.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that all applicable regulatory approvals in relation to the equity transfers and disposal in respect of the PRC companies in our Group as described above have been obtained, the equity transfers and disposal have been legally completed in accordance with the relevant equity transfer agreements, and the procedures involved have been carried out in accordance with applicable PRC laws and regulations.

PRE-IPO INVESTMENTS

1. Investments by the Pre-IPO Investors

On April 30, 2020, (i) SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. and (ii) Image Frame Investment (HK) Limited entered into a Series A Preferred Share Purchase Agreement with our Company and certain of its subsidiaries, as well as Best Cosmos and Shimao Group Holdings, pursuant to which the Pre-IPO Investors agreed to (i) subscribe for an aggregate of 5,000 Series A Preferred Shares at a total consideration of RMB864,500,000 payable in U.S. dollars; and (ii) purchase from Best Cosmos an aggregate of 5,000 Shares to be re-designated into Series A Preferred Shares on a one to one basis at a total consideration of RMB864,500,000 payable in U.S. dollars. Details of the Pre-IPO Investments are set out below:

	SCC Growth V 2020-B, L.P.	SCC Growth IV Holdco A, Ltd.	Image Frame Investment (HK) Limited
Date of agreement		April 30, 2020	
Total consideration	RMB567,457,800	RMB354,445,000	RMB807,097,200
Basis of consideration	The consideration for the Pre-IPO Investments were determined after arm's length negotiations with the Pre-IPO Investors having taken into account the timing of the investments including their investment risks of investing in a company yet to be listed, as well as the financial performance, the status and prospects of our business and operating entities. In addition, the potential contributions and strategic benefits which could be brought by the Pre-IPO Investors to our Group were also considered in determining the consideration.		
Date of settlement of consideration	May 7, 2020	May 7, 2020	May 8, 2020
Number of Series A Preferred Shares subscribed for or acquired (after re-designation)	3,282	2,050	4,668
Cost per Share (1)	RMB8.645 (approximately HK$9.470)		
Discount to the Offer Price(2)	Approximately 40.8%		
Use of proceeds	All proceeds from the Pre-IPO Investments for the issuance of the 5,000 Series A Preferred Shares will be used for business expansion, capital expenditures, general working capital needs, and the Reorganization or otherwise permitted by and in accordance with the budgeting and business plans of our Company. As of the Latest Practicable Date, RMB265,000,000 had been utilized to settle the consideration of certain acquisitions and to supplement our working capital. We expect to use the remaining proceeds within 2020 to finance our business expansions.		

	SCC Growth V 2020-B, L.P.	SCC Growth IV Holdco A, Ltd.	Image Frame Investment (HK) Limited
Shareholding in our Company immediately upon completion of the Pre-IPO Investments	3.282%	2.050%	4.668%
Shareholding in our Company immediately upon completion of the Global Offering(3)	2.790%	1.742%	3.968%
Strategic benefits to our Company	Our Directors believe that our Group will benefit from Sequoia Capital China's support for our Group in accessing valuable community business resources, bringing about synergies with the Sequoia Capital China ecosystem, which consists of companies with dynamic interactions with each other among various industries, including technology, media and telecom industry, healthcare industry, consumer or service industry and industrial technology industry, and facilitating the improvement and optimization of operating efficiency and management capabilities at our Group through application of technologies such as Internet of Things, cloud computing and big data.		Our Directors believe that our Group will benefit from Tencent's capitalization on its platform that integrates both online and offline sectors and its capability in supporting new business ecosystem to foster the digital upgrade of the basic information support system of our Group, including the urban management services related business management system and data system.

Notes:

(1) The approximate cost per Share is calculated based on the amount of consideration paid by each Pre-IPO Investor divided by the number of Shares to be held by it upon Listing (assuming the Over-allotment Option is not exercised).

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$16.0 per Share, being the mid-point of the indicative Offer Price range of HK$14.8 to HK$17.2.

(3) Assuming that the Over-allotment Option is not exercised, and all the Series A Preferred Shares are converted into Shares of our Company on a one-to-one basis before Listing.

Since May 8, 2020 and as of the Latest Practicable Date, the authorized share capital of our Company was HK$380,000 divided into (i) 37,990,000 Shares, and (ii) 10,000 Series A Preferred Shares, of which (i) 90,000 Shares were issued and outstanding and held by Best Cosmos, and (ii) 10,000 Series A Preferred Shares were issued and outstanding, of which 3,282, 2,050 and 4,668 were held by SCC Growth V 2020-B, L.P., SCC Growth IV Holdco A, Ltd. and Image Frame Investment (HK) Limited, respectively.

2. Special Rights

Pursuant to a shareholders' agreement dated May 8, 2020 entered into among our Company and certain of its subsidiaries, Best Cosmos, Shimao Group Holdings and the Pre-IPO Investors (the "**Shareholders Agreement**") and a deed of amendment to the shareholders' agreement dated September 11, 2020 among the same parties and Mr. Hui, the Pre-IPO Investors were granted certain special rights, including, among others, observer appointment right, right of first refusal, pre-emptive right, redemption rights, information and inspection right, conversion rights and certain negative covenants.

Save as disclosed below, all special rights will terminate upon completion of the Global Offering in accordance with the terms of the Shareholders' Agreement.

The redemption rights against Mr. Hui were or will be exercisable (i) if an initial public offering of the Shares of our Company does not take place by May 8, 2022, (ii) if any of Shimao Group Holdings, Best Cosmos and our Group is in material breach of any the representations, warranties and covenants under the transaction documents; or (iii) in the event of the occurrence of a change of control event as set out in the Shareholders' Agreement. Such right exercisable under (i) above shall terminate upon Listing, whereas the rights exercisable under (ii) and (iii) above had terminated on the calendar day before the first submission of the Listing application form with the Stock Exchange. Such redemption rights will automatically be restored in full force in the event the Listing fails to be successfully completed.

In the event of occurrence of either or both of (i) the audited consolidated net profit of our Company for the financial year ending December 31, 2021 is less than RMB1.17 billion; and/or (ii) the audited consolidated revenue of our Company for the financial year ending December 31, 2021 is less than RMB8.1 billion, each Pre-IPO Investor shall have the right, which will survive Listing, at its sole discretion to:

(i) require Best Cosmos and Shimao Group Holdings to transfer an aggregate certain number of additional Shares (the "**Share Compensation Amount**") to the Pre-IPO Investor and/or its designated affiliates, at no cost (or the lowest nominal consideration permitted by the applicable laws, which shall be calculated pursuant to the following formula, provided that, if the Global Offering has not occurred at the time of such transfer, such Shares shall be automatically re-designated into the Series A Preferred Shares of our Company on a one for one basis and then transferred to the Pre-IPO Investor and/or its designated affiliates:

    Share Compensation Amount = (the Consideration paid by the relevant Pre-IPO Investor/Adjusted Purchase Price) – the number of Shares held by the Pre-IPO Investor immediately after the closing (as adjusted for any share dividends, combinations, reclassifications or splits with respect to such shares and the like); or

(ii) require Best Cosmos and Shimao Group Holdings to pay an amount in cash (the "**Cash Compensation Amount**") in U.S. dollars to the Pre-IPO Investor and/or its designated affiliates, calculated pursuant to the following formula:

Cash Compensation Amount = [investment amount – investment amount * (A/B)] or [investment amount – investment amount * (C/D)], whichever is higher

whereas:

"Adjusted Purchase Price" means the lower of: (i) [(A/B)* Pre-money Valuation]/Initial Shares, or (ii) [(C/D)* Pre-money Valuation]/Initial Shares;

"A" means, the actual audited consolidated net profit of the Company for the financial year ending December 31, 2021;

"B" means, the target audited consolidated net profit of the Company for the financial year ending December 31, 2021, which is RMB1.17 billion;

"C" means, the actual audited consolidated revenue for the financial year ending December 31, 2021;

"D" means, the target audited consolidated revenue for the financial year ending December 31, 2021, which is RMB8.1 billion;

"Pre-money Valuation" means the the pre-money valuation of our Company immediately prior to the closing, which is RMB16,425,500,000; and

"Initial Shares" means the total number of Shares that are outstanding (on a fully diluted and as-converted basis) immediately prior to the closing (i.e., 95,000 Shares), as adjusted for any share dividends, combinations, reclassifications or splits with respect to such shares and the like.

Assuming the consolidated net profit and the consolidated revenue of our Group for the year ending December 31, 2021 remain the same as those for financial year ended December 31, 2019 while taking into account the 2019 pro forma results of Zheda Sinew, and both Pre-IPO Investors opt for compensation in the form of shares, the Share Compensation Amount will be 327,010,410 Shares.

The table below sets out the impact on the shareholding of the Company in such situation:

	Shares held immediately upon the completion of the Spin-off		Shares held assuming 327,010,410 Shares will be transferred from Best Cosmos to the Pre-IPO Investors	
	Without taking into account any Shares which may be issued pursuant to the Over-allotment Option			
	Number	**Approximate Percentage**	**Number**	**Approximate Percentage**
Pre-IPO Investors	200,000,000	8.5%	527,010,410	22.4%
Public Shareholders	588,236,000	25.0%	588,236,000	25.0%
Best Cosmos[1]	1,564,706,000	66.5%	1,237,695,590	52.6%
Total	**2,352,942,000**	**100%**	**2,352,942,000**	**100%**
	Assuming the Over-allotment Option is fully exercised			
	Number	**Approximate Percentage**	**Number**	**Approximate Percentage**
Pre-IPO Investors	200,000,000	8.3%	527,010,410	21.9%
Public Shareholders	676,471,000	28.1%	676,471,000	28.1%
Best Cosmos[1]	1,529,412,000	63.6%	1,202,401,590	50.0%
Total	**2,405,883,000**	**100%**	**2,405,883,000**	**100%**

Note:

(1) Takes into account the sale of the Sale Shares by Best Cosmos under the Global Offering.

Therefore, in the event of Shares being transferred to the Pre-IPO Investors in the above unlikely scenario, none of the Pre-IPO Investors will hold 30% or more of the interest in the Company upon the transfer of the number of Shares in the Share Compensation Amount, and Shimao Group Holdings will continue to be the single largest and controlling shareholder of the Company.

Assuming the consolidated net profit and consolidated revenue of our Group for the year ending December 31, 2021 remains the same as those for financial year ended December 31, 2019 while taking into account the 2019 pro forma results of Zheda Sinew, and both Pre-IPO Investors opt for compensation in the form of cash, the Cash Compensation Amount will be RMB1,072.8 million.

The above compensation if made, would be settled by Best Cosmos and Shimao Group Holdings. Therefore it is expected that there will not be any material impact on our business operations and financial position even in the event any compensation is required.

The profit guarantee above does not represent the anticipated level of future profit of our Company and does not constitute a profit forecast of our Company under Rules 11.16 to 11.19 of the Listing Rules, and the profit guarantee amount should not be regarded in any way as an indication of the projected profit of our Company for the year ending December 31, 2021.

Upon completion of the Listing, all Series A Preferred Shares will automatically be converted into fully-paid and non-assessable Shares, based on the then-effective applicable conversion price, without the payment of any additional consideration.

3. Lock-up and Public Float

Subject to the terms of the Pre-IPO Investments, the Pre-IPO Investors shall not sell or transfer any Shares until the earlier of (i) the second anniversary of the date of the Series A Preferred Share Purchase Agreement; and (ii) the first anniversary of the completion of the Global Offering.

Upon completion of the Global Offering, the Shares held by all of the Pre-IPO Investors will be counted towards the public float of our Company.

4. Information on the Pre-IPO Investors

SCC Growth V 2020-B, L.P. is an exempted limited partnership formed under the laws of the Cayman Islands. SCC Growth IV Holdco A, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P. Both SCC Growth V 2020-B, L.P. and Sequoia Capital China Growth Fund IV, L.P. are investment funds whose primary purpose is to make equity investments in private companies and their limited partners and the beneficial owners of those limited partners include pension funds, non-governmental organizations and endowment funds. Each of SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. is an Independent Third Party. Sequoia Capital China became acquainted with our Group through introduction by a common friend of the management of Sequoia Capital China and Mr. Ye Mingjie in 2019.

Image Frame Investment (HK) Limited is a wholly-owned subsidiary of Tencent, whose shares are listed on the Stock Exchange (Stock Code: 700). Tencent is a leading provider of Internet value-added services in China, including communications and social, entertainment, media, advertising, FinTech and cloud services. Tencent is an Independent Third Party. Tencent became acquainted with our Group through introduction by Sequoia Capital China in 2019.

To the best of our Directors' knowledge and belief after making due and careful enquiries, save for its Pre-IPO Investment, each of Sequoia Capital China and Tencent does not have any other relationship with our Group or any connected persons of the Company.

5. Consulting Arrangement

On October 15, 2020, our Company entered into a consulting agreement with each of Sequoia Capital China and Tencent, pursuant to which each of Sequoia Capital China and Tencent is entitled, subject at all times to the decision of our Board, to nominate a consultant (the "**Consultants**") to our Board. Upon invitation by our Board, such Consultants are entitled to attend and speak in all meetings of the Board and its committees in a non-voting capacity, provided that such Consultants have duly signed and delivered to our Company a customary form of non-disclosure agreement agreed by our Company and such Consultants prior to such meetings. Each of Sequoia Capital China and Tencent has agreed and confirmed in the consulting agreement that such consulting arrangement is not creating any special rights in its favor except for attending and speaking at the meetings but rather is intended to add value to our Company. Our Company believes that the Consultants, being the representatives of the Pre-IPO Investors which are experienced investors in various industries, will be able to provide timely and meaningful advice to our Directors at the relevant meetings. It is expected that such consultant arrangement will bring about added-value to our Company, enabling us to realize the benefits which could be brought about by the Pre-IPO Investments, including such strategic benefits set out above. The appointment of the Consultants shall become effective upon Listing and be terminated (i) at any time when Sequoia Capital China, Tencent and their respective affiliates in aggregate cease to hold 5% or more of the outstanding shareholding of our Company; or (ii) upon decision of the members of the Board who have duly discharged their fiduciary duties to act in the best interest of our Company and its shareholders as a whole.

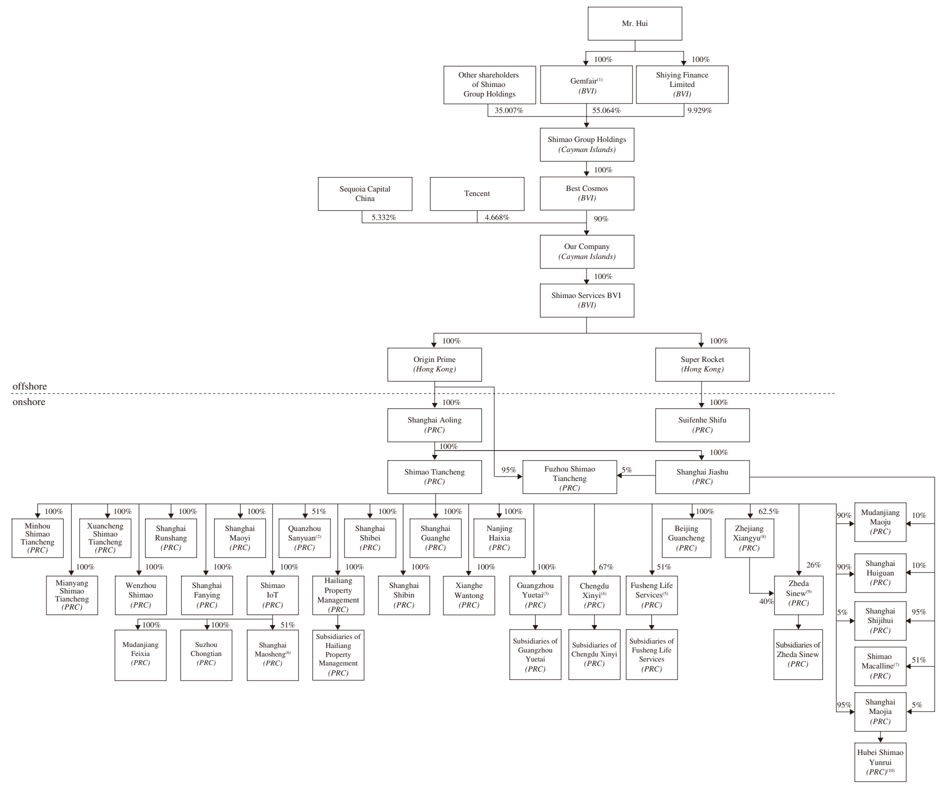
Despite the nomination of the Consultants will be subject to the decision of Sequoia Capital China and Tencent, their appointment is subject at all times to the decision of our Board. In addition, despite the Consultants will be entitled to attend and speak at the meetings of our Board upon invitation by our Board, our Company considers that the members of our Board (including our Independent Non-executive Directors) possess the necessary experience and integrity to exercise their fiduciary duties in a manner which is in the best interests of our Company and Shareholders as a whole. As such, and considering also the potential strategic benefits expected to be contributed by the Pre-IPO Investors as set out in "1. Investments by the Pre-IPO Investors" in this section above, which could be brought about through the Consultants, as well as the confidentiality undertakings to be given pursuant to non-disclosure agreements, our Company considers the right to nomination such Consultants by Sequoia Capital China and Tencent to be fair and reasonable and would not prejudice the interests of our Shareholders as a whole. Having considered all of the above and in particular the requirement that the appointment of the Consultant is subject at all times to the decision of our Board, our Directors are of the view that the nomination and appointment of the Consultants are in compliance with the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange.

6. Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments were settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Department of the Stock Exchange in relation to the Listing; and (ii) the expected termination of special rights granted to the Pre-IPO Investors in connection with the Pre-IPO Investments as described in the paragraph headed "2. Special Rights" above; and (iii) for the reasons set out in "5. Consulting Arrangement" above, the consultant arrangement is expected to bring potential benefits to our Board, is not prejudicial to our Shareholders as a whole and is ultimately subject to the decision of the members of our Board who have fiduciary duty to act in the best interest of our Company and our Shareholders as a whole, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 (as updated in March 2017), the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 (as updated in July 2013 and March 2017), and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 (as updated in March 2017).

Our Group's Shareholding Structure after the Reorganization and the Pre-IPO Investments

The following diagram illustrates our shareholding structure upon completion of the Reorganization and the Pre-IPO Investments and immediately prior to the Spin-off:

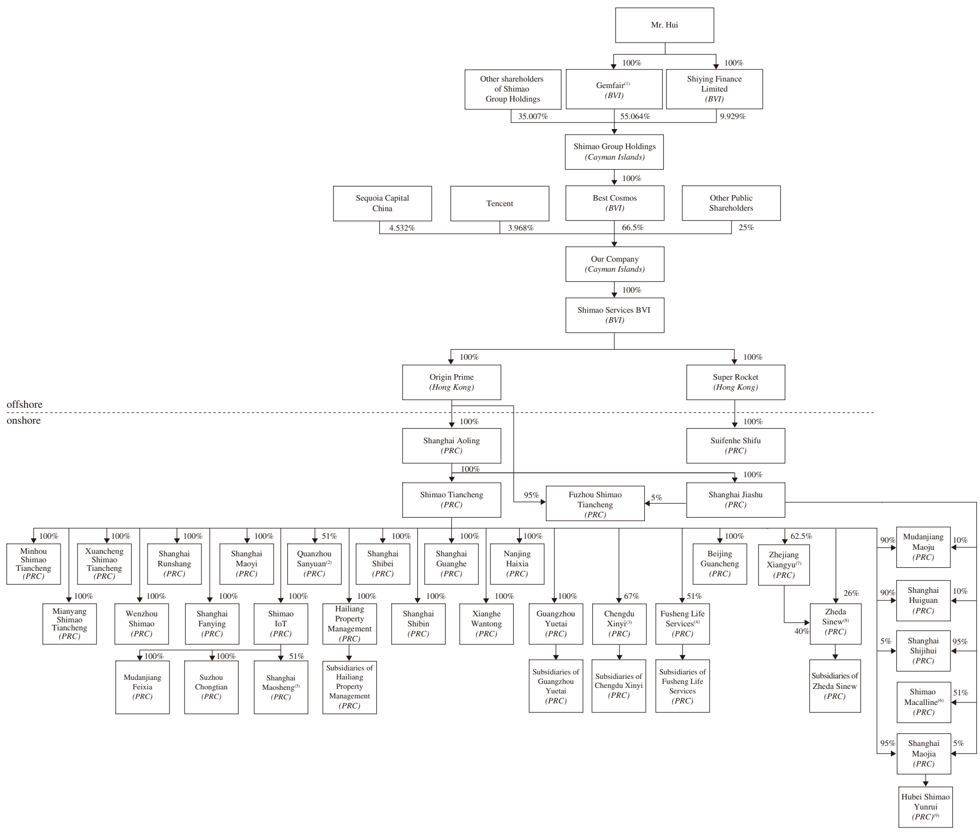


Notes:

1. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. Such assignment of voting rights had been arranged due to estate planning reasons, as Overseas Investment was the then trustee of a unit trust, all the units of which had been held by the trustee of a discretionary family trust established by Mr. Hui for the benefit of his family members.
2. The remaining equity interest is held as to 24.5% by He Yijia, 19.6% by He Yanyan, each an Independent Third Party save for his/her interest therein, and 4.9% by He Huizhen, an Independent Third Party. Quanzhou Sanyuan became our subsidiary in October 2019 upon our acquisition of 51% of its equity interest as part of our business expansion, which did not form part of the Reorganization. It is primarily engaged in the provision of property management services and community value-added services.
3. Guangzhou Yuetai became our subsidiary in January 2020 upon completion of acquisition of its entire equity interest from an Independent Third Party. It is primarily engaged in the provision of property management and community value-added services.
4. The remaining equity interest is held as to 21% by Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司), an Independent Third Party save for its interest therein, 6% by Chengdu Junxinhe Corporate Management Centre (Limited Partnership) (成都君信合企業管理中心(有限合夥)) and 6% by Chengdu Chengxinming Corporate Management Centre (Limited Partnership) (成都誠信明企業管理中心(有限合夥)), each an Independent Third Party as part of our business expansion, which did not form part of the Reorganization. Chengdu Xinyi became our subsidiary in June 2020 upon our completion of acquisition of 67% of its equity interest from an Independent Third Party. It is primarily engaged in the provision of property management and community value-added services.
5. The remaining equity interest is held as to 40% by Zheng Weixi, an Independent Third Party save for his interest there in, and 9% by Guangzhou Qianlong, an Independent Third Party.
6. The remaining equity interest is held by Unisound (Shanghai) Information Technology Co., Ltd. (雲知聲(上海)智能科技有限公司), an Independent Third Party save for its interest therein.
7. The remaining equity interest is held by Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司), an Independent Third Party save for its interest therein. Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司) is a subsidiary of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1528) and the Shanghai Stock Exchange (stock code: 601828). Shimao Macalline became our subsidiary in June 2020 upon completion of our acquisition of 51% of its equity interest from an Independent Third Party as part of our business expansion, which did not form part of the Reorganization. It is engaged in the provision of home improvement services.
8. The remaining 37.5% was held by 21 Independent Third Parties and one other Independent Third Party save for its interest therein as of the Latest Practicable Date.
9. The remaining 34% was held by Zhejiang University Holdings, an Independent Third Party save for its interest therein.
10. The remaining 49% was held by Xianning Yunrui Property Co., Ltd. (咸寧市雲瑞置業有限公司), an Independent Third Party save for its interest therein.

Our Group's Shareholding Structure after the Spin-off

The shareholding structure of our Group immediately following the completion of the Reorganization and the Spin-off (assuming the Over-allotment Option is not exercised) is set out as follows:



Notes:

1. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. Such assignment of voting rights had been arranged due to estate planning reasons, as Overseas Investment was the then trustee of a unit trust, all the units of which had been held by the trustee of a discretionary family trust established by Mr. Hui for the benefit of his family members.
2. The remaining equity interest is held as to 24.5% by He Yijia, 19.6% by He Yanyan, each an Independent Third Party save for his/her interest therein, and 4.9% by He Huizhen, an Independent Third Party.
3. The remaining equity interest is held as to 21% by Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司), an Independent Third Party save for its interest therein, 6% by Chengdu Junxinhe Corporate Management Centre (Limited Partnership) (成都君信合企業管理中心(有限合夥)) and 6% by Chengdu Chengxinming Corporate Management Centre (Limited Partnership) (成都誠信明企業管理中心(有限合夥)), each an Independent Third Party.
4. The remaining equity interest is held as to 40% by Zheng Weixi, an Independent Third Party save for his interest there in and 9% by Guangzhou Qianlong, an Independent Third Party.
5. The remaining equity interest is held by Unisound (Shanghai) Information Technology Co., Ltd. (雲知聲(上海)智能科技有限公司), an Independent Third Party save for its interest therein.
6. The remaining equity interest is held by Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司), an Independent Third Party save for its interest therein.
7. The remaining 37.5% was held by 21 Independent Third Parties and one other Independent Third Party save for its interest therein as of the Latest Practicable Date.
8. The remaining 34% was held as to 40% by Zhejiang Xiangyu and 34% by Zhejiang University Holdings.
9. The remaining 49% was held by Xianning Yunrui Property Co., Ltd. (咸寧市雲瑞置業有限公司), an Independent Third Party save for its interest therein.

REASONS FOR THE SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the Listing of our Company will constitute a spin-off of Shimao Group Holdings.

The board of directors of Shimao Group Holdings considers that the Spin-off is in the interests of Shimao Group Holdings and the shareholders of Shimao Group Holdings as a whole based on the following reasons:

(a) the Spin-off will allow Shimao Group Holdings and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for the spin-off business;

(b) the Spin-off will enable our Group to build our identity as a separately listed group, to have a separate fund-raising platform and to broaden our investor base through the Global Offering. The Spin-off would allow us to gain direct access to the capital markets for equity and/or debt financing to fund our existing operations and future expansion without reliance on the Shimao Group, hereby improving our operating and financial management efficiencies;

(c) the Spin-off will enable us to enhance our corporate profile, thereby increasing our ability to attract strategic investors for making investment in and forming strategic partnerships directly with us, which could provide synergy for our Group; and

(d) the Spin-off would enable a more focused development, strategic planning and better allocation of resources for Shimao Group Holdings and our Group with respect to our respective businesses; both Shimao Group Holdings and our Group would benefit from the efficient decision-making process under the separate management structures.

The Spin-off by Shimao Group Holdings complies with the requirements of Practice Note 15 of the Listing Rules.

OVERVIEW

We are a leading comprehensive property management and community living service provider in the PRC, according to CIA. We were ranked 12th by CIA among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. Driven by our strong capabilities in market expansion, our aggregate GFA under management increased from 42.6 million sq.m. as of December 31, 2017 to 45.0 million sq.m. as of December 31, 2018, and 68.2 million sq.m. as of December 31, 2019, and further to 85.7 million sq.m. as of June 30, 2020. Our aggregate contracted GFA increased from 45.7 million sq.m. as of December 31, 2017 to 60.4 million sq.m. as of December 31, 2018, and 100.9 million sq.m. as of December 31, 2019, and further to 125.5 million sq.m. as of June 30, 2020. We were recognized by CIA as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019.

We primarily generate revenue from three business lines: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners.

- **Property management services**. We offer a wide range of property management services to property developers, property owners and residents, including security, cleaning, greening and gardening, repair and maintenance services with respect to properties under our management. Our property management portfolio includes mainly residential properties, and also covers non-residential properties, such as government and public facilities, elderly-care and healthcare facilities and airport lounges. We charge property management fees primarily on a lump sum basis, with only a very small portion charged on a commission basis. With respect to properties managed by certain other property management companies, we also provide cleaning, greening and gardening, repair and maintenance services as a subcontractor to such property management companies.

- **Community value-added services**. We offer community value-added services to property owners and residents, including (i) community asset management where we assist property owners in leasing common spaces and public facilities to third parties in exchange for a predetermined percentage of the rental fees as our commissions or provide repair and maintenance services with respect to such common spaces and public facilities and rental services with respect to certain community facilities in exchange for a fixed service fee; (ii) carpark sales related services where we either help property developers sell carpark spaces in exchange for a percentage of the sales proceeds as our commissions, or sell carpark spaces held by us and generate profit from the excess of selling prices over our purchase prices; (iii) home improvement services where we offer (a) marketing and promotional services to third-party home furnishing service providers through our online More+ platform and offline marketing and promotional activities; and (b) home furnishing services to property owners and residents; (iv) smart community solutions where we sell software and hardware used in smart community solutions to property owners, property developers and other property management companies, and provide maintenance services of enterprise software to other property management companies; and (v) other services, primarily including services to property owners and residents such as housekeeping and home electronics repair and maintenance services.

- **Value-added services to non-property owners**. Our value-added services to non-property owners include (i) sales office management services where we provide property management services to property developers' sales offices and display units; (ii) preliminary planning and design consultancy services to property developers, covering various stages of property development from preliminary project planning and design to pre-delivery inspections; and (iii) repair and maintenance services to property developers during the warranty period of residential properties.

We witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,042.5 million in 2017 to RMB1,329.3 million in 2018, and further to RMB2,489.1 million in 2019, representing a CAGR of 54.5%. Our profit increased from RMB108.8 million in 2017 to RMB146.2 million in 2018, and further to RMB384.5 million in 2019, representing a CAGR of 88.0%. Our revenue increased by 85.1% from RMB845.4 million in the six months ended June 30, 2019 to RMB1,564.6 million in the six months ended June 30, 2020 while our profit increased by 133.9% from RMB108.9 million in the six months ended June 30, 2019 to RMB254.7 million in the six months ended June 30, 2020. The following table sets forth a breakdown of our total revenue by business line for the periods indicated, both in absolute amount and as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	733,774	70.4	848,583	63.9	1,199,398	48.2	438,132	51.8	819,707	52.4
Community value-added services	62,552	6.0	94,665	7.1	648,558	26.0	118,357	14.0	417,292	26.7
Value-added services to non-property owners	246,202	23.6	386,075	29.0	641,130	25.8	288,888	34.2	327,637	20.9
Total	**1,042,528**	**100.0**	**1,329,323**	**100.0**	**2,489,086**	**100.0**	**845,377**	**100.0**	**1,564,636**	**100.0**

During the Track Record Period, our community value-added services experienced significant growth. Revenue derived from community value-added services as a percentage of our total revenue increased from 6.0% in 2017 to 7.1% in 2018, and further to 26.0% in 2019. Revenue from community value-added services as a percentage of our total revenue increased from 14.0% in the six months ended June 30, 2019 to 26.7% in the six months ended June 30, 2020. In particular, in 2019, we introduced our marketing and promotional services to third-party home furnishing service providers through our online More+ platform and offline marketing and promotional activities, adding RMB71.4 million, to our revenue in 2019 . We also introduced smart community solutions in 2019, adding RMB51.5 million and RMB135.0 million, respectively, to our revenue in 2019 and the six months ended June 30, 2020. Our revenue from carpark sales related services increased significantly from RMB25.6 million in 2018 to RMB359.5 million in 2019, primarily driven by an increase in the number of properties in which we offer carpark sales related services and a significant increase in the number of carpark spaces we sold or helped sell due to our acquisition of Hailiang Property Management. Due to the same reason, our revenue from carpark sales related services increased significantly from RMB64.0 million in the six months ended June 30, 2019 to RMB154.3 million in the six months ended June 30, 2020. We intend to serve primarily as an agent facilitating purchases and sales of carpark spaces in exchange for commissions going forward. We plan to devote more resources to grow our community value-added services and introduce a variety of other community value-added services aiming at improving the living experience of property owners and residents, such as property sales and rental facilitation services, home furnishing services, community education services and community space operations services. We believe community value-added services will drive our future growth and help establish our market position as a leading value-added service provider.

OUR COMPETITIVE STRENGTHS

Leading Comprehensive Property Management and Community Living Service Provider

We are a leading comprehensive property management and community living service provider in the PRC, according to CIA. Driven by our strong capabilities in market expansion, we experienced significant growth in our GFA under management and contracted GFA during the Track Record Period. We also witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,042.5 million in 2017 to RMB1,329.3 million in 2018, and further to RMB2,489.1 million in 2019, representing a CAGR of 54.5%. Our profit increased from RMB108.8 million in 2017 to RMB146.2 million in 2018, and further to RMB384.5 million in 2019, representing a CAGR of 88.0%. Our revenue increased by 85.1% from RMB845.4 million in the six months ended June 30, 2019 to RMB1,564.6 million in the six months ended June 30, 2020 while our profit increased by 133.9% from RMB108.9 million in the six months ended June 30, 2019 to RMB254.7 million in the six months ended June 30, 2020. We believe our rapid business growth and quality services have earned us a number of awards. We were recognized by CIA as one of the “Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC” (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our “Shimao Services” brand was recognized as a “Leading Brand in the PRC Property Management Industry in Specialized Operations” (中國物業服務專業化運營領先品牌企業) in 2019.

We believe we have established strong capabilities in market expansion through organic growth as well as acquisition of third-party property management companies. We have a long-term and stable business cooperation with the Shimao Group, which was ranked 9th among real estate developers in the PRC by contracted sales in 2019, according to CIA. During the Track Record Period, our tender success rate for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group was 100.0%. Leveraging our brand image, operational capabilities and established business relationships, we enhanced our efforts to obtain property management service agreements in 2019 for properties developed by independent third-party property developers, and achieved a tender success rate for properties developed by independent third-party property developers of 45.8% in 2019 and 42.3% in the six months ended June 30,

2020. In terms of expansion through acquisitions, we generally focus on targets whose geographical presence and market positioning are synergistic with ours. For example, in 2019, we acquired Hailiang Property Management which had properties under management in Anhui Province and 12 other provinces in China, adding GFA under management and contracted GFA of 14.8 million sq.m. and 16.7 million sq.m., respectively, to our portfolio as of December 31, 2019. We also acquired a 51% equity interest in Quanzhou Sanyuan, a property management company located in Fujian Province, in the same year, which added GFA under management and contracted GFA of 1.3 million sq.m. and 1.5 million sq.m., respectively, to our portfolio as of the same date. In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai, adding 27 contracted properties and contracted GFA of 3.9 million sq.m. as of June 30, 2020 to our property portfolio. In March 2020, we acquired a 51% equity interest in Fusheng Life Services, adding 85 contracted properties and contracted GFA of 15.0 million sq.m. as of June 30, 2020 to our property portfolio. In June 2020, we acquired a 67% equity interest in Chengdu Xinyi, adding 18 contracted properties and contracted GFA of 2.3 million sq.m. as of June 30, 2020 to our property portfolio. In July 2020, we acquired a 100% equity interest of Beijing Guancheng, adding 21 contracted properties and contracted GFA of 4.7 million sq.m. as of the Latest Practicable Date to our property portfolio. In August 2020, we acquired a 51% equity interest of Zheda Sinew, adding 61 contracted properties and contracted GFA of 9.1 million sq.m. as of the Latest Practicable Date to our property portfolio. We are not responsible for any residual liabilities or potential penalties arising from non-compliances and/or disputes with respect to the acquired companies which occurred before our acquisition because, except for the acquisition agreement of Fusheng Life Services, all of our acquisition agreements provided that the selling shareholders are liable for such non-compliances and disputes. Our acquisition agreements also provided that we may seek indemnity from the selling shareholders if we are held liable for such non-compliance and/or disputes. With respect to the acquisition agreement of Fusheng Life Services, while the acquisition agreement did not provide such terms, the relevant non-compliance and disputes do not have materially adverse impact on our operations and financial condition.

As we experience significant growth in business scale, we remain committed to offering quality services to our customers. We have implemented a series of measures to ensure our service quality, such as our 1001 Butler service which evaluates the performance of our service staff and monitors customer satisfaction. We also monitor customer satisfaction by engaging independent third-party evaluators, assessing data and feedback collected from our Mao Home (茂家) mobile application, and following up with customer requests from our call centers. As a result of these measures, our customer satisfaction rate reached 87% in 2019, as compared to the industry average rate of 73% in 2019, according to FG Consulting.

We believe that our well-established market position, strong market expansion capabilities and brand image will enable us to capture opportunities presented by market developments and expand our market share in the industry.

Long-term and Stable Cooperation with the Shimao Group and Strategic Investment by Reputable Investors

The Shimao Group is our parent company. We started to provide property management service to properties developed by the Shimao Group in 2005. Our long-term and stable cooperation with the Shimao Group has been driving our development since our inception and laid the foundation for our continuous growth. Our cooperation with the Shimao Group has helped us gain in-depth understanding of the Shimao Group's business needs, enabling us to successfully win tender bids for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group, and continuously enhance our service quality to better serve the Shimao Group as well as owners and residents of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group. Our long-standing business cooperation with the Shimao Group has also helped us solidify our market position and expand our business nationwide. According to its annual report, in 2017, 2018 and 2019, the Shimao Group completed the construction of properties with an aggregate GFA of 7.7 million sq.m., 8.9 million sq.m., and 9.5 million sq.m., respectively, and during the same years, the revenue of the Shimao Group was RMB70,425.9 million, RMB85,512.7 million, and RMB111,517.0 million, respectively. According to its interim report, the Shimao Group completed the construction of properties with an aggregate GFA of 4.7 million sq.m. in the six months ended June 30, 2020, generating revenue of RMB64,552.7 million. As of June 30, 2020, properties with an aggregate GFA under our management of approximately 53.2 million sq.m. were developed by the Shimao Group and joint ventures and associates of the Shimao Group. Since June 30, 2020 and up to the Latest Practicable Date, we were contracted to manage eight properties developed by the Shimao Group and joint ventures and associates of the Shimao Group with an aggregate contracted GFA of approximately 1.9 million sq.m. Our business has grown in concert with the expansion of the Shimao Group.

In terms of acquisitions, our relationship with the Shimao Group also contributed resources to our acquisition opportunities of property management companies that complement our business operations and expand our scale. In June 2019 and January 2020, the Shimao Group entered into business collaboration agreements with the then parent companies of Guangzhou Yuetai and Fusheng Life Services, respectively. Each party to the collaboration agrees to use its own competitive advantages to support each other's business operations in areas such as, among others, (i) property development; (ii) construction; (iii) property management; (iv) urban redevelopment; and (v) trademark licensing. We believe that such collaborations between the Shimao Group and the then parent companies of Guangzhou Yuetai and Fusheng Life Services paved the way for us to increase the number and GFA of properties under our management. In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai, adding 27 contracted properties and contracted GFA of 3.9 million sq.m. as of June 30, 2020 to our property portfolio; and in March 2020, we acquired a 51% equity interest in Fusheng Life Services, adding 85 contracted properties and contracted GFA of 15.0 million sq.m. as of June 30, 2020 to our property portfolio.

Leveraging the commercial resources and business growth of the Shimao Group, we have attracted several strategic investors to collaborate with us, such as our Pre-IPO Investors, Sequoia Capital China and Tencent, which completed their strategic investment in our business in May 2020. As confirmed by Sequoia Capital China, we were the first and only property management company in the PRC in which it had invested as of the date of the Pre-IPO Investments.

We believe that our long-term and stable relationship with the Shimao Group will continue going forward. We believe such a relationship with the Shimao Group and recently established relationship with our Pre-IPO Investors will enable us to expand our business scale and offer more diversified services.

Strong Operational Capability, High Operational Efficiency and Advanced Technological Support

We have established a full-cycle multi-tiered and multi-dimensional management system featuring a series of policies, mechanisms, standards and tools, which we believe helps us achieve standardized, targeted, efficient and strong management and operational capabilities.

Full-cycle Management Policies

We have created a set of full-cycle management policies covering the management of newly delivered properties, business development activities and acquisitions.

- *Newly delivered properties*. Our full-cycle management of newly delivered properties includes key control points covering key processes from property construction and delivery to ramp-up and subsequent services.

- *Business development*. We have established management policies to ensure smooth transitions in properties where we were engaged to replace existing property management companies, and bring noticeable changes to such communities and improve the living experience of property owners in these communities.

- *Acquisitions*. We have also adopted management policies to effectively and efficiently integrate acquired companies with our overall business operations. For example, we applied our full-cycle management policies, to our newly acquired Hailiang Property Management in 2019, which resulted in an increase in average revenue per employee for Hailiang Property Management by more than 60% from 2018 to 2019, and an increase in gross profit margin of Hailiang Property Management from 8.3% in 2018 to 25.9% in 2019, according to unaudited management accounts of Hailiang Property Management and management estimate. To improve the operating efficiencies and gross profit margins of acquired companies, we have adopted the following steps during the Track Record Period: (i) promoting community value-added services by acquired companies because such services typically generate higher gross profit margins; (ii) applying our Grid Unit Management mechanisms and Internal Marketization policy as described below to acquired companies; (iii) equipping acquired companies with our advanced management tools; and (iv) requiring acquired companies to use suppliers with which we have established long-term relationships, which contributes to lower purchasing costs by the acquired companies. We believe that due to the proximity of certain properties of the acquired companies to our other properties under management, we are able to apply our management resources, mechanisms, policies, standards and tools without incurring significant costs, contributing to their higher operational efficiencies and better integrations into our Group.

We believe our full-cycle management policies have contributed to our strong and efficient business operations, paving the way for our launch of new property management and value-added services.

Grid Unit Management Mechanism and Internal Marketization Policy

We implemented the Grid Unit Management (網格化管理) mechanism and Internal Marketization (內部市場化) policy under which we divide our properties into approximately 1,800 grid units consisting of residential building grid units and common area grid units.

- *Reporting*. We prepare separate monthly financial reports and operations analysis reports for each grid unit to visualize the operating and financial results of each grid unit, based on which each grid unit prepares variance analysis and updates its budget and performance target for the next month. Such mechanism is designed to incentivize our employees to take more responsibilities in business operations instead of passively following instructions.

- *Monitoring*. We closely monitor the performance of each grid unit and compare them against its assigned performance targets regarding financial and operational performances as well as customer satisfaction levels.

- *Restructuring*. We make structural changes where grid units with sub-optimal operational and financial performances may be merged into other well-performing grid units. The results of such assessment also affect the compensation levels of responsible personnel of the grid units.

- *Competition*. Our personnel are also able to monitor their own performance and compare with other grid units, which we believe better promotes healthy competitions among grid units and incentivizes the personnel from each grid unit to take more ownership over the improvement of operational and financial performances.

Through the implementation of these mechanisms, we have successfully improved our operational efficiency. As of June 30, 2020, we had a total of 13,864 employees, representing a 47.7% increase from 9,386 as of December 31, 2018, while our total GFA under management increased by 90.7% during the same period.

Differentiated Service Standards

We have created a set of differentiated service and fee standards based on the type, positioning and scale of different properties, such as our "Excellence" (優享) standards, "Intelligence" (智享) standards and "Honor" (尊享) standards, which we believe enable us to address the varying needs of property owners in a more effective and targeted manner. We believe such differentiated system of service standards enable us to improve service quality of each property under our management, and can be efficiently implemented in new properties that come under our management regardless of the type, positioning and scale of such new properties.

Advanced Management Tools Powered by Technologies

We have implemented a series of advanced management tools which have allowed us to effectively operate our business, such as our (i) work order system; (ii) data middle office; (iii) IoT platform; and (iv) customer management platform.

- *Work order system.* Our work order system (工單系统) allows us to assign and our on-site staff to obtain work orders based on each staff's availability, and plays a critical role in supporting our Grid Unit Management mechanism by informing our staff of their work performance in real time.

- *Data middle office.* Our data middle office (數據中台) collects operational data from various business systems and provides pre-set data processing tools which enable our employees to extract meaningful analysis of raw data and gain an understanding of the performance of the grid unit for which they work. The data middle office also enables our headquarters to better monitor the various performance indicators of each grid unit, and triggers alerts when certain data reaches predetermines limits, allowing management to swiftly respond.

- *IoT platform.* Our IoT platform (物聯平台) monitors and inspects the operating status of our equipment, which reduces the amount of labor required and ensures the smooth operations of our equipment.

- *Customer management platform.* Our customer management platform (客户管理平台) facilitates our property management services by allowing property management fee payments, repair and maintenance service requests and complaint handling, as well as provides diversified value-added services such as housekeeping, home furnishing, community education, among others.

Our full-cycle management policies, Grid Unit Management mechanism and Internal Marketization policy, and advanced management tools have effectively optimized our operational efficiency. The application of such policies, mechanism, and tools to our newly acquired companies also contribute to our ability to integrate them into our Group and increase their operational efficiency and gross profit margins. According to CIA, in 2019, our revenue per employee reached approximately RMB223,300, compared to an average of RMB198,900 for the Top 100 Property Management Companies in the PRC. According to CIA, our gross profit and net profit per employee reached approximately RMB75,200 and approximately RMB34,500 in the same year, respectively, compared to an average of RMB47,800 and RMB17,400 for the Top 100 Property Management Companies in the PRC, respectively.

We believe the above-mentioned policies, mechanisms, standards and tools have contributed to our strong operational capability and high operational efficiency, which we expect will drive our future sustainable growth.

Quality Portfolio of Properties under Management

We have a quality portfolio of properties under management. In terms of geographic location, we have established presence in and deeply penetrated into multiple regions in the PRC.

A substantial portion of our properties under management as of June 30, 2020 were located in the Yangtze River Delta Region, one of the most economically developed and fastest-growing regions in the PRC. As of June 30, 2020, we had GFA under management of 32.1 million sq.m. located in the Yangtze River Delta Region, representing approximately 37.4% of our total GFA under management. We also strategically target regions with high per capita disposable income, such as Central and Western China, Southern China and Bohai Economic Rim where we had GFA under management of 22.8 million sq.m., 22.2 million sq.m. and 8.7 million sq.m., respectively, as of June 30, 2020. We have also deeply penetrated into these regions by increasing the concentration of properties under our management in each region, which we believe enhanced our competitive position and brand image in markets where we compete.

In terms of city tiers, we primarily focus on properties located in new tier-one and tier-two cities where we had a total GFA under management of 60.7 million sq.m., representing 70.8% of our total GFA under management as of June 30, 2020. We believe the property management industry has more growth potentials in new tier-one and tier-two cities, and our continued focus in those cities is expected to lead to our sustainable growth.

In terms of property size, we had 41 properties under management as of December 31, 2019 which had GFA under management of over 500,000 sq.m., accounting for 55.9% of our total GFA under management as of the same date. Furthermore, the average size of properties under our management was approximately 370,387 sq.m. as of December 31, 2019, compared to the industry average of 201,800 sq.m. for the Top 100 Property Management Companies in the PRC as of the same date. We believe the large sizes of properties under our management have led to economies of scale, which helped reduce costs and increase operational efficiency and profitability. In addition, the large size of properties under our management has also led to concentration of property owners and residents, giving rise to enhanced needs for a variety of community value-added services, which we believe enables us to achieve sustainable growth of our business operations and revenue.

We have also expanded our services to a variety of non-residential properties since January 2013 such as government and public facilities, elderly-care and healthcare facilities and airport lounges, which allows us to further diversify our property portfolio.

We believe our quality property portfolio has contributed to improvement in our gross profit margin and reputable brand image during the Track Record Period, which paves the way for our sustainable future growth.

Continuous Innovation in Creating an Ecosystem of Value-added Services

Driven by our innovative corporate culture, we have been continuously developing both online and offline services leveraging innovative technologies, creating an ecosystem that integrates online platform and offline service offerings to improve the living experience of our customers.

Traditional Value-added Services

We have achieved significant growth in revenue from traditional value-added services during the Track Record Period. Our revenue from community asset management services increase from RMB49.1 million in 2017 to RMB67.9 million in 2018, and further to RMB162.6 million in

2019, representing a CAGR of 82.0%. Our revenue from community asset management services increased by 107.6% from RMB53.5 million in the six months ended June 30, 2019 to RMB111.1 million in the six months ended June 30, 2020. Our revenue from carparks sales related services increased from RMB12.5 million in 2017 to RMB25.6 million in 2018, and further to RMB359.5 million in 2019, representing a CAGR of 436.3%. Our revenue from carpark sales related services increased by 141.2% from RMB64.0 million in the six months ended June 30, 2019 to RMB154.3 million in the six months ended June 30, 2020.

Diversified Value-added Services

During the Track Record Period, we also provided a variety of diversified value-added services leveraging the relationships we have established with our customers through quality property management and traditional value-added services. For example, we offer home furnishing services covering both property owners who had just received delivery of properties as well as those who seek to redecorate their homes. In June 2020, we acquired a 51% equity interest in Shimao Macalline through which we plan to enrich the scope and enhance the quality of our home furnishing services. We also began to offer smart community solutions in 2019, featuring management solutions and smart home solutions, which generated revenue of RMB51.5 million in 2019 and RMB135.0 million for the six months ended June 30, 2020.

We have also begun to incubate a variety of community value-added services. For example, we are developing a series of community space operations services under our SUNIT (世集) brand under which we operate a series of community spaces that satisfy customers' needs for networking, healthcare, parent-child bonding and recreational sports. Such community spaces will be spaces that are designated for commercial use and generally owned by property developers or property owners from whom we lease such spaces. As confirmed by our PRC Legal Advisors, our SUNIT community space operation services were in compliance with the relevant PRC laws and regulations and we are not required to obtain approval of the non-lessor property owners for our community space operation services under PRC laws and regulations. We are also expanding our community educational services under our Mao YUE Island (茂YUE島) brand, and developing our services under our UHouse (優家) brand which help property owners manage the sales and rentals of their properties.

Online-offline Integration

We adopted a business model featuring the integration of our online platforms and offline services which interact with each other to serve our customers. Our online smart platforms collect and provide us with valuable user data and information using big data technologies. Based on such data and information, we introduce offline services that are designed to improve the living experience of property owners and residents. Meanwhile, our offline services create the opportunities to direct user traffic to our online platform, enabling our online platform to collect user data for further analysis to create new service offerings for our customers.

Our diversified service portfolio has earned us industry recognition. According to CIA, we have been recognized as a "China Leading Property Management Company in terms of Characteristic Services" (中國特色物業服務領先企業) in 2019. We believe our integrated online and offline service offerings have helped us increase our productivity and connectivity with our customers.

Experienced and Professional Management Team and an Effective Human Resource System

We believe our success has been, and will continue to be, dependent on the quality of our management team. Our senior management team has extensive experience in the property management and related industries, with an average of 13 years of experience. Moreover, our senior management possesses in-depth knowledge of the industries and shares the strategic vision and positive outlook of our Company. Mr. Hui Sai Tan, Jason, our executive Director and the chairman of our Board, has over 20 years of experience in property development and management. He has been responsible for the operations and executive responsibilities of the Shimao Group since 2004 and has accumulated abundant experience in the property development and property management industries. Mr. Ye Mingjie, our executive Director and president, has more than 15 years of experience in the property management and related industries, as well as in the Shimao Group during which time he was responsible for formulating strategic development plans of the property management segment of the Shimao Group. Mr. Ye is widely recognized in the industries and was appointed as an expert of the Assessment Committee of the Business Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) in 2019. For more details, see "Directors and Senior Management — Board of Directors."

We believe that talent is the foundation for our ability to offer quality services and achieve sustainable growth. We have assembled a team of talent with diversified industry experience in fields such as internet, retail, culture and entertainment. We believe such mixed background helps us develop service offerings that exceed the confinement of traditional property management and better cater to the living needs of our customers, enabling us to further develop community value-added services and seize further growth opportunities.

We recruit potential candidates through both internal referrals and external sources such as recruiting websites and third-party recruiters, and involve multiple departments to review potential candidates to ensure we hire the right people. Through a competitive compensation structure and performance incentive scheme, we incentivize our employees to deliver quality services meeting our stringent standards. With a view to retaining and cultivating talent, our compensation and promotion system rewards employees with outstanding performance who earned high customer satisfaction. We have also established multiple training programs tailored to different levels of employees. See "— Employees" for details on these training programs.

We believe that our experienced management team and effective human resource system will enable us to retain competent employees who are essential to our ability to provide quality and diversified services, enhance our market position and achieve sustainable growth.

OUR BUSINESS STRATEGIES

Continue to Expand Our Business Scale through Multiple Channels

Expansion in Property Types under Management

We plan to diversify the types of properties under our management to include more types of non-residential properties, including government and public facilities, educational institutions, airport lounges, elderly-care facilities, hospitals, museums and industrial parks.

Expansion in Key Geographic Regions

We intend to continue our nationwide expansion, primarily focusing on the Yangtze River Delta Region, Southern China, Central and Western China and the Bohai Economic Rim. We also intend to intensify our bidding efforts to increase the density of properties under management, which in turn intend to help raise our brand awareness within these regions. Further, we intend to expand into other densely populated new tier-one and tier-two cities across China with high per capita disposable income, such as Harbin, Changchun, Shijiazhuang and Dongguan. We intend to acquire at least ten targets with an average GFA under management of approximately 18.0 million sq.m. located in the above-mentioned cities, as well other cities with attractive potentials. According to CIA, though approximately 80.0% of the 2019 Top 100 Property Management Companies in the PRC were owned by or associated with property development companies, the property management industry in China is still highly fragmented and ripe for consolidation, and there were approximately 130,000 property management companies in China as of December 31, 2019. Among these 130,000 property management companies, approximately 23,000, 18,000, 41,000 and 32,000 were located in the Yangtze River Delta Region, Southern China, Central and Western China and the Bohai Economic Rim, respectively. Therefore, our Directors expect that there will be sufficient potential targets available in the property management market in China. The estimated investment payback period ranges from approximately seven to ten years. This information is prepared on the basis of our current expansion plans and our management's present expectations, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans. In the event of material changes in our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected.

Expansion in Concert with the Shimao Group

Leveraging our long-term and stable cooperation with the Shimao Group and capitalizing on the Shimao Group's strategic business and geographical expansion, we aim to obtain more property management service agreements from the Shimao Group through bidding and tender processes. As of December 31, 2019 the Shimao Group had a total land reserve of approximately 77.0 million sq.m. (including those attributable to other shareholders of jointly developed properties), among which approximately 55.4 million sq.m. was located in tier-one, new tier-one and tier-two cities. Having maintained a long-term and stable cooperation with the Shimao Group, we believe we are well-positioned to continue to benefit from the large land reserve of the Shimao Group, which we believe will continue to drive our growth going forward. We also aim to capitalize on acquisition opportunities brought by the Shimao Group, and acquire property management companies affiliated with the property development companies which the Shimao Group plans to acquire.

Expansion through Independent Acquisitions

We plan to also independently pursue new business opportunities leveraging our reputable brand, high-value property portfolio and quality services. We have established professional market development teams at both the headquarters and regional company levels, and plan to further refine the organizational structure of our business development team to encourage cooperation and improve the skills and professionalism of business development team members, which we believe will likely optimize our tender success rate for future property management service agreements.

We plan to focus on companies with complementary geographical presence and similar market positioning to maximize potential synergies with our existing business operations. We believe our acquisition and integration of third-party property management companies will enrich our service offerings and enable us to offer services that cover a greater portion of the property management industry value chain. Other than disclosed in this Prospectus, we have not identified any acquisition target as of the date of this Prospectus.

Launch Municipal Services

We intend to facilitate the implementation of the municipal upgrade plans and "smart city" initiatives of various local governments in the PRC, aiming at improving the living environment of local residents and improving city management efficiency. Specifically, we intend to offer services such as greening, cleaning, lighting design and public parking lot management on behalf of local governments leveraging our experience and capabilities in property management. In addition, leveraging our Grid Unit Management mechanism and experience in smart technologies, we intend to offer a variety of diversified and quality municipal services designed to improve local living experience, security and city landscape, including but not limited to the following.

- *Municipal operations services.* We intend to elevate our services from the community level to the municipal level, providing various municipal operations services such as multi-dimensional municipal greening and landscape design services, as well as city lighting design services and infrastructure maintenance in order to improve residents' living experiences.

- *Municipal upgrades.* We intend to capitalize on the urban redevelopment plans of many local governments in the PRC and offer property management services to under-maintained and underserved communities which are typically located in old city centers and do not enjoy the same level of property services as communities under our management.

- *Municipal common asset management.* Leveraging our experience in offering community asset management services, we intend to improve the utilization rate of municipal common assets by managing the rental and usage of such common municipal assets.

We expect the launch of municipal services to contribute to the growth of our business scale, as it allows us to gain a foothold in the municipal service market which many other property management companies have already entered. We believe such new business offerings will also allow us to improve our market reputation, service capabilities, which in turn will lead to improved and sustainable long-term growth.

We plan to use approximately 65% of the net proceeds from the Global Offering, or HK$3,542.5 million, to expand our business scale through multiple channels, which include (i) 55%, or HK$2,997.5 million to pursue strategic acquisition and investment opportunities that are complementary to our business operations; and (ii) approximately 10%, or HK$545.0 million to develop and launch municipal services.

Diversify People-oriented and Property-oriented Value-added Service Offerings

We plan to introduce more diversified and differentiated value-added services, aiming to improve the living experience of property owners and residents. We plan to introduce services that satisfy both their basic living needs, as well as customized needs for parent-child bonding, healthcare, recreation and real estate sales and rental transactions, thereby creating an ecosystem comprising individuals, families and communities. We plan to adopt different business forms for our new services including independent operations or business collaborations with other service providers in order to ensure service quality. In particular, we plan to offer the following people-oriented services.

- We plan to open our Shimao Riverside SUNIT flagship store and SUNIT Nanjing Bund New City store where we plan to operate community spaces such as libraries, community healthcare related service venues and recreational centers to address our customers' cultural, medical and recreational needs. We plan to leverage our Mao Home mobile application as a critical tool to acquire customers and customer services for our SUNIT community space operations services, optimizing our ecosystem of online platform and offline service offerings. Through joint ventures, we plan to collaborate with industry leading healthcare service providers to operate our healthcare related services. We plan to equip the joint ventures with experienced personnel and advanced facilities. Pursuant to relevant PRC laws and regulations, we may need to obtain certain practice licenses for operating community healthcare related service venues. We plan to work with legal counsels and relevant authorities to obtain such necessary licenses when substantial progress has been made with respect to our collaboration with healthcare service providers. Our Directors do not currently expect any material obstacles in obtaining such licenses.

- We plan to introduce toddler, pre-school and elementary school related educational services to children aged under 12. Leveraging the smart platforms of ours and of the Shimao Group, we plan to promote our educational services to cover more high-end communities in new tier-one and tier two cities. We also plan to cooperate with leading local education service providers and local school districts to introduce educational resources into properties under our management, and plan to offer full-time educational services through acquisitions or joint ventures. Local authorities in Shanghai where we currently operate our educational services do not require private school operation permits. In case we are required to obtain private school operation permits by some local authorities in cities we later introduce our educational services, we plan to work with legal counsels and relevant authorities to obtain necessary licenses or permits.

- We plan to introduce services under our UHouse brand which help property owners manage the sales and rentals of their properties with ease and certainty. We have obtained the required real estate agency filings for provision of these services in certain cities. As our real estate agency services expand, we intend to also file with local authorities according to relevant PRC laws and regulations. Our Directors do not currently expect any material obstacles in making such filings. We also plan to cooperate with more home furnishing service providers to establish a service system consisting of an online service platform and an offline service team in order to offer one-stop full-cycle home furnishing services.

- We plan to enhance our capabilities to offer various smart community solutions. We plan to upgrade our smart management solutions to help other property management companies operate their business and enable them to offer better property management services such as smart traffic control and carpark management. We also plan to upgrade our smart home solutions, bringing more features and functionalities to improve the living experiences of property owners and residents. We also plan to introduce a series of smart solutions to property development companies to help them manage their sales offices and construction sites.

Our SUNIT community space will function as a community center and offline hub of community value-added services, offering multi-functional spaces consisting of libraries, exhibition spaces, as well as venues for education services and health services. We primarily target owners of properties under our management, as well as residents within a two-kilometer radius of properties under our management

We plan to attract customers through both online and offline channels:

- *SUNIT offline stores*. We plan to gain better understanding of our target customers' cultural, social and lifestyle preferences by information gathered in our SUNIT offline stores in order to generate more accurate customer profiles. We also plan to establish a membership program and collect customer feedbacks so that we can tailor our community services to our customers' needs; and

- *SUNIT online operation model*. Through third-party platforms such as WeChat Mini Program(微信小程序), WeChat Community and other channels, we connect local merchants and service providers within an approximately two kilometer radius from the communities under our management to provide our customers a comprehensive portfolio of goods and services.

We intend to directly generate rental income from the participating merchants on a monthly basis, together with a fixed percentage of revenue as commission.

For property developers, we intend to continue to provide diversified value-added services facilitating their business operations from a property manager's perspective. In particular, we intend to offer smart community solutions to a wider group of property developers to streamline their business operations. We intend to continue to offer specialized property management services including security, cleaning, greening and gardening, as well as common area facility repair and maintenance services to more property developers and property management companies.

In terms of property-oriented value-added services, we intend to introduce and expand services such as maintenance and repair of old or specialized equipment. We intend to adopt equity investments or joint ventures similar to Shimao Macalline to carry out our property-oriented value-added services. For example, we are working with an elevator manufacturing company to potentially collaborate in offering elevator repair and maintenance services. We also intend to cooperate with professional service companies with experience in facility repair to offer specialized maintenance and repair services over building structures, facades, electrical systems and other facilities. As of the Latest Practicable date, we had not started our specialized maintenance and repair services. We believe suitable business collaboration strategies will enable us to fully leverage the industry experience, technical skills, supply channels and brand images of our partners.

According to CIA, these diversified services are supported by adequate demand because as the level of income and consumption of the population increase, people demand higher quality of life and require more diversified services. For example, property developers are increasingly choosing to adopt smart community solutions for properties they develop, and to apply intelligent, automated and technology-driven systems in their business operations. In addition, demand for our people-oriented value-added services also enjoy significant demand by property owners as they seek more convenient and comfortable living experience with improving disposable income. For example, property owners are increasingly demanding educational services located near their properties to ensure quality educational programs for their children without the hassle of long commutes. Before introducing a new type of diversified service, we will conduct feasibility analysis and financial projections, taking into account a variety of factors, such as the estimated costs, projected profitability, competitive landscape of the local market and applicable regulatory requirements to make a comprehensive informed judgment on the feasibility and sustainability of the service offering.

We plan to use approximately 15% of the net proceeds from the Global Offering, or HK$817.5 million, to diversity people-oriented and property-oriented value-added service offerings.

Improve Service Quality to Enhance Customer Satisfaction and Loyalty

To enhance customer satisfaction and loyalty, as well as our own brand value and market influence, we aim to continuously improve our service quality and satisfy our customers' increasing demands for better living experiences leveraging our rich property management experience. In particular, we aim to introduce the following measures.

- We plan to organize various community groups based on shared interests, connecting owners and residents of properties under our management, enabling them to socialize with each other and building a sense of community among them.

- We plan to optimize and upgrade our quality management standards to cater to the ever-diversifying types of properties we intend to manage, such as government and public facilities, educational institutions, elderly-care facilities, airport lounges, hospitals, museums and industrial parks, and to focus more on improving the experience of "people" in addition to improving service quality on the management of "properties."

- We plan to establish a customer base that is highly satisfactory with our services, and create benchmark properties which are highly recognized for outstanding service quality, which we believe will contribute to our favorable industry reputation.

Leveraging our SUNIT community spaces which we plan to operate, we aim to satisfy the needs for recreation, education and daily consumption of our customers, which include both property owners and residents of properties under our management, as well as customers living within an approximately two kilometer radius from properties under our management. We also plan to establish business cooperation with industry leading suppliers of services and merchandise in order to ensure service quality of services we plan to launch.

Improve Our Information Technology System and Smart Technologies to Enhance Our Operational Capabilities

We plan to implement the following technology related measures to improve our operational capabilities and better integrate our online platforms with offline services. We plan to establish a customer database encompassing data and information on customers of all our service offerings which is accessible throughout different business teams within our Group. Leveraging such database, we plan to make targeted recommendations to our customers on our other service offerings, which we believe will improve the lifetime value of our customers.

We also plan to upgrade the features and functionalities of our data middle office, and to strengthen our data analytics and application capabilities. We plan to introduce features that allow us to predict property management fee collection rates, expected costs and customer satisfaction rates related to new properties we begin to manage, which will offer meaningful support and insight to our decision-making processes. We also plan to better analyze the preferences of our customers leveraging the data and information we have collected in order to offer more targeted and customized services. Leveraging our capabilities in data collection, analytics, and application, we plan to help local governments connect the databases of various government branches in order to form a more comprehensive and interconnected database that enables local governments to make more well-informed decisions and offer more efficient and targeted municipal services.

We plan to use approximately 5% of the net proceeds of the Global Offering or HK$272.5 million, to improve our information technology system and smart technologies.

Improve Our Management Policies and Mechanisms and Human Resource Management

In terms of management mechanism and policy, we intend to optimize our Grid Unit Management mechanism and Internal Marketization policy. As an extension of our Internal Marketization policy, we plan to introduce External Marketization policy by establishing subsidiaries specializing in offering security, cleaning, greening and gardening, repair and maintenance services.

In terms of human resource management, we intend to intensify our on-campus recruitment efforts through brand marketing and recruit talent through our "school-business enterprise cooperation" (校企合作). We plan to further enhance our compensation schemes to align the interests of our employees with the success of our Group, including employee share incentive plans.

In terms of corporate culture, we have introduced series of measures aiming at promoting our organizational dynamics and employee creativity, such as promotion and demotion policies and new service offering incubation measures to ensure our sustainable and healthy growth as we diversify our service offerings.

As a part of our business strategies, we plan to create approximately 400 managerial positions, each with an annual budget of approximately RMB300,000, at regional, city and district levels. By the end of 2020, we plan to fill approximately 50% of these positions through external hirings and the other 50% through internal promotion. We will further improve and formulate special training programs for our employees at all levels to strengthen their skills and service capabilities.

We believe the younger generation is key to our future development. We have introduced the following school recruitment programs:

- *"New Force"* (新生力) – Through a series of training, we cultivate new hires with solid educational background into potential candidates for mid-level management positions.

- *"New Vitality"* (新活力) – We recruit a number of college graduates with certain management potentials and prepare them for our on-site positions in our community-value added services.

- *"Future Star"* (未來星) – We recruit college graduates and train them for our sales office management positions.

Through these programs, we believe that the overall education level of our staff will improve. In addition, as we expand our business offerings, we plan to recruit top industry talent to serve in our core management team. We plan to formulate industry-specific talent recruitment plans for talent from various industries.

We plan to use approximately 5% of the net proceeds from the Global Offering, or HK$272.5 million, to attract, develop and retain talent to support our business growth.

Capitalize on and Integrate the Resources of Our Strategic Investors

In May 2020, Sequoia Capital China and Tencent completed their strategic investments in us, which we believe will drive the upgrade of our information and digitalization systems, as well as bring us rich community commercial resources.

- *System upgrade.* We intend to collaborate with Sequoia Capital China and Tencent to upgrade our information and digitalization systems through IoT, cloud computing and big data technologies in order to improve our management and operational efficiency. We plan to introduce customized smart municipal services leveraging our own technological capabilities as well as our collaboration with Sequoia Capital China and Tencent.

- *Community commercial resources.* We believe the commercial connections and resources of Sequoia Capital China and Tencent in industries such as consumer goods, community retail and new retail will enable us to launch community value-added services by connecting us with the necessary business partners that can help us in terms of establishing brand images and supplying necessary merchandise, information, experience and data. For example, we intend to collaborate with an investee of Sequoia Capital China which specializes in automobile maintenance to introduce a subscription-based repair and maintenance service to property owners. We believe such collaborations will enable us to offer services that effectively improve the living experience of property owners and residents, and enhance their satisfaction with and loyalty to us.

PROPERTY MANAGEMENT SERVICES

We have been providing property management services since 2005. As of June 30, 2020, our aggregate contracted GFA reached 125.5 million sq.m. covering 108 cities across 26 provinces in China. As of the same date, we managed 293 properties with an aggregate GFA under management of 85.7 million sq.m. Our revenue from property management services amounted to RMB733.8 million, RMB848.6 million, RMB1,199.4 million, RMB438.1 million and RMB819.7 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, which accounted for 70.4%, 63.9%, 48.2%, 51.8% and 52.4% of our total revenue for the same periods, respectively.

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

	As of December 31,			As of June
	2017	**2018**	**2019**	**30, 2020**
Number of properties under management(1)	88	93	184	293
Number of properties we were contracted to manage(2)	99	163	354	507
GFA under management *(sq.m. in thousands)*	42,619	44,952	68,167	85,720
Contracted GFA *(sq.m. in thousands)*	45,679	60,389	100,865	125,528
Undelivered GFA *(sq.m. in thousands)*(3)	3,060	15,437	32,698	39,808

Notes:

(1) Refer to properties that have been delivered to us for property management purposes.

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

(3) Calculated as the difference between contracted GFA and GFA under management as of the dates indicated.

As of June 30, 2020, among our undelivered GFA of 39.8 million sq.m., approximately 25.2% were expected to be delivered by the fourth quarter of 2020, approximately 48.0% were expected to be delivered by 2021, approximately 24.6% were expected to be delivered by 2022 and approximately 2.2% were expected to be delivered by 2023.

The property management fees we charge are determined based on a number of factors, including the types and locations of the properties, the scope of our services and our target profit margins.

The following table sets forth the revenue from property management services by type of ultimate paying customers for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
Shimao Group	46,619	6.4	66,889	7.9	76,053	6.3	37,105	8.5	61,173	7.5
Joint ventures and associates of the Shimao Group	5,487	0.7	4,235	0.5	3,917	0.3	1,475	0.3	3,820	0.5
Independent Third Parties	681,668	92.9	777,460	91.6	1,119,428	93.4	399,553	91.2	754,714	92.0
Total	**733,774**	**100.0**	**848,583**	**100.0**	**1,199,398**	**100.0**	**438,132**	**100.0**	**819,707**	**100.0**

The following table sets forth the average monthly property management fee per sq.m. of residential properties under our management by developer type for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Shimao Group(1)	2.3	2.4	2.4	2.4
Joint ventures and associates of the Shimao Group(2)	2.4	2.5	2.5	2.6
Independent third-party property developers(3)	2.5	1.8	1.5	1.6
Overall average property management fee	**2.3**	**2.4**	**2.1**	**2.1**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

Property management fees primarily depend on the tier of the cities in which properties under our management were located. The properties developed by the Shimao Group were generally located in higher tier cities compared to those developed by independent third-party developers, which led to the higher average property management fees. The age, quality, location and other attributes of properties play a role in the property management fees among properties located in the same city. In general, properties within the same city that (i) are located in city center with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees.

Our overall average property management fee for residential properties as well as the average property management fee for residential properties developed by independent third-party developers decreased from 2018 to 2019 primarily due to our acquisition of Hailiang Property Management. The average property management fee for residential properties charged by Hailiang Property Management is relatively low as compared to the average property management fee for other residential properties managed by us. This is mainly because the properties managed by Hailiang Property Management are primarily located in cities that are tier-three and below, where the average property management fee level is overall low as compared to higher tier cities.

The following table sets forth the average monthly property management fees per sq.m. by geographical region for properties developed by the Shimao Group, joint ventures and associates of the Shimao Group and independent third-party property developers for the periods indicated.

	Year ended December 31,									Six months ended June 30, 2020		
	2017			2018			2019					
	Shimao Group	Joint ventures and associates of the Shimao Group	Independent third-party property developers	Shimao Group	Joint ventures and associates of the Shimao Group	Independent third-party property developers	Shimao Group	Joint ventures and associates of the Shimao Group	Independent third-party property developers	Shimao Group	Joint ventures and associates of the Shimao Group	Independent third-party property developers
	(RMB per sq.m.)											
Yangtze River Delta Region	2.0	2.6	2.5	2.1	2.5	1.8	2.4	2.6	1.6	2.5	2.6	1.8
Central and Western China	2.7	2.8	–	2.5	2.9	–	2.6	2.9	1.8	2.6	2.9	2.0
Southern China	2.6	–	2.8[(1)]	2.8	–	–	2.6	1.4	0.8[(2)]	2.8	3.6	1.8
Bohai Economic Rim[(3)]	2.7	0.7	–	2.9	2.5	–	3.1	2.5	2.7	3.0	2.5	2.7

Notes:

(1) Represent the property management fee of only one project relating to properties developed by independent third-party property developers in Fujian Province.

(2) We acquired 12 projects relating to properties developed by independent third-party property developers in Fujian Province in 2019, which charged relatively low monthly property management fees in general.

(3) We only had one project relating to properties developed by joint ventures and associates of the Shimao Group in Bohai Economic Rim during the Track Record Period, and the overall average property management fees fluctuated as we began to charge property management fees over an increasing number of plots of the same project with varying average property management fees.

In 2017 and 2018, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in the Yangtze River Delta Region and Southern China were generally comparable to those for properties developed by independent third-party property developers in these regions. In 2019, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in the Yangtze River Delta Region, Central and Western China and Southern China were generally higher than those for properties developed by independent third-party property developers in the same regions, primarily due to our acquisition of Hailiang Property Management whose properties under management were primarily located in cities that are tier-three and below, where the average property management fee level is overall low as compared to higher tier cities. In the same year, the average monthly property management fees for properties developed by the Shimao and joint ventures and associates of the Shimao Group in Bohai Economic Rim were comparable to those for properties developed by independent third-party property developers in that region. In the six months ended June 30, 2020, the average monthly property management fees for properties developed by independent third-party property developers in Southern China are generally higher than those in 2019, primarily due to our acquisition of Fusheng Life Services whose average property management fees were generally higher.

Generally, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group were higher compared to those for properties developed by independent third-party property developers primarily in all four regions during the Track Record Period primarily because (i) a substantial majority of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in these regions were located in tier-one, new tier-one and tier two cities where the property management fee level is relatively high; while (ii) a majority or substantial portion of properties developed by independent third-party property developers in these regions were located in cities that are tier-three and below where the property management fee level is overall low. Specifically:

- **Yangtze River Delta Region**: as of June 30, 2020, GFA under management of 21.5 million sq.m., accounting for approximately 94.4% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in tier-one, new tier-one and tier two cities, as compared to GFA under management of approximately 4.2 million sq.m., accounting for approximately 44.9% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-two and above. As of the same date, GFA under management of 1.3 million sq.m., accounting for approximately 5.6% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in cities that are tier-three and below, as compared to GFA under management of approximately 5.1 million sq.m., accounting for approximately 55.1% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-three and below. As such, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group were generally higher compared to those for properties developed by independent third-party property developers in the Yangtze River Delta Region in 2018, 2019 and the six months ended June 30, 2020.

- **Central and Western China**: as of June 30, 2020, GFA under management of 10.9 million sq.m., accounting for approximately 87.8% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in tier-one, new tier-one and tier two cities, as compared to GFA under management of approximately 5.5 million sq.m., accounting for approximately 52.5% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-two and above. As of the same date, GFA under management of 1.5 million sq.m., accounting for approximately 12.2% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in cities that are tier-three and below, as compared to GFA under management of approximately 5.0 million sq.m., accounting for approximately 47.5% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-three and below. As such, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group were generally higher compared to those for properties developed by independent third-party property developers in the Central and Western China in 2019 and the six months ended June 30, 2020.

- **Southern China**: as of June 30, 2020, GFA under management of 10.6 million sq.m., accounting for approximately 95.0% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in tier-one, new tier-one and tier two cities, as compared to GFA under management of approximately 6.7 million sq.m., accounting for approximately 60.4% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-two and above. As of the same date, GFA under management of 0.6 million sq.m., accounting for approximately 5.0% of GFA under management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group in this region was located in cities that are tier-three and below, as compared to GFA under management of approximately 4.4 million sq.m., accounting for approximately 39.6% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-three and below. As such, the average monthly property management fees for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group were generally higher compared to those for properties developed by independent third-party property developers in the Southern China in 2019 and the six months ended June 30, 2020.

- **Bohai Economic Rim**: as of June 30, 2020, GFA under management of 6.3 million sq.m., accounting for approximately 90.1% of GFA under management of properties developed by the Shimao Group in this region was located in tier-one, new tier-one and tier two cities, as compared to GFA under management of approximately 0.4 million sq.m., accounting for approximately 24.8% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-two and above. As of the same date, GFA under management of 0.7 million sq.m., accounting for approximately 9.9% of GFA under management of properties developed by the Shimao Group in this region was located in cities that are tier-three and below, as compared to GFA under management of approximately 1.3 million sq.m., accounting for approximately 75.2% of GFA under management of properties developed by independent third-party property developers was located in cities that are tier-three and below. As such, the average monthly property management fees for properties developed by the Shimao Group were generally higher compared to those for properties developed by independent third-party property developers in the Bohai Economic Rim in 2019 and the six months ended June 30, 2020.

In 2017, the average monthly property management fees for properties developed by independent third-party property developers for the Yangtze River Delta Region and Southern China were slightly higher than those for properties developed by the Shimao Group because (i) we only had two projects developed by independent third-party property developers under management in the Yangtze River Delta Region as of December 31, 2017, which were located in new tier-one and tier-two cities, respectively, and (ii) we only had one property developed by independent third-party property developers under management in Southern China as of December 31, 2017, which was a high-end property which charge relevant high property management fees.

Scope of Services

We primarily provide the following types of property management services.

- *Security services*. We provide quality security services to ensure that the properties under our management are safe and in good order. In particular, we dispatch security staff to routinely patrol the properties, set up surveillance over common areas, verify identities of visitors and visiting vehicles, and handle emergencies. We use a combination of internal staff and external subcontractors to provide security services.

- *Cleaning, greening and gardening services*. We provide general cleaning, pest control, greening and gardening services to the properties under our management through our subsidiaries and third-party subcontractors.

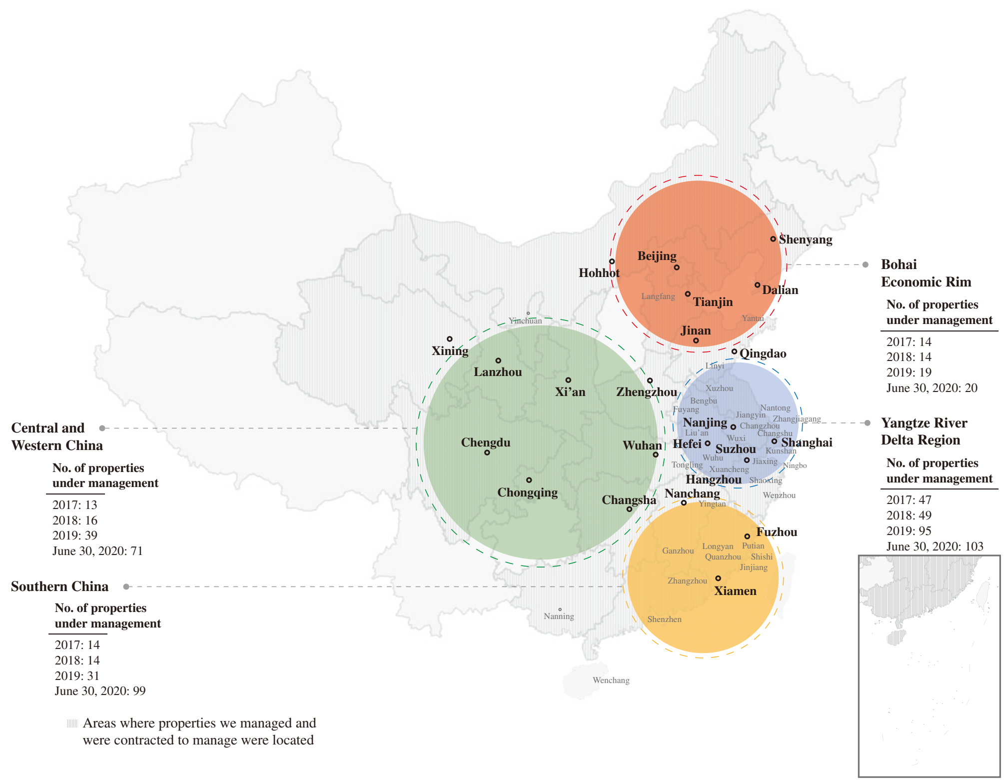
- *Common area facility repair and maintenance services*. We are generally responsible for the maintenance of (i) common area facilities and construction structures such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates, fences and surveillance cameras; and (iv) utility facilities such as electricity generators, power distribution equipment, water pump rooms, water supply and drainage systems. We use a combination of internal staff and external subcontractors to provide repair and maintenance services.

To save our costs of providing services, we may elect to subcontract services apart from key management responsibilities, such as security, cleaning, greening and gardening, and repair and maintenance services. As of June 30, 2020, we employed 5,801 on-site personnel and engaged 814 vendor subcontractors to provide the above-mentioned property management services.

During the Track Record Period, we also provided cleaning, greening and gardening, repair and maintenance services as a subcontractor to other property management companies. We believe other property management companies engage us to provide cleaning, greening and gardening, repair and maintenance services primarily due to our established reputation in service quality and efficiency in providing such services leveraging our relationship with the Shimao Group, which is one of our customers for such services, as well as potential cost savings they could achieve by outsourcing these services to us. We believe that our role as a subcontractor help us develop potential business opportunities to provide full property management services as well as value-added services to the relevant properties. We price our services based on market condition, local competition and estimated costs incurred in providing such services. Our revenue from such services was RMB3.4 million, RMB1.4 million, RMB40.1 million, RMB14.7 million and RMB25.1 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, accounting for 0.3%,0.1%, 1.6%, 1.7% and 1.6% of our total revenue during the same periods, respectively. The significant increase from 2018 to 2019 was primarily because in 2019, we believe we had accumulated sufficient experience in such service offering and competitive advantages in terms of service quality and price, and therefore decided to significantly expand the scale of our cleaning, greening and gardening, repair and maintenance services a subcontractor.

Our Geographic Presence

Over the years, we have grown our presence nationwide with an aggregate contracted GFA of 125.5 million sq.m., covering 108 cities across 26 provinces in China as of June 30, 2020. In particular, we managed 293 properties with an aggregate GFA under management of 85.7 million sq.m. as of June 30, 2020. The following map illustrates the locations of properties we managed and were contracted to manage as of June 30, 2020, as well as the number of properties under our management as of December 31, 2017, 2018 and 2019 and June 30, 2020 in each region.



City	GFA under management	Number of properties under management
Nanjing	3,960,917	9
Fuyang	2,555,037	10
Hefei	2,501,700	8
Suzhou	2,448,588	6
Shanghai	2,438,424	13
Kunshan	2,244,745	3
Hangzhou	2,207,670	11
Ningbo	1,892,856	7
Shaoxing	1,358,705	6
Changzhou	1,500,000	1
Nantong	1,599,527	7
Zhangjiagang	1,191,674	1
Bengbu	975,820	4
Huai'an	924,467	2
Xuzhou	879,852	1
Xuancheng	505,140	2
Wu'xi	770,358	2
Liu'an	688,090	2
Wuhu	342,252	2
Changshu	278,677	1
Jiaxing	233,283	1
Jiangyin	195,397	1
Wenzhou	154,751	1
Tongling	140,959	1
Zhenjian	77,467	1
Total	**32,066,358**	**103**

City	GFA under management	Number of properties under management
Wuhan	5,157,519	6
Chengdu	3,710,424	20
Yinchuan	3,050,745	6
Changsha	2,578,836	9
Chongqing	1,536,401	4
Nanchang	1,173,455	6
Xi'an	827,486	2
Lanzhou	691,394	3
Ganzhou	587,017	2
Xining	574,832	1
Ziyang	534,530	2
Xiangtan	511,463	2
Zhengzhou	467,564	2
Sanmenxia	377,000	1
Meishan	331,915	1
Yingtan	256,049	1
Guanghan	254,585	2
Kunming	205,016	1
Total	**22,826,232**	**71**

City	GFA under management	Number of properties under management
Fuzhou	6,514,313	32
Quangzhou	4,978,778	9
Zhangzhou	3,015,705	9
Guangzhou	1,876,523	17
Jiangmen	1,042,200	6
Xiamen	1,002,342	6
Jinjiang	797,728	3
Haikou	532,695	4
Huizhou	452,574	2
Zhongshan	443,546	2
Wenchang	408,047	1
Longyan	371,035	3
Nanning	362,259	1
Fuqing	182,388	1
Shenzhen	77,181	1
Ningde	50,270	1
Putian	46,346	1
Total	**22,153,933**	**99**

City	GFA under management	Number of properties under management
Qingdao	1,532,565	1
Hohhot	1,065,687	1
Ji'nan	1,419,814	4
Tianjin	955,770	2
Dalian	882,212	2
Beijing	857,089	4
Shenyang	718,676	2
Langfang	690,576	2
Yantai	338,886	1
Linyi	212,205	1
Total	**8,673,480**	**20**

The following table sets forth a breakdown of our total GFA under management by geographic region as of the dates indicated, and our revenue from property management services by geographic region for the periods indicated, both in absolute amount and as a percentage of our revenue from property management services. Our property management service revenue from the Yangtze River Delta Region as a percentage of our total revenue from property management services decreased from 47.5% in the six months ended June 30, 2019 to 37.3% in the six months ended June 30, 2020, primarily due to our strategy to expand into more regions in China to further diversify our property portfolio, especially in Southern China.

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2017			2018			2019			2019			2020		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%
											(unaudited)				
							(in thousands, except for percentages)								
Yangtze River Delta Region . . .	20,174	310,808	42.4	20,718	345,923	40.8	31,416	528,198	44.0	20,801	207,860	47.5	32,066	305,454	37.3
Central and Western China . . .	8,188	149,786	20.4	9,545	185,663	21.9	17,064	259,871	21.7	10,404	97,777	22.3	22,826	194,521	23.7
Southern China	8,303	163,301	22.2	8,643	180,175	21.2	11,391	222,353	18.5	9,666	44,414	10.1	22,154	190,780	23.3
Bohai Economic Rim	5,953	109,879	15.0	6,046	136,822	16.1	8,297	188,976	15.8	6,597	88,081	20.1	8,673	128,952	15.7
Total	**42,619**	**733,774**	**100.0**	**44,952**	**848,583**	**100.0**	**68,167**	**1,199,398**	**100.0**	**47,468**	**438,132**	**100.0**	**85,720**	**819,707**	**100.0**

Portfolio of Properties under Our Management

We primarily offer property management services to properties developed by the Shimao Group or joint ventures and associates of the Shimao Group. The following table sets forth a breakdown of our total GFA under management by developer type as of the dates indicated, as well as revenue from property management services by developer type for the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2017			2018			2019			2019			2020		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%
											(unaudited)				
							(in thousands, except for percentages)								
Shimao Group[1]	38,691	651,524	88.8	41,957	763,208	89.9	46,901	1,005,571	83.9	44,473	399,654	91.2	49,799	548,680	67.0
Joint ventures and associates of the Shimao Group[2]	2,461	69,842	9.5	2,631	79,484	9.4	3,863	73,579	6.1	2,631	33,743	7.7	3,450	43,688	5.3
Independent third-party property developers[3]	1,466	12,408	1.7	364	5,891	0.7	17,403	120,248	10.0	364	4,735	1.1	32,471	227,339	27.7
Total	**42,619**	**733,774**	**100.0**	**44,952**	**848,583**	**100.0**	**68,167**	**1,199,398**	**100.0**	**47,468**	**438,132**	**100.0**	**85,720**	**819,707**	**100.0**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest.

(3) Refer to properties solely developed by independent third-party property developers in such properties. The significant decrease in property management service revenue from properties developed by the Shimao Group as percentage of our total revenue from property management services from 91.2% in the six months ended June 30, 2019 to 67.0% the six months ended June 30, 2020, was primarily due to a series of acquisitions of property management companies which managed properties developed by independent third-party property developers, including Hailiang Property Management, Fusheng Life Services and Guangzhou Yuetai.

The following table sets forth a breakdown of the number of properties under management and the total GFA under management by city tiers as of June 30, 2020.

City tier	Number of properties under management	GFA under management
		(sq.m.)
Tier-one	35	5,249,217
New tier-one	85	31,753,727
Tier-two	104	28,965,960
Tier-three	55	15,679,950
Below tier-three	14	4,071,149
Total	**293**	**85,720,003**

According to CIA, the adoption of the China's city-tier system classification as disclosed above is in line with market practice.

In 2019, we acquired a 100% equity interest in Hailiang Property Management as well as a 51% equity interest in Quanzhou Sanyuan. Such acquisitions contributed to the significant increases in our GFA under management, contracted GFA and revenue from property management services from 2018 to 2019. In particular, Hailiang Property Management and Quanzhou Sanyuan added 14.8 million sq.m. and 1.3 million sq.m., respectively, to our GFA under management, and 16.7 million sq.m. and 1.5 million sq.m., respectively, to our contracted GFA as of December 31, 2019, respectively. Hailiang Property Management and Quanzhou Sanyuan also contributed RMB105.5 million and RMB10.9 million, respectively, to our revenue from property management services in 2019. We acquired Quanzhou Sanyuan and Hailiang Property Management in order to expand the scale of our property management services, which we believe brings growth opportunities for our community value-added services and value-added services to non-property owners in the new properties we start to manage as a result of the acquisitions. In addition, these acquisitions enable us to enter into new cities and expand our nationwide presence more efficiently than organically setting up operations. In April 2019 and April 2020, Shimao Group Holdings completed its acquisition of 70% and 30%, respectively, of equity interest in Wantong Property Co., Ltd, or Wantong Property. Xianghe Wantong was a wholly-owned subsidiary of Wantong Property and was transferred from Shimao Group Holdings to us in April 2020 as part of the Reorganization. Xianghe Wantong added GFA under management and contracted GFA of 0.2 million sq.m. and 0.4 million sq.m., respectively, to our portfolio as of June 30, 2020 and also contributed RMB2.3 million to our revenue from property management services in the six months ended June 30, 2020.

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

	Year ended December 31,			Six months ended June, 30
	2017	2018	2019	2020
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*
	(RMB in thousands, except for percentages)			
Revenue	268,987	285,036	382,934	194,529
Gross profit	15,065	23,632	105,115	51,247
Gross profit margins	5.6%	8.3%	27.4%	26.3%
Net profit	8,748	19,216	44,385	24,256
Net profit margins	3.3%	6.7%	11.6%	12.5%

Hailiang Property Management's the revenue and gross profit increased by 34.3% and 345.0%, respectively, from 2018 to 2019, primarily due to the significant increase in its revenue and gross profit derived from carpark sales related services, as well as cost-efficiency measures implemented as a result of the integration of Hailiang Property Management into the Group's operations after the acquisition.

The following table sets forth a breakdown of the total assets, total current assets, total liabilities, total current liabilities and net assets of Hailiang Property Management as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
		(RMB in thousands)		
Total assets	238,354	303,628	390,600	358,298
Total current assets	231,007	294,521	297,434	275,747
Total liabilities	188,990	237,012	247,927	191,369
Total current liabilities	188,990	237,012	225,921	170,775
Net assets	49,364	66,615	142,673	166,930

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

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Number of properties under management[(1)]	42	48	56	54
Number of properties we were contracted to manage[(2)]	44	56	66	64
GFA under management (sq.m. in thousands)	12,106	13,408	14,817	14,284
Contracted GFA (sq.m. in thousands)	12,544	14,956	16,743	16,084

Notes:

(1) Refer to properties that have been delivered to Hailiang Property Management for property management purposes.

(2) Refer to all properties for which Hailiang Property Management have entered into the relevant operating property management service agreements, which may include properties that have not been delivered to Hailiang Property Management for property management purposes in addition to properties under management.

In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai, a property management company located in Guangzhou, Guangdong Province with GFA under management of 3.8 million sq.m. as of the Latest Practicable Date. In March 2020, we acquired a 51% equity interest in Fusheng Life Services, a property management company located in Fuzhou, Fujian Province with GFA under management of 10.7 million sq.m. as of the Latest Practicable Date. In addition to increasing our number of properties and GFA under management and strengthening our economies of scale, we also acquired Fusheng Life Services to build a strong market presence in Fujian Province where a majority of properties managed by Fusheng Life Services were located.We intend to evaluate other acquisition and investment opportunities in the future, and plan to further increase our GFA under management, contracted GFA and revenue from property management services through acquisitions of and strategic investments in suitable targets.

We primarily manage residential properties. We also manage other types of properties such as government and public facilities, elderly-care and healthcare facilities and airport lounges. The following table sets forth a breakdown of our total GFA under management by property type as of the dates indicated, and revenue from property management services by property type for the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2017			2018			2019			2019			2020		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%
											(unaudited)				
							(in thousands, except for percentages)								
Residential properties	41,085	703,761	95.9	42,946	811,057	95.6	65,332	1,075,374	89.7	44,702	385,216	87.9	81,677	730,966	89.2
Non-residential properties	1,534	30,013	4.1	2,006	37,526	4.4	2,835	124,024	10.3	2,765	52,916	12.1	4,043	88,741	10.8
Total	**42,619**	**733,774**	**100.0**	**44,952**	**848,583**	**100.0**	**68,167**	**1,199,398**	**100.0**	**47,468**	**438,132**	**100.0**	**85,720**	**819,707**	**100.0**

Property Management Fees

We primarily charge property management fees on a lump sum basis where we act as the principal provider of property management services, and recognize the entire amount received or receivable from property developers, property owners and residents as our revenue over the service period, and all related costs as cost of sales over the service period. Our revenue from property management fees charged on a lump sum basis accounted for approximately 99.6%, 99.7%, 99.8%, 99.7% and 99.8% of our revenue from property management services in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The lump sum basis is also the dominant revenue model in the property management industry in the PRC.

The following table sets forth a breakdown of our total GFA under management as of the dates indicated, and revenue from property management services by revenue model during the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2017			2018			2019			2019			2020		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%	sq.m.	RMB	%
											(unaudited)				
	(in thousands, except for percentages)														
Lump sum basis	41,305	730,654	99.6	43,733	846,220	99.7	66,948	1,196,559	99.8	46,428	436,813	99.7	84,649	818,388	99.8
Commission basis	1,314	3,120	0.4	1,219	2,363	0.3	1,219	2,839	0.2	1,040	1,319	0.3	1,071	1,319	0.2
Total	**42,619**	**733,774**	**100.0**	**44,952**	**848,583**	**100.0**	**68,167**	**1,199,398**	**100.0**	**47,468**	**438,132**	**100.0**	**85,720**	**819,707**	**100.0**

We take into account a number of factors in determining whether to charge property management fees on a lump sum basis or a commission basis, including local regulations, requirements of property developers or property owners' associations, local market conditions, and the nature and requirements of individual properties, on a case by case basis. We assess our prospective customers and evaluate key factors such as the estimated costs of managing the properties, historical fee collection rates, projected profitability, as well as the prior management fee rate basis of the properties.

Lump Sum Basis

Under the lump sum basis, we charge a predetermined property management fee per sq.m. of GFA under management on a regular basis which represents an all-inclusive fee for all property management services provided by us and our subcontractors. We are entitled to retain the full amount of property management fees received from property developers, property owners and residents. We also bear property management service costs, which we recognize as our cost of sales. If the property management fees we charge during the term of a property management service agreements are not sufficient to cover all the costs incurred, we may not request property developers, property owners or residents to pay us the shortfall.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, based on our unaudited management accounts, we incurred losses of RMB19.6 million, RMB36.0 million, RMB33.2 million, RMB6.4 million and RMB16.7 million, respectively, with respect to 14, 19, 28, 11 and 22 properties under our management, respectively. Such losses were primarily because (i) for certain properties which we had managed for a long time, the pricing has not been adjusted for many years; and (ii) for certain high-end properties and properties located in remote areas, we assigned additional personnel to ensure service quality. The increases in the number of properties which incurred losses in 2019 was also due to properties developed by independent third-party developers as a result of our acquisition of Hailiang Property Management. For these properties, we plan to further improve our service quality and enhance communications with property owners in order to gain their approvals to increase property management fees. We also plan to improve the type and volume of community value-added services, which typically generate higher gross profit margins compared to property management services. To save costs and improve our operational efficiency, we plan to adopt more technological solutions and systems in managing properties in a more cost-effective manner, such as automated surveillance system and intelligent equipment management in order to save staff costs and utility costs, such as installing LED lights to reduce utility charges. As we increase the concentration of properties under our management, we plan to further leverage our advantages in economies of scale to better manage our profitability. We plan to centrally manage the allocation of human resources of loss-making properties with other neighboring properties under our management.

Our revenue from property management services from such loss-making properties was approximately RMB77.5 million, RMB145.4 million, RMB133.4 million, RMB38.5 million and RMB64.1 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, representing 7.4%, 10.9%, 5.5%, 4.6% and 7.8% of our revenue from property management services for the same periods, respectively. See "Risk Factors — Risks Relating to Our Business and Industry — We incurred losses during the Track Record Period with respect to certain of our property management service agreements on a lump sum basis." To maintain the profitability of our managed properties, we have undertaken various cost-saving measures. For details, see "— Management Digitalization, Service Professionalization, Procedure Standardization and Operation Automation."

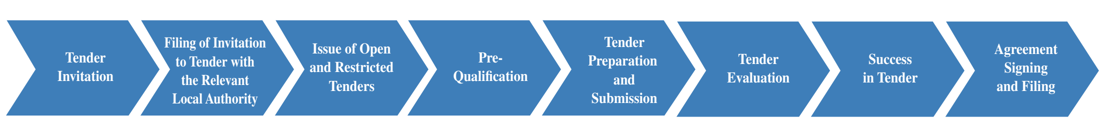
Commission Basis

During the Track Record Period, we derived revenue from a limited number of property management service agreements on a commission basis. Revenue from property management services derived on a commission basis represented 0.4%, 0.3%, 0.2% and 0.2% of our revenue from property management services in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We recognize a predetermined property management commission fee, generally representing 8% to 10% of the property management fees, as revenue, while the remainder serves as working capital to cover the property management costs and expenses incurred by the property. We essentially act as an agent, helping recruit, organize and coordinate various property management services.

Management office of each property typically uses our finance department to collect and make property management service related payments. If the working capital balance of a property is insufficient to cover costs and expenses incurred, the shortfall is recognized as trade receivable subject to impairment. See "Risk Factors — Risks relating to Our Business and Industry — We may fail to recover all payments made on behalf of property owners and residents of the properties managed on a commission basis." When the ending balance after paying for all property management costs and expenses is positive, the balance is carried over to the next year. We do not have any claim to such balance besides our predetermined commission, nor do we recognize any cost of sales under commission basis in general.

Property Management Service Agreements

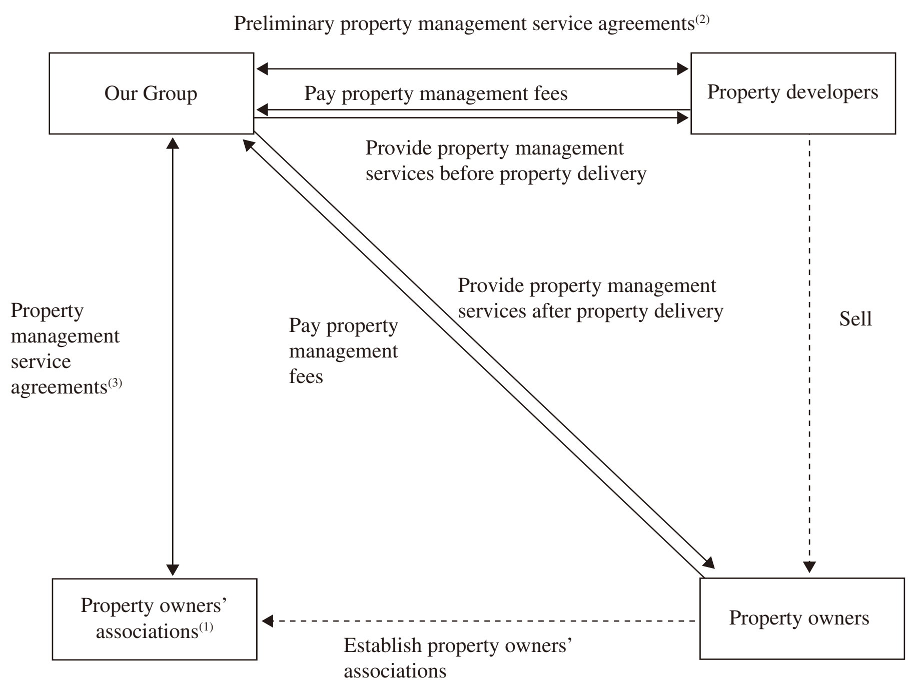
During the Track Record Period, we generally obtained preliminary property management service agreements by participating in tenders, a process where property developers evaluate and select from multiple property management companies. Tender invitations are usually issued by property developers for properties under development before sales start, or from property owners' associations for properties that wish to replace their existing property management service provider. The following flow chart illustrates each stage of a typical tender process.



We provide property management services to a majority of residential properties developed by the Shimao Group or joint ventures and associates of the Shimao Group. We also provide property management services to properties solely developed by independent third-party property developers. We procure most of our property management service agreements through standard public tender procedures regulated by applicable PRC laws and regulations, including property management service agreements with respect to properties developed by the Shimao Group and its joint ventures and associates. We adopt the following strategies in bidding for new projects: (i) we collect basic information such as property size, type, target customer type, target property sales price, construction blueprints, among others; (ii) we obtain information on local regulations on property management pricing, utility fee collections, elevator fees, among other potential fees; (iii) we research the fees charged in surrounding properties and analyze their delivery times, property scales, types, and property management fees; and (iv) we prepare a proposed pricing plan which we submit to our operations management center for review and approval. During the Track Record Period, our tender success rate for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group was 100.0%. In the six months ended June 30 2020, we enhanced our efforts to obtain property management service agreements over properties solely developed by independent third-party property developers, and achieved a tender success rate for properties solely developed by independent third-party property developers of 42.3%. After June 30, 2020 and up to the Latest Practicable Date, we submitted a total of 32 tender bids to independent third-party property developers, and successfully obtained 14 property management service agreements therefrom, adding contracted GFA of 1.8 million sq.m. to our portfolio, and achieving a success rate for properties solely developed by independent third-party property developers of 43.8%. To the best knowledge of our Directors and according to our record, the total GFA of properties in relation to these 32 tender bids was approximately 5.0 million sq.m.

From 2017 to 2019, we were selected to provide management services for two properties with an aggregate GFA under management of approximately 0.6 million sq.m. without going through the required tender and bidding process, because as confirmed by our PRC Legal Advisors we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations, and we obtained the relevant property management service agreements through regular business negotiations at arm’s length. One of these two properties was developed by the Shimao Group, and the other by an independent third-party property developer. We did not derive any revenue from these two properties in 2017. Based on our unaudited management accounts, the revenue from our management of these two properties amounted to RMB0.5 million, RMB5.7 million and RMB5.6 million, respectively, in 2018 and 2019 and the six months ended June 30, 2020, accounting for approximately 0.04%, 0.2% and 0.4% of our total revenue, respectively, in 2018 and 2019 and the six months ended June 30, 2020. In the six months ended June 30, 2020, we obtained property management service agreements for additional 13 properties as a result of our acquisitions of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi, with an aggregate GFA under management of 1.9 million sq.m. without going through the required tender and bidding process. The failure of these 13 properties to go through the required tender and bidding processes took place before our acquisitions of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi. These 13 properties were managed by Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi which we acquired in January 2020, March 2020 and June 2020, and therefore had no impact on our revenue from 2017 to 2019. Revenue derived from the management of these 13 properties amounted to RMB9.7 million in the six months ended June 30, 2020, accounting for 0.6% of our total revenue for the six months ended June 30, 2020. To the best of our knowledge, the circumstances that caused the 13 properties to not have gone through the required tender and bidding process include the lack of understanding of the relevant requirements and failure to follow appropriate procedures by the responsible staff of Fusheng Life Services, Guangzhou Yuetai and Chengdu Xinyi. After our acquisition of Fusheng Life Services, Guangzhou Yuetai and Chengdu Xinyi, we have started to, and will continue to, implement internal policies to ensure full compliance with the required tender and bidding regulations in obtaining new property management agreements. Since June 30, 2020 and up to the Latest Practicable Date, we were selected to provide property management services for additional four properties with an aggregate GFA under management of 0.7 million sq.m. without going through the required tender and bidding process. Among these four properties, three were due to our acquisition of Beijing Guancheng and one was obtained from the Shimao Group. For these 19 properties, we had entered into preliminary property management service agreements which are set to expire on upon the establishment of property owners' associations, upon signing of new agreements, or at a specific date from December 2013 to July 2023. Among these properties, two properties have established property owners' associations among which none of our property management service agreements was terminated by the property owners' associations due to the lack of tender and bidding processes. As advised by our PRC Legal Advisors, under the Regulations on Property Management (2018 Revision), the tender and bidding process is generally mandatory before a property developer engages a property management service provider except for limited circumstances not applicable to us for these 19 properties. See "Regulatory Overview — Legal Supervision over Property Management Services — Appointment of Property Management Enterprises" for further details. Our Directors confirm that the lack of a tender and bidding process with respect to these agreements was primarily attributable to the relevant property developers. As advised by our PRC Legal Advisors, no administrative penalty has been imposed on us with respect to these agreements for the lack of tender and bidding process and we are not the responsible party for such tender and bidding process according to the relevant PRC laws and regulations. As advised by our PRC legal advisors, such property management service agreements may be determined to be invalid by the administrative authorities or the local judicial authorities, and the relevant property developers may be required to organize tender and bidding processes to select property management service providers for their developed properties in compliance with the Regulations on Property Management. However, as also advised by our PRC legal advisors, PRC courts are very likely to support our claims for property management fees under such property management service agreements considering that we have actually provided property management services according to the agreements even if we were selected to provide management services without going through the required tender and bidding processes. As of the Latest Practicable Date, we were not aware of any notice of any potential administrative penalties on the relevant property developers or any requirements for the property developers to organize a new tender and bidding process from the competent authorities in relation to such property management service agreements. Our Directors believe that, without the above-mentioned notices from the competent authorities, the possibility of terminating the property management service agreements by the relevant property developers is low. Our Directors also confirm that, based on the opinion given by our PRC Legal Advisors and the percentage of revenue from the management services for these properties, the lack of tender and bidding process does not and will not have any material or adverse impact on our business, financial position or results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — We entered into some of our property management agreements without going through the required tender and bidding process."

The following diagram illustrates our relationships with various parties under our property management agreements.



Notes:

(1) A property owners' association is authorized under PRC laws to act on behalf of the property owners.

(2) A preliminary property management service agreement is a type of property management service agreement that we enter into with a property developer before the property is delivered to property owners, and is legally binding on all future property owners in accordance with the relevant PRC laws and regulations. In the event that no property owners' association is established, we may terminate the preliminary property management service agreement with property developers if the property developers materially breach the agreements according to the relevant preliminary property management service agreements or PRC laws.

(3) A property management service agreement entered into between a property owners' association and us is legally binding on all property owners in accordance with the relevant PRC laws and regulations.

After we receive tender invitations and file such invitations with the relevant local authorities, we begin the pre-qualification process and prepare tender materials. Our tender materials will then undergo tender evaluation by the property developers or property owners' associations which will inform us whether our bidding is successful. If successful, we will enter into property management agreements with regards to such properties, and begin generating revenue after beginning to offer property management services pursuant to the property management agreements.

Key Terms of Agreements with Property Developers

Our property management service agreements with property developers typically include the following key terms.

- *Scope of services*. A typical agreement with a property developer sets out the scope of services, which typically includes the design of property management policies and protocols, facility management, security, cleaning, greening and gardening, maintaining common area traffic order and road conditions, and home furnishing management. We also occasionally offer household repair and maintenance, housekeeping and property inspection services.

- *Performance standards*. The agreement sets forth specific standards and frequency for our main services, as well as the staffing requirements for each service.

- *Property management fees*. The agreement sets forth the amount of property management fees and the GFA covered, as well as whether the fee is payable on a lump sum or commission basis. The property developer is responsible for paying the property management fees for unsold property units, which typically begin to accrue upon the execution of the property management service agreement and delivery of the relevant unit to a property purchaser. We also charge a late fee for overdue property management fees, which is typically a percentage of the overdue amount. For properties that have carparks, we also set out our fee rate for each carpark space each period.

- *Payment terms*. Property management fees are typically due in advance on a monthly, quarterly, semi-annual or annual basis.

- *Property developer's rights and obligations*. The property developer is entitled to (i) supervise our services according to the standards included in the agreement; and (ii) review and approve property management service plans and management policies. The property developer is typically responsible for (i) offering us the necessary office space to carry out our services; (ii) cooperating with our work; (iii) informing property owners and residents of their obligations to pay property management fees and follow property management policies; (iv) handling certain repair and maintenance obligations; and (v) offering records, blueprints and other documents and materials as necessary.

- *Our rights and obligations*. We are entitled to receive property management fees according to the relevant provisions in the agreement. We are responsible for (i) providing the services included in the agreement; (ii) cooperating with the supervision by property developers; (iii) monitoring property use; (iv) publicly disclosing collection and spending of property management fees; and (v) offering relevant records and materials as necessary.

- *Term of service*. The agreement typically expires after the property owners' association is established and a new property management service agreement is entered into to replace the existing one with the property developer. For agreements with fixed terms that expire prior to the formation of property owners' associations, the property developer is responsible for renewing the agreements with us or selecting a new property management company.

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

After receiving delivery of the properties from property developers, property owners may form and operate property owners' associations. However, a general meeting of the property owners of a property may dismiss a property management company with affirmative votes of property owners who own more than half of the total GFA under management of the property and who account for more than half of the total number of property owners regardless of whether property owners' associations are formed. For properties where we have entered into property management service agreements with property developers without fixed terms, property owners and residents are obligated to pay property management fees to us until the property owners' associations enter into new property management service agreements with the property management companies selected by the general meetings of the property owners and the new agreements become effective.

As of June 30, 2020, 51 residential properties under our management established property owners' associations, which accounted for approximately 19.8% of the total number of residential properties under our management. The property owners' associations are independent from us. To secure and renew property management service agreements, we strive to provide quality services at competitive prices.

Key Terms of Agreements with Property Owners

Our property management service agreements with property owners' associations and property owners typically include the following key terms.

- *Scope of services*. The agreement sets forth our scope of services, which typically includes property management services to common areas and facilities, such as security, cleaning, greening and gardening managing common area traffic and parking, repairing and maintaining public facilities, managing the carparks, setting up community activities, and recordkeeping. We may outsource certain services to qualified subcontractors.

- *Performance standards*. The agreement sets forth specific standards, staffing requirements and frequency for our main services.

- *Property management fees*. The agreement sets forth the amount, basis (lump sum or commission) and calculation method of property management fees. The amount of property management fees for each period is dependent on the GFA occupied by property owners and residents, as well as property types. The agreement also includes a fee schedule for additional services beyond the scope of services mentioned above, such as private carpark space management services, which property owners may select based on their needs. We may impose surcharges on property owners or residents who fail to pay property management fees on time.

- Property management fees are typically due in advance on a monthly, quarterly, semi-annual or annual basis.

- *Rights and obligations of property owners' associations*. According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interests in matters concerning property management. The property owners' association's decisions are binding on all property owners. As advised by our PRC Legal Advisors, the agreements between property owners' associations and property management companies are valid and legally binding on property owners represented by property owners' association, even if the property owners are not themselves parties to such agreement. As a result, we have legal claims against property owners for accrued and outstanding property management fees. The property owners' association has the right to (i) renew agreements with us or terminate us for cause; (ii) supervise the use of public funds and the management of common areas and public facilities; and (iii) review our annual budget and property management plans. Under the supervision of property owners, property owners' associations are responsible for (i) ensuring timely payment of property management fees and contributions to specialized repair funds; (ii) cooperating with our property management services; (iii) keeping necessary records; and (iv) offering us office space to carry out our work.

- *Our rights and obligations*. We are entitled to timely collection of property management fees as provided in the agreement. We are in turn responsible for offering services provided in the agreement pursuant to the relevant service standards. We are also responsible for recordkeeping, managing use of properties by occupants, and announcing major information such as collection and spending of fees.

- *Terms and termination*. The agreement term is typically three to five years from the date of signing. If property owners' association decides not to renew the agreement, it is typically responsible for delivering two- to three-month notices. We may be responsible for transitioning the property management work to our successor. The property owners' association and we both have the right to terminate the agreement prior to the expiration of the agreement term for causes listed in the agreement. Such causes typically include our failure to offer satisfactory services pursuant to the service standards included in the agreements, or property owners' association's failure to cooperate with our work which led to our economic losses.

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

In 2017, 2018 and 2019 and the six months ended June 30, 2020, our success rate in renewing property management service agreements with newly formed property owners' associations in terms of number of service agreements was 100.0%, 84.6%, 95.1% and 94.3%, respectively. We believe that it is feasible to renew our existing service agreements with newly formed property owners' associations going forward considering our established reputation and service capabilities. We believe our service quality has established trust among property owners in our capabilities to offer quality property management services. When evaluating tender bids, property owners' associations typically consider factors such as a property management company's track record in customer satisfaction, condition of the properties under management, business scale and reputation, and capabilities to meet property owners' changing needs, among other factors.

Key Terms of Property Management Service Agreements for Non-residential Properties

We enter into property management service agreements with customers such as property owners and property developers for the management of non-residential properties. Our property management service agreements for non-residential properties typically include key terms such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions.

In terms of payment terms, as of June 30, 2020, the numbers of properties under our management where payments are due on a monthly, quarterly, semi-annual and annual basis were 100, 41, 45 and nine, respectively. In addition, the property management service agreements of four properties did not provide for specific payment terms.

Our Pricing Policy

We generally price our services based on a number of factors, including (i) the types and locations of the properties; (ii) the scope and quality of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties. Under the property management service agreements, we may raise property management fees upon renewal of the agreements after negotiations with property owners and residents.

The relevant price administration department and construction administration department of the State Council are jointly responsible for supervising property management fees and issuing relevant guidance. See "Regulatory Overview — Legal Supervision over Property Management Services — Fees Charged by Property Management Enterprises."

The following table sets forth the average monthly property management fee per sq.m. of the residential properties under our management by developer type for the periods indicated.

	Year ended December 31,			Six months ended
	2017	**2018**	**2019**	**June 30, 2020**
	(RMB per sq.m.)			
Shimao Group[1]	2.3	2.4	2.4	2.4
Joint ventures and associates of the Shimao Group[2]	2.4	2.5	2.5	2.6
Independent third-party property developers[3]	2.5	1.8	1.5	1.6
Overall average property management fee	**2.3**	**2.4**	**2.1**	**2.1**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

The decrease in average monthly property management fee per sq.m. of residential properties solely developed by independent third-party property developers in 2019 was primarily due to our acquisition of Hailiang Property Management. Our acquisition of Hailiang Property Management expanded our business into more cities and markets, and reduced our reliance on the Shimao Group. Hailiang Property Management primarily managed properties located in cities that are tier-three and below, where the property management fee levels are generally lower compared to properties we managed prior to the acquisition which were mostly located in the new tier-one and tier-two cities. In 2018 and 2019, our average property management fees from properties developed by independent third-party property developers were lower than those from properties developed by the Shimao Group or by joint ventures and associates of the Shimao Group, primarily because the Shimao Group typically develops properties in economically developed regions in the PRC where the average property management fees are higher; while our acquired companies, especially Hailiang Property Management, typically operate in cities that are tier-three and below, where the average property management fees were generally lower. The increase in average property management fee per sq.m. of residential properties developed by independent third-party property developers in the six months ended June 30, 2020 was primarily due to our acquisition of Fusheng Life Services whose average property management fees were generally higher.

Our average monthly property management fee per sq.m. of residential properties also depends on the applicable service standards including "Excellence" (優享) standards, "Intelligence"(智享) standards and "Honor" (尊享) standards, which represent differentiated service standards based on the type, positioning and scale of different properties. Properties managed under the Excellence, Intelligence and Honor standards charge an average monthly property management fee per sq.m. of approximately RMB2.0, RMB3.5 and RMB8.0, respectively. Services provided under each standard vary in terms of (i) the number, quality and experience of property management staff such as concierge, security guard, and cleaning staff for each property; (ii) frequency of basic property management services such as cleaning, greening and gardening; (iii) availability of customized services; and (iv) frequency of interactions and follow-ups with customers.

The following table sets forth the average monthly property management fee per sq.m. by property types for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Residential properties	2.3	2.4	2.1	2.1
Non-residential properties	3.3	4.3	8.7	9.5

Our average monthly property management fee per sq.m. for non-residential properties increased from RMB4.3 in 2018 to RMB8.7 in 2019 primarily because we enhanced the service quality for non-residential properties in 2019 by increasing our investment in staff training and facility maintenance, as a result of which we adjusted our fee rates. In 2019, we acquired property management service agreements over several non-residential properties with relatively high property management fees, which also led to increase in overall property management fee from

2018 to 2019. Our average monthly property management fee per sq.m. for non-residential properties increased to RMB9.5 in the six months ended June 30, 2020 primarily because (i) a newly delivered non-residential project was located in Guangzhou and as a result had a relatively higher property management fee; and (ii) non-residential properties which came under our management as a result of our acquisition of Fusheng Life Services had relatively high property management fee level.

The following table sets forth the average monthly property management fee per sq.m. by city tiers for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Tier-one	4.3	4.3	6.2	5.2
New tier-one	2.2	2.3	2.3	2.4
Tier-two	2.3	2.4	2.1	2.3
Tier-three and below	1.9	2.0	1.6	1.6

We set the property management fees for different types of properties primarily based on local competition, market condition, and estimated costs of providing property management services.

The following table sets forth our average monthly property management fee per sq.m. for residential properties by city tiers for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Tier-one	4.4	4.3	3.9	3.2
New tier-one	2.2	2.2	2.3	2.3
Tier-two	2.2	2.4	2.1	2.2
Tier-three and below	1.9	2.0	1.6	1.6

Our average monthly property management fee per sq.m. for residential properties located in tier-one cities decreased in 2019 primarily due to an increase of one residential property located in tier-one cities under our management that were developed by independent third-party property developers and our acquisition of Quanzhou Sanyuan, which had one residential property under management in Shenzhen. These two properties had lower average monthly property management fees per sq.m. than our other residential properties located in tier-one cities, and accounted for 18.2% of the total number of our residential properties under management located in tier-one cities in 2019. Our average monthly property management fees per sq.m. further decreased from 2019 to the six months ended June 30, 2020 due to our acquisition of Guangzhou Yuetai, which had 14 properties (accounting for 53.8% of the total number of our residential properties under management located in tier-one cities for the six months ended June 30, 2020) located in Guangzhou and had lower average monthly property management fee per sq.m. than our other residential properties under management located in tier-one cities.

The following table sets forth the range of property management fee per sq.m. charged by Top 100 Property Management Companies in the PRC for residential properties similar to those managed by us by city tiers for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020[(1)]
	(RMB per sq.m.)			
Tier-one	0.5 – 7.5	0.5 – 7.5	0.5 – 7.5	–
New tier-one	0.5 – 6.0	0.5 – 6.0	0.5 – 6.0	–
Tier-two	0.5 – 5.0	0.5 – 5.0	0.5 – 5.0	–
Tier-three and below[(2)]	0.3 – 3.5	0.3 – 3.5	0.3 – 3.5	–

Notes:

(1) As CIA only conducts full-year analysis with respect to various aspects, including pricing levels, of Top 100 Property Management Companies in the PRC, the data for the six months ended June 30, 2020 are not available as of the date of this Prospectus.

(2) For comparative purpose, only covers cities that are tier-three or below where we had properties under management as of December 31, 2019.

CIA is of the view that the property management fees we charged for residential properties in the above-mentioned cities were within the industry range for similar projects.

To illustrate the pricing level of our property management services as compared to our peers, we have calculated our average monthly property management fee per sq.m. for residential properties using CIA's formula, and set forth in the table below such average monthly property management service fee for residential properties by region as compared to the industry average for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2017		2018		2019		2020	
	Our Group[(1)]	Industry Average[(2)]	Our Group[(1)]	Industry Average[(2)]	Our Group[(1)]	Industry Average[(2)]	Our Group[(1)]	Industry Average[(2)]
Yangtze River Delta Region[(3)]	2.1	2.2	2.1	2.3	2.0	2.3	2.0	–
Central and Western China[(3)]	2.6	2.0	2.6	2.0	2.4	1.9	2.2	–
Southern China[(3)]	2.5	2.1	2.7	2.1	2.4	2.0	2.3	–
Bohai Economic Rim[(3)]	2.6	2.1	2.7	2.2	2.8	2.2	2.7	–

Notes:

(1) Adopts CIA's formula, where the average monthly property management fee per sq.m. is calculated by dividing (i) the sum of products of the monthly property management fee chargeable for each of the properties under management and the GFA under management as of the relevant date for each of such properties by (ii) the total GFA under management of all properties under management as of the relevant date.

(2) The industry average was calculated by using the relevant data of properties located in the relevant regions of Top 100 Property Management Companies in the PRC for the corresponding years. As the property management industry in the PRC is fragmented with approximately 130,000 property management companies operating in the industry in 2019, the industry average sets forth in the table above for each region was based on the relevant data of properties located in the relevant regions of Top 100 Property Management Companies in the PRC, which only represent a small percentage of property management companies. As such, the industry average is for illustrative purpose only, and may not accurately represent the overall average monthly property management service fee in such region.

(3) The provinces covered by each region were based on the definition of each region included in "Definitions" in this Prospectus. When calculating the industry average monthly property management fees for each region, CIA only included provinces pursuant to such definitions.

Property management fees primarily depend on the tier of the cities in which properties under our management were located. The age, quality, location and other attributes of properties also play a role in the property management fees among properties located in the same city. In general, properties within the same city that (i) are located in city center with convenient access to public transportations; (ii) are higher-end in terms of design and construction quality; and (iii) were delivered more recently tend to command higher property management service fees. We have a quality portfolio of residential properties under management in terms of city tier and certain attributes of properties as discussed above. In terms of city tiers, we primarily focus on properties located in tier-one, new tier-one and tier-two cities. Particularly, the percentage of our GFA under management for residential properties located in tier-one, new tier-one and tier-two cities as of December 31, 2017, 2018 and 2019, was above industry average in each of the Central and Western China, Southern China and Bohai Economic Rim regions. We have also deeply penetrated into each region by increasing the concentration of properties under our management in such region, which we believe enhanced our competitive position and brand image in markets where we compete and contributed to our pricing capability. As a result, our average monthly property management fees for residential properties for 2017, 2018 and 2019 were generally higher than the industry average in all three regions from 2017 to 2019. Our average monthly property management fees for residential properties in the Yangtze River Delta Region was slightly lower compared to the industry average primarily because we had a large number of properties in this region that were delivered years ago with respect to which we charged relatively low property management fees. As of December 31, 2019, among those 45 residential properties under our management in the Yangtze River Delta Region that were developed by the Shimao Group or joint ventures or associates of the Shimao Group, 32 were delivered in or before 2016. In addition, a large portion of residential properties managed by us in the Yangtze River Delta Region were located in cities that are tier-two and below, where the property management fee levels are generally lower as compared to tier-one and new tier-one cities. Moreover, the acquisition of Hailiang Property Management in 2019 increased the percentage of our GFA under management for residential properties located in tier-two cities and below in the Yangtze River Delta Region, further reducing our average monthly property management fee in 2019 as compared to the industry average. As such, our average monthly property management fees for residential properties in the Yangtze River Delta Region could be relatively low compared to the relevant industry average.

CIA is of the view that the property management fees we charged for residential properties in the above-mentioned regions were generally in line with the industry average.

Payment and Credit Terms

Property management fees are generally due in advance on a monthly, bi-monthly, quarterly, semi-annual or annual basis in accordance with the agreement provisions. For property management fees charged under a lump sum basis, property owners and residents pay us a fixed amount, and we retain the surplus and bear the losses after paying necessary operating costs and expenses. For property management fees charged under a commission basis, any surplus in working capital at the end of the year is carried over to the next year, and any shortfalls in working capital are to be recovered from property owners and residents, with each property owner and resident's share of the shortfall generally proportional to the property owner and resident's share of the total revenue-bearing GFA.

We issue demand notes to property owners and/or property developers prior to payment due dates, and typically receive payments for our property management services after the issuance of the demand note, which is consistent with the property management industry norm in the PRC.

We primarily accept payments for property management fees through online transfers, credit cards, our Mao Home mobile application or third-party platforms such as WeChat Pay and AliPay. We adopt different collection approaches, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters, and filing lawsuits.

Expiration Schedule of Property Management Service Agreements

The following table sets forth the expiration schedule of our contracted property management service agreements as of June 30, 2020.

	Contracted GFA		Number of agreements	
	(sq.m. in thousands)	*%*		*%*
Property management service agreements without fixed term[1]	89,945	71.7	334	65.9
Property management service agreements expiring in				
Year ending December 31, 2020	7,481	6.0	27	5.3
Year ending December 31, 2021	7,194	5.7	34	6.7
Years ending December 31, 2022 and beyond	20,907	16.7	112	22.1
Subtotal	35,583	28.3	173	34.1
Total	**125,528**	**100.0**	**507**	**100.0**

Note:

(1) Include preliminary property management service agreements we entered into with property developers. Such agreements can be terminated when the property owners' associations are formed and decide to select other property management companies.

As of June 30, 2020, the number of property management service agreements which expired before the formation of property owners' associations was 31. Our revenue from property management services provided pursuant to these 31 agreements was RMB47.2 million, RMB51.0 million, RMB59.1 million and RMB33.3 million in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

As of June 30, 2020, the number of property management service agreements relating to properties for which property owners' associations had been formed was 54. The aggregate contracted GFA of these properties was 18.4 million sq.m. as of the same date. All of these property owners' associations had engaged us as their property management service provider with a fixed term as of June 30, 2020.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, the number of property management service agreements terminated or not renewed by our customers was nil, one, one and three, respectively. The five agreements were related to Fengxian Aima Shangjun Phase I (奉賢愛馬尚郡一期), Nanjing Strait City Yunlong Bay (南京海峽城雲瓏灣), Shishi Dongcheng Meiju (石獅東城美居), One Puyangjiang (浦陽江一號) and Xuancheng Guangde Yinglun State (宣城廣德英倫城邦), respectively. During the same periods, revenue generated from property management services provided pursuant to such agreements amounted to RMB3.6 million, RMB3.9 million, RMB2.3 million and RMB3.2 million, respectively, and gross loss attributable to the property management services provided pursuant to such agreements was RMB1.3 million, RMB1.1 million, RMB1.0 million and RMB0.2 million, respectively. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — We incurred losses during the Track Record Period with respect to certain of our property management service agreements on a lump sum basis."

The following table sets forth movement of our contracted GFA and GFA under management during the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2017		2018		2019		2020	
	Contracted GFA	*GFA under management*	*Contracted GFA*	*GFA under management*	*Contracted GFA*	*GFA under management*	*Contracted GFA*	*GFA under management*
	(sq.m. in thousands)							
As of the beginning of the period	37,609	36,647	45,679	42,619	60,389	44,952	100,865	68,167
New engagements[(1)]	8,071	5,971	15,101	2,725	22,371	7,238	4,595	2,162
Acquisitions [(2)]	–	–	–	–	18,254	16,127	21,131	16,454
Terminations[(3)]	–	–	392	392	149	149	1,063	1,063
As of the end of the period	**45,679**	**42,619**	**60,389**	**44,952**	**100,865**	**68,167**	**125,528**	**85,720**

Notes:

(1) Primarily include (i) preliminary property management service agreements entered into with property developers for new properties; and (ii) property management service agreements for residential properties that replaced their previous property management companies. The renewed agreements are not regarded as the new engagements that we entered into during such period. The newly engaged GFA under management includes the newly delivered GFA we contracted in previous period.

(2) Refer to new GFA we obtained through our acquisitions of other property management companies.

(3) Primarily include our non-renewal of certain property management service agreements as we reallocated our resources to more profitable engagements in an effort to optimize our property management portfolio.

During the Track Record Period, our agreement retention rates remained relatively favorable, which we believe reflects on our capabilities in offering quality property management services. In 2017, 2018 and 2019 and the six months ended June 30, 2020, our property management service agreement retention rate (being the number of property management service agreements effective at the end of a period divided by the number of property management service agreements that existed during the same period) was 100.0%, 97.9%, 98.9% and 99.0%, respectively. Such retention rates refer to property management service agreements with fixed durations irrespective of whether property owners' associations have been formed. Our retention rates in 2017, 2018 and 2019 and the six months ended June 30, 2020 were slightly lower than 100% as we decided not to renew certain agreements upon their expirations, primarily due to changes in (i) service requirements for these properties such as demands for more on-site staff and increased investment in public equipment maintenance and upgrades, which we expect may increase labor and maintenance costs and reduce profit margins; or (ii) our resource allocation to improve our results of operations. In 2017, 2018 and 2019 and the six months ended June 30, 2020, property management service agreements with respect to certain properties, including Shimao Taizhou Riverside Garden (世茂泰洲河濱花園), Hangzhou Xiasha Phases I & II (杭州下沙項目一期和二期), Fengxian Aima Shangjun Phase I (奉賢愛馬尚郡一期), Nanjing Strait City Yunlong Bay (南京海峽城雲瓏灣), Shishi Dongcheng Meiju (石獅東城美居), One Puyangjiang (浦陽江一號) and Xuancheng Guangde Yinglun State (宣城廣德英倫城邦), were not renewed, primarily due to changes in (i) service requirements by these properties; or (ii) our resource reallocation to improve our results of operations.

The following table sets forth the calculation of our retention rate and renewal rate during the Track Record Period.

	Number of property management service agreements effective at the end of the period	Number of property management service agreements that existed during the period	Number of property management service agreements set to expire during the period	Number of property management service agreements set to expire but renewed[(1)] as of the Latest Practicable Date	Retention rate[(2)]	Renewal rate[(3)]
Year ended December 31, 2017 .	88	88	5	5	100.0%	100.0%
Year ended December 31, 2018 .	93	95	14	12	97.9%	85.7%
Year ended December 31, 2019 .	184	186	15	13	98.9%	86.7%
Six months ended June 30, 2020	293	296	7	4	99.0%	57.1%

Notes:

(1) The numbers include (i) property management service agreements that had been formally renewed; and (ii) property management service agreements under which we continued to provide property management services upon expiry prior to entering into a renewal agreement.

(2) Calculated as the number of property management service agreements effective at the end of a period divided by the number of property management service agreements that existed during the same period.

(3) Calculated as the number of property management service agreements set to expire during a period but renewed[(1)] as of the Latest Practicable Date by the number of property management service agreements set to expire during the same period.

We calculated our retention rate as the number of property management service agreements effective at the end of a period divided by the number of property management service agreements that existed during the same period because 65.9% of the number of our property management service agreements as of June 30, 2020 are without fixed term. We believe that our method of retention rate calculation is a good indicator for our business performance. We are also advised by CIA that our method of retention rate calculation is consistent with industry practice.

We believe that the non-renewal of property management service relationships with respect to these properties would allow us to reduce losses, allocate our resources in a more efficient manner, and enable us to offer services to properties that contribute to the improvement of our operational and financial performance. Revenue from property management services from these non-renewed properties accounted for 1.0%, 0.6%, 0.1% and 0.2% of our revenue from property management services in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

COMMUNITY VALUE-ADDED SERVICES

We offer a series of community value-added services to property owners and residents to make their lives more convenient and to foster a sense of community and belonging. Customers of our community value-added services primarily include property owners and residents, third-party providers of home furnishing services, and property developers. These services primarily include (i) community asset management services; (ii) carpark sales related services; (iii) home improvement services; (iv) smart community solutions; and (v) other services. The following table sets forth a breakdown of our revenue from community value-added services during the periods indicated, both in absolute amount and as a percentage of revenue from community value-added services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Community asset management services	49,072	78.5	67,941	71.8	162,590	25.1	53,489	45.2	116,360	28.0
Carpark sales related services	12,521	20.0	25,628	27.1	359,530	55.4	63,973	54.1	154,314	37.0
Home improvement services	508	0.8	296	0.3	74,169	11.4	620	0.5	11,028	2.6
Smart community solutions	–	–	–	–	51,539	8.0	–	–	134,969	32.3
Other services	451	0.7	800	0.8	730	0.1	275	0.2	621	0.1
Total	**62,552**	**100.0**	**94,665**	**100.0**	**648,558**	**100.0**	**118,357**	**100.0**	**417,292**	**100.0**

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from community value-added services amounted to RMB62.6 million, RMB94.7 million, RMB648.6 million, RMB118.4 million and RMB417.3 million, respectively, among which, RMB0.4 million, RMB11.3 million, RMB88.6 million, RMB9.0 million and RMB89.6 million, respectively, was derived from value-added services provided to the Shimao Group, and nil, RMB5.2 million, RMB4.6 million, nil and RMB6.8 million, respectively, was derived from value-added services provided to joint ventures and associates of the Shimao Group.

Community Asset Management Services

We assist property owners in leasing common spaces to third parties in exchange for a predetermined percentage of the rental fees as our commissions. We (i) assist property owners in leasing common spaces and public facilities to third parties in exchange for a predetermined percentage of the rental fees as our commissions; and (ii) provide repair and maintenance services with respect to such common spaces and public facilities and rental services with respect to certain community facilities in exchange for a fixed service fee as our commissions.

Carpark Sales Related Services

Our carpark sales related services include carpark sales agency services and carpark sales services. Under carpark sales agency services, we assist property developers and property owners in selling and purchasing carpark spaces in designated carparks of properties under our management. We charge a percentage of the sales proceeds as our commission, which depends on the location of the carpark spaces, the amount of effort we spend in facilitating the transactions, and our sales performance in the previous period, if any. We typically enter into sales agency agreements with property developers which authorize us to facilitate sales of carpark spaces to property owners. In 2019, in relation to our acquisition of Hailiang Property Management, we began purchasing carpark spaces and reselling them to property owners. We recognize the sales proceeds as our revenue and cost of purchasing the carpark spaces as cost of sales. We intend to serve primarily as an agent facilitating purchase and sales of carpark spaces in exchange for commissions.

We expanded into carpark sales agency services primarily because we began to expand our community value-added services as a strategy to grow our overall business scale. We believe that offering carpark sales agency services enables us to establish closer relationships with our customers, and is synergistic with our management of carparks under our property management service line. We believe our customers, including the Shimao Group, engaged us in selling the carparks instead of selling by themselves, primarily because (i) these property developer customers typically terminate their business operations after substantially delivering the properties to property owners while a large number of carpark spaces remains unsold; and (ii) we, as the property management service provider, are well positioned to provide such services leveraging our relationship and familiarity with property owners.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we facilitated the sales of 504, 680, 8,473, 1,900 and 3,539 carpark spaces, respectively, generating revenue of RMB12.5 million, RMB25.6 million, RMB241.7 million, RMB64.0 million and RMB54.4 million, respectively. In 2019 and the six months ended June 30, 2020, our revenue from carpark sales was RMB117.8 million and RMB99.9 million, respectively.

Home Improvement Services

In 2019, we began offering marketing and promotional services to third-party home furnishing service providers through both our More+ platform where we display their information and service offerings, and offline marketing and promotional activities in sales offices under our management. We are in the process of integrating our More+ platform into our Mao Home mobile application. We charge participating service providers a percentage of their service fees as commissions. We also offer home furnishing services to property owners and residents, and generate service revenue on a gross basis.

Smart Community Solutions

In the second half of 2019, we introduced our smart community solutions where we sell smart software and hardware to property owners, property developers and other property management companies. Our smart community solutions primarily include the following.

- *Management solutions.* We provide technological solutions and the underlying intelligent software and hardware to property owners, property developers and other property management companies. Our technological solutions comprise a smart carpark management system, smart visitor management system, smart traffic control system and smart security control system.

- *Smart home solutions.* We provide home automation solutions leveraging IoT technologies to improve the home living experiences of property owners and residents. Our smart home solutions encompass various aspects of daily living, including remote-control lighting systems, facial-recognition door locks, weather-sensing windows and voice-control personal assistance devices.

We also offer enterprise software maintenance services to other property management companies and charge service fees.

In the six months ended June 30, 2020, our revenue from smart community solutions was RMB135.0 million. We believe our smart community solutions will be our growth driver in the foreseeable future, and we intend to devote more financial and management resources to further develop and expand this business line.

Other Services

We offer certain household services such as housekeeping and home electronics repair and maintenance services. We also generate revenue from the price difference between utility fees we received and paid to utilities service providers on behalf of third-party service providers offering services in properties under our management on a net basis.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

We offer a series of value-added services to non-property owners, which primarily include property developers. These services include (i) sales office management services; (ii) preliminary planning and design consultancy services; and (iii) repair and maintenance services. Customers of our value-added services to non-property owners primarily include property developers such as the Shimao Group. The following table sets forth a breakdown of our revenue from value-added services to non-property owners, both in absolute amount and as a percentage of our revenue from value-added services to non-property owners.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Sales office management services	213,482	86.7	307,006	79.5	517,601	80.7	233,895	81.0	279,576	85.4
Preliminary planning and design consultancy services	20,343	8.3	34,788	9.0	54,520	8.5	23,700	8.2	15,835	4.8
Repair and maintenance services	12,377	5.0	44,281	11.5	69,009	10.8	31,293	10.8	32,226	9.8
Total	**246,202**	**100.0**	**386,075**	**100.0**	**641,130**	**100.0**	**288,888**	**100.0**	**327,637**	**100.0**

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from value-added services to non-property owners amounted to RMB246.2 million, RMB386.1 million, RMB641.1 million, RMB288.9 million and RMB327.6 million, respectively, among which, RMB191.0 million, RMB286.8 million, RMB475.5 million, RMB215.1 million and RMB224.8 million, respectively, was derived from value-added services provided to the Shimao Group, and RMB54.0 million, RMB98.7 million, RMB158.1 million, RMB70.1 million and RMB76.0 million, respectively, was derived from value-added services provided to joint ventures and associates of the Shimao Group.

Sales Office Management Services

We offer property management services to sales offices and display units of property developers, such as security and cleaning services. We do not participate in the sales transactions of our customers. Our services are designed to ensure the security and smooth operations of sales offices and display units.

We typically charge property developers a fixed service fee based on a variety of factors, such as the GFA of sales offices and display units, service scopes, service standards and the number of service staff required. Our monthly fees typically vary from approximately RMB300,000 to RMB500,000, depending on the size of sales offices and display units and scope of services requested.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from sales office management services represented 86.7%, 79.5%, 80.7%, 81.0% and 85.4% of our revenue from value-added services provided to non-property owners, respectively.

Preliminary Planning and Design Consultancy Services

We offer various preliminary planning and design consultancy services which address property developers' needs at different stages of their business operations. At the construction planning stage, we review developers' construction blueprints and offer recommendations from a property management perspective, such as advice on energy conservation, fire safety and general security. We also inspect key milestones of construction processes to ensure compliance with original design and relevant construction regulations. After construction completion and before delivery, we inspect units within the property to ensure compliance with applicable quality standards on fire safety, general security and the minimum GFA requirements, among others.

We primarily charge a uniform fee of approximately RMB4.0 per sq.m. of property to be delivered for our preliminary planning and design consultancy services. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from preliminary planning and design consultancy services represented 8.3%, 9.0%, 8.5%, 8.2% and 4.8% of our revenue from value-added services to non-property owners, respectively. The decrease in our revenue from preliminary planning and design consultancy services in the six months ended June 30, 2020 was primarily due to the decrease in the number of properties to which we offered such services compared to the same period in 2019.

Repair and Maintenance Services

We offer repair and maintenance services to property developers during the post-delivery warranty periods, which typically last two years. During the warranty periods, property developers engage property management companies, such as ourselves, to fulfill their obligations under the warranty. We typically charge RMB14.0 to RMB40.0 per sq.m. every two years, which takes into considerations such as type of property, whether the properties were furnished, necessary labor and material costs and a reasonable return. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from repair and maintenance services represented 5.0%, 11.5%, 10.8%, 10.8% and 9.8% of our revenue from value-added services to non-property owners, respectively.

EFFECTS OF THE COVID-19 PANDEMIC

Effects of the COVID-19 Pandemic on Our Business Operations

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and continues to expand within China and globally. In March 2020, the World Health Organization characterized the outbreak of COVID-19 a pandemic. As of the Latest Practicable Date, the virus had spread across China and to over 200 countries and territories globally. To contain the COVID-19 pandemic, the PRC Government has imposed strict measures across the PRC since late January 2020, including lock-down measures across various cities in the PRC, the extended shutdown of business operations, and mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. As of the date of this Prospectus, lockdown measures in most regions of the PRC have been substantially lifted.

The outbreak of the COVID-19 pandemic, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC, particularly Hubei Province which reported the largest number of confirmed cases and fatalities in China. However, the PRC Government has taken various measures to manage cases, reduce potential spread and impact of infection. In addition, the PRC Government and its local counterparts have also adopted various incentive policies to boost the economy, such as cutting taxes, increasing government investment and increasing the amount of currency issued. The combination of fiscal and monetary incentives could ease the negative impact of the COVID-19 pandemic.

According to the data released by the National Bureau of Statistics, China's GDP in the first quarter of 2020 was RMB20,650.4 billion, representing a decrease of 6.8% from the first quarter of 2019. China's GDP in the second quarter of 2020 was RMB25,011.0 billion, representing an increase of 3.2% from the second quarter of 2019 and an increase of 11.5% from the first quarter of 2020. In perspective of the general economic performance, China's GDP in the first half of 2020 amounted to RMB45,661.4 billion, representing a slight decrease of 1.6% as compared with the first half of 2019, which indicates that the economic environment is returning back to normal.

According to CIA, the PRC property management industry is under pressure in the short term as property management companies are required to suspend certain services and incur additional costs to comply with additional regulations and government measures. In particular, our following services have experienced certain short-term impacts.

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

- *Sales office management services*. Certain of the sales offices and display units we managed suspended operations after the outbreak of the COVID-19 pandemic as a result of government requirements, decrease in demand, and changes in property developers' business plans.

- *Community asset management services*. Since the outbreak of the COVID-19 pandemic, many properties under our management implemented strict visitor and vehicle control. To comply with government regulations, the common areas of many properties under our management were shut down, which led to a decrease in common area rental income. We were also unable to place new advertisements after implementation of lockdown measures in many properties under our management.

- *Carpark sales related services*. Also due to the COVID-19 pandemic, many potential purchasers of carpark spaces delayed their purchasing activities.

Our Directors confirm that we do not foresee any difficulties in fulfilling the covenants under our bank and other loan facilities, and that as of the Latest Practicable Date we had complied with the relevant regulations and measures implemented by the government in relation to the COVID-19 pandemic. There were no confirmed cases of COVID-19 and 11 suspected cases of COVID-19 among our staff members. These 11 staff members were quarantined and had resumed their normal work as of the Latest Practicable Date.

Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. Our Directors consider that while the supply chains in all industries will be disrupted to a certain extent by the COVID-19 pandemic, particularly due to the prolonged suspension of business operations in the PRC and the instability of a workforce arising from the mandatory quarantine requirements, in view of the nature of our business, our Directors do not expect that we will encounter any material disruptions of our supply chain given that we do not rely on any particular service subcontractors or material suppliers and there are many other readily available subcontractors and suppliers in the market as back-up. In view of the foregoing, our Directors are confident that we can continue to provide our services and discharge our obligations under existing contracts.

To the best knowledge of our Directors after consulting the Shimao Group, we do not anticipate there will be any material delay in the delivery of the properties developed by the Shimao Group or the joint ventures and associates of the Shimao Group for our management as scheduled. We were informed by the Shimao Group that while the Shimao Group anticipated certain delay in certain stages of its overall property development progress as a result of the extended business suspension imposed by the PRC Government in curbing the COVID-19 pandemic, the Shimao Group expected that it has sufficient resources, capability and capacity to catch up with the process of developments and did not anticipate significant delay in completing the developments of the aforesaid properties. After consulting with the Shimao Group, our Directors are of the view that nothing has come to their attention which would suggest otherwise. Accordingly, we believe such delay would not be significant and will unlikely have material adverse impact on our financial condition.

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

While we expect to capitalize on the above-mentioned industry tailwind, we also expect to experience certain risks. For example, many pandemic control measures may become a regular part of our property management services, such as strict visitor and vehicle control and routine common area disinfection, which could lead to a permanent increase in staff costs and medical material costs. In addition, we may need to provide property management services in a manner required by local governments, which could potentially expose us to more liabilities and higher communications costs and expenses.

The above-mentioned extreme situation may or may not occur. The above-mentioned analysis is for illustrative purpose only and our Directors currently assessed that the likelihood of such situation is remote. The actual impact caused by the outbreak of the COVID-19 pandemic will depend on its subsequent development; therefore, it is a possibility that such impact to our Group may be out of our Director's control and beyond our estimation and assessment.

Our Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, we have adopted the following hygiene and precautionary measures across the properties under our management since late January 2020.

- *Entrance management.* We in principle leave a maximum of two entrances open for each property under our management, which enables us to better monitor each person and vehicle that enters and exits these properties.

- *Visitor management.* We implement visitor and vehicle controls to verify identities of visitors and vehicles seeking to enter properties under our management.

- *Courier services.* We set up courier storage points at the property gates in order to avoid gathering and face-to-face interaction and reduce risk of infection. For the takeout deliveries staffs, we allow entrance only after we have registered their information and confirmed with the property owners.

- *Returning resident management.* For property owners and residents who return from out of town, especially from regions that were most heavily affected by the COVID-19 pandemic, we record their information in collaboration with local governments and assist in the implementation of quarantine measures where necessary.

- *Disinfection.* We routinely disinfect and maintain cleanliness of common areas of properties under our management.

We estimate that the additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, will be approximately RMB6.4 million from January 1, 2020 to the Latest Practicable Date. This primarily represents increased staff costs to carry out these measures as well as costs for purchasing protective materials such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. Our Directors confirm that the additional costs associated with the enhanced measures will not have a significant impact on our Group's financial position or results of operations in 2020.

Effects of the COVID-19 Pandemic on Our Business Strategies

To mitigate our long-term risk exposures, we plan to further strengthen our service capabilities, quality and efficiency. We plan to capitalize on the industry tailwind and our enhanced brand image to further expand our business in the Yangtze River Delta Region, Southern China, Central and Western China and the Bohai Economic Rim, further improve our brand image and market influence, and offer more diversified value-added services. See "— Our Business Strategies." During the COVID-19 pandemic, our existing offline community value-added services such as community educational services under our Mao YUE Island brand and carpark sales related services, as well as our planned introduction of new community value-added services were interrupted as a result of lockdown measures imposed by various governments in China. However, we believe our efforts in ensuring sanitation and sufficient disinfection of properties under our management have earned us recognition and approvals from property owners and residents and improved our brand image as a quality property management service provider. We therefore believe that our expansion plan as discussed above is feasible, and it is unlikely that we would change the use of the net proceeds from the Global Offering as disclosed in "Future Plans and Use of Proceeds" in this Prospectus as a result of the COVID-19 pandemic.

NEW ACQUISITIONS

We intend to continue to grow our business and expand our business to geographical markets that we believe have growth potential. On July 14, 2020, we entered into an equity transfer agreement to acquire a 100% equity interest of Beijing Guancheng. On July 30, 2020, we entered into an equity transfer agreement with to acquire a 51.0% equity interest in Zheda Sinew. See "History and Corporate Structure — Acquisitions after the Track Record Period — Beijing Guancheng and — Zhejiang Xiangyu and Zheda Sinew" for details of these acquisitions.

Beijing Guancheng

Beijing Guancheng is a property management company located in Beijing, focusing on providing property management services with respect to a diversified property portfolio, covering primarily residential properties. As of the Latest Practicable Date, Beijing Guancheng was contracted to manage 21 properties with an aggregate contracted GFA of approximately 4.7 million sq.m. As of the same date, Beijing Guancheng had 17 properties under management, with an aggregate GFA under management of approximately 3.5 million sq.m.

Zheda Sinew

Overview

Zheda Sinew is a property management company located in Zhejiang Province, which is committed to providing comprehensive property management and operational services. Headquartered in Hangzhou, Zhejiang Province, Zheda Sinew strategically focuses on the local market, and has further expanded into more than ten provinces across the PRC. Zheda Sinew ranks 3rd among "Top 100 Campus Property Management Companies in the PRC" (中國校園物業服務百強企業) in terms of overall strength in 2016 by the China Association for Campus Management (中國教育後勤協會). Zheda Sinew was also recognized by the China Property Management Institute (中國物業管理協會) and the China Real Estate Appraisal of Shanghai E-House Real Estate Research Institute (上海易居房地產研究院中國房地產測評中心) as one of the "Top 500 Property Management Companies" (2019物業服務企業綜合實力500強) in 2019. As of the Latest Practicable Date, Zheda Sinew was contracted to manage 61 properties with an aggregate contracted GFA of approximately 9.1 million sq.m. As of the same date, Zheda Sinew had 60 properties under management with an aggregate GFA under management of 8.9 million sq.m. In April 2018, a subsidiary of Zheda Sinew entered into a land grant contract with local authorities in Hangzhou over a parcel of land with a total site area of 9,830 sq.m. and an aggregate GFA of approximately 29,490 sq.m.

Zheda Sinew primarily generates revenue from property management services and lifestyle services.

- **Property management services.** Zheda Sinew offers a wide range of property management services to property owners and residents, including security, cleaning, greening and gardening, repair and maintenance services with respect to properties under its management. Its property management portfolio includes primarily on-campus residential properties, and also covers non-residential public facilities and venues, such as Jilin Academy of Social Sciences (吉林社會科學院) and Hangzhou Fuyang Administrative Service Center (杭州富陽行政服務中心).

- **Lifestyle services.** Zheda Sinew offers a wide range of lifestyle services, including:

  (i) *Catering services.* Zheda Sinew offers catering services where it operates canteens on behalf of 37 schools and universities and seven other institutions such as hospitals and government facilities across more than ten provinces. As of the Latest Practicable Date, Zheda Sinew operated 44 canteens. Zheda Sinew also sends its chef team to canteens of other institutions in exchange for service fees.

  (ii) *Accommodation services.* Zheda Sinew offers accommodation services where it provides on-campus accommodation for students. As of the Latest Practicable Date, Zheda Sinew operated 14 dormitory buildings in schools and universities.

  (iii) *Business trading services.* Zheda Sinew sells a wide range of products to individual customers through its on-campus chain supermarkets in two universities.

  (iv) *Others.* Zheda Sinew offers other services, which mainly include project management, operations and maintenance services where it manages a solar water heating project and other projects.

Zheda Sinew's revenue increased from RMB747.3 million in 2017 to RMB811.4 million in 2018, and further to RMB914.9 million in 2019, representing a CAGR of 10.6%. Its profit decreased from RMB49.4 million in 2017 to RMB47.7 million in 2018, and subsequently increased to RMB59.5 million in 2019, representing a CAGR of 9.7%. Zheda Sinew's revenue decreased by 24.8% from RMB421.0 million in the six months ended June 30, 2019 to RMB316.4 million in the six months ended June 30, 2020, primarily due to delay of spring sessions of universities as a result of the COVID-19 pandemic, adversely affecting on-campus service revenue from catering services, accommodation services, and business trading services. Zheda Sinew's profit decreased by 31.7% from RMB18.9 million in the six months ended June 30, 2019 to

RMB12.9 million in the six months ended June 30, 2020. The following table set forth a breakdown of its total revenue by business line for the periods indicated, both in absolute amount and as a percentage of its total revenue.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentage)									
Property management services	311,209	41.6	367,540	45.3	459,461	50.2	210,006	49.9	224,862	71.1
Lifestyle services	436,071	58.4	443,866	54.7	455,464	49.8	211,026	50.1	91,551	28.9
– Catering services	275,253	36.8	294,871	36.3	312,857	34.2	144,942	34.4	69,409	21.9
– Accommodation services	79,764	10.7	63,321	7.8	62,558	6.8	28,889	6.9	11,155	3.5
– Business trading services	10,895	1.5	18,685	2.3	22,020	2.4	10,407	2.5	973	0.3
– Others	70,159	9.4	66,989	8.3	58,029	6.4	26,788	6.3	10,014	3.2
Total	**747,280**	**100.0**	**811,406**	**100.0**	**914,925**	**100.0**	**421,032**	**100.0**	**316,413**	**100.0**

The following table sets forth the number and GFA under management of properties managed by Zheda Sinew as well as the number of properties Zheda Sinew was contracted to manage and corresponding contracted GFA as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Number of properties under management	44	48	60	60
Number of properties Zheda Sinew was contracted to manage	44	49	61	61
GFA under management *(sq.m.in thousands)*	4,134	6,379	8,636	8,911
Contracted GFA *(sq.m. in thousands)*	4,134	6,601	8,858	9,133

MANAGEMENT DIGITALIZATION, SERVICE PROFESSIONALIZATION, PROCEDURE STANDARDIZATION AND OPERATION AUTOMATION

To strengthen our competitiveness, reduce our reliance on manual labor and reduce costs, we focus on management digitalization, service professionalization, procedure standardization and operation automation, which we believe have improved and will continue to improve our operational efficiency and our ability to offer consistent and quality services, helping us achieve a scalable and cost-effective business model.

Management Digitalization

Our informational service platform (信息業務平台) consists of a property-full-cycle management module (項目全週期管理模塊), a surveillance platform (監控平台), and a customer management platform (客户管理平台), and enables us to visualize and centralize the management of our properties nationwide at our headquarters. Our property-full-cycle management module and surveillance platform retain all relevant data and can present basic information, property management fee collection progress, customer service feedbacks and equipment maintenance status of a property at our headquarters. Our customer management platform facilitates our property management services by allowing customers to make property management fee payments, repair and maintenance service requests and complaints, as well as provides diversified value-added services such as housekeeping, home furnishing, community education, among others. Our enterprise resource planning system, or the ERP system, contains customized features for property management companies, consisting of (i) a finance module which standardized our various finance related processes such as bookkeeping, payroll, inventories and fixed asset management, and financial reporting; (ii) a procurement module which combines the management of materials, vendors, purchasing and inventories; (iii) a budgeting module that prepares, manages and monitors our budgets based on our overall growth strategies; and (iv) a human resource module that manages our organizational structure, employee profiles, work time and compensations, covering the full cycle from employee onboarding to departure. Our fee collection system controls the fee collection processes and manages notes received during our ordinary course of business, recognizes revenue based on relevant accounting policies, and analyzes financial data from multiple dimensions. Our carpark management system specializes in managing carpark related contracts, assets, customers information and pricing information, and presents related work reports for our further decision-making.

We also have a work order system which allows our on-site staff to obtain and allows us to assign work orders based on each employee's availability. Our work order system plays a critical role in supporting our Grid Unit Management mechanism by informing our staff of their work performance in real time, which incentivizes them to improve their performances and productivity.

Service Professionalization

We have also designed and implemented a series of measures to boost productivity and reduce operational costs. We implemented the Internal Marketization (內部市場化) policy to increase accountability of our onsite team. Under the Internal Marketization policy, we have implemented a Grid Unit Management (網格化管理) mechanism where we review the performance of our operations in greater details. We divide our properties into approximately 1,800 grid units consisting of residential building grid units and common area grid units. We evaluate the financial and operational performance as well as customer satisfaction level of each grid unit, and create incentive schemes which are directly linked to the compensation level of the responsible personnel within each grid unit. Under our Internal Marketization policy, the relationship between each grid unit and our Group is more akin to the relationships between service providers and customers who enter into contracts specifying performance obligations, evaluation standards and rewards for satisfactory performances. We believe that such mechanisms enhance the accountability of responsible personnel of each grid unit and better incentivize our employees to deliver outstanding performances compared to traditional supervisory relationships. Our Internal Marketization policy and Grid Unit Management mechanism also enable us to identify in greater details which grid units are contributing to our growth and which ones are holding back our overall operational and financial performance, which provides valuable information for our management to more efficiently and effectively direct management and financial resources.

Procedure Standardization

We have formulated a series of guidelines and rules laying out detailed guidance on key standards and procedures for property management service operations, service procedures supervision and project evaluation, so as to ensure consistent and quality property management services. Our full-cycle management of newly delivered properties covers key processes from property construction and delivery to ramp-up and subsequent services. We have created four levels of more than 90 key control points, and our headquarters directly monitors level one key control points to ensure targeted, standardized and professional services across different properties. Our control points cover various pre-delivery steps including property sales, construction site open-house, and contracting with property developers. After property delivery, our key control points primarily focus on improving the environment of the various properties under management to ensure customer satisfaction.

We have established a "60-day Renewal Plan" where our key control points ensure smooth transitions in properties where we were engaged to replace existing property management companies, and bring noticeable changes to such communities by offering in-depth and customized property management services designed to improve the living experience of property owners in these communities.

Operation Automation

Our Mao Butler (茂管家) mobile application tracks our employees work processes and performances and makes our operations management more efficient. Our carpark management system specializes in managing carpark related contracts, assets, customers information and pricing information, and presents related work reports for our further decision-making. Our data middle office collects operational data from various business systems and provides pre-set data processing tools which enable our employees to extract meaningful analysis of raw data and gain an understanding of the performance of the grid unit for which they work. The data middle office also enables our headquarters to better monitor the various performance indicators of each grid unit, and triggers alerts when certain data reaches predetermines limits, allowing management to swiftly respond. Our IoT platform monitors and inspects the operating status of our equipment, which reduces the amount of labor required and ensures the smooth operations of our equipment.

Our costs and expenses in relations to the above-mentioned measures primarily consist of subcontractors cost, and to a lesser extent, purchase of facilities and equipment. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, such costs and expenses were RMB4.4 million, RMB9.3 million, RMB22.6 million, RMB7.7 million and RMB19.6 million, respectively.

Mao Home Mobile Application

Our Mao Home mobile application serves as our online service platform offering users value-added services such as one-stop resident living services, community security services as well as enabling customers to request our various offline property management services and community value-added services, which we believe brings convenience to our customers and improves their satisfaction due to an increased accessibility to our services. For example, customers can make property management and utility fee payments, as well as request property management services such as cleaning, repair and entry pass application and renewal. Mao Home also operates an e-commerce platform where users, including those who are not owners or residents of properties under our management, can purchase various household goods provided by us.

We plan to enrich the features and functionalities of our Mao Home mobile application to connect users with more online and offline property management and value-added services, such as property sales and rental facilitation services, home furnishing services, ticketing services, community healthcare services, community education services, and community space operations services. We also plan to introduce features such as one-click work order request, one-click customer services hotline and real-time tracking of work order progress, which allows our customers to have instant access to and meaningful interaction with our service personnel.

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council which came into effect on September 25, 2000 and was revised on January 8, 2011, internet information services refer to the provision of information to web users through the internet, which can be divided into commercial internet information services and non-commercial internet services. Commercial internet information services refer to paid services of providing information to or creating web pages for web users through the internet. Non-commercial internet information services refer to free services of providing public, commonly shared information to web users through the internet. Entities engaging in providing commercial internet information services shall apply for a license for value-added telecommunication services of internet information services. As for the operations of non-commercial internet information services, only filings with the relevant authority of the PRC Government are required.

As advised by our PRC Legal Advisors, during the Track Record Period, (i) the business conducted by us is regarded as "non-commercial internet information services" because we use our Mao Home mobile application as a tool to facilitate the provision of our services and we do not sell products or services of the third-party suppliers and generate any revenue directly from such online platform in the form of paid internet information services; and (ii) the filings of non-commercial internet information services have been completed for our Mao Home mobile application.

We have adopted various internal control measures to ensure data security and privacy protection in relation to our internal operational data, as well as external data, such as customer data obtained through our online service platform. We have explained the terms and conditions to customers and have also gained their prior consent before collecting their data. We treat all customer data in our possession as highly confidential. Our database is secured at multiple layers to prevent unauthorized access. We utilize a system of firewalls and also maintain a perimeter network to separate our external-facing services from our internal systems. All unnecessary access to our database is prohibited and selected information is displayed in anonymity to protect the private information. In addition, we carry out maintenance and firewall upgrades to ensure information stored is adequately protected. We have strict internal policies on our employees' access to customer data depending on their positions and seniority. We conduct reviews of our back-up systems to ensure that they function properly and are well maintained. We have also implemented a variety of protocols and procedures, such as system checks, virus prevention measures, password policies, server access logging, network access authentication, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorized access to our network.

Contingency Plans and Access Management

We have implemented a formal information recovery policy which provides for detailed steps to undertake after experiencing damages to our computer systems. Pursuant to the policy, we are required to purchase new servers and software, as well as undergo a series of installation and testing procedures. We are also required to retrieve the latest recoverable version of data and information and verify its validity before continuing with recovery measures. In terms of daily system management, we have established policies on access management, data maintenance, internet security, among others, to ensure access to our physical server rooms as well as various computer systems is properly authorized. We have also created a series of mechanisms to monitor activities and record on platform access and set a series of parameters which can only be changed by core management personnel.

SALES AND MARKETING

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

In addition to maintaining long-term and stable cooperation with the Shimao Group, we also endeavor to expand our cooperation with independent third-party property developers by providing customized, diversified and quality services. We implemented various incentive measures to encourage our employees to obtain property management service agreements over properties developed by third-party developers through investigation and analysis of and communication with property developers, leveraging our advantages in our brands, capital and operational expertise.

We also routinely organize community activities at properties under our management in order to create a greater sense of community, collect property owner feedback on our services, and improve their satisfactions with our services. We believe such events help improve customer loyalty and increase the retention rate of property management service agreements in properties that are already under our management.

CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property owners, residents, third-party providers of home furnishing services and property developers. The following table sets forth the types of our major customers for each of our three business lines.

Business line	Major customers
Property management services	Property owners, residents, property owners' associations, property developers and other property management companies
Community value-added services	Property owners, residents, third-party providers of home furnishing services and property developers
Value-added services to non-property owners	Property developers

In 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from sales to our five largest customers amounted to RMB267.9 million, RMB393.4 million, RMB689.8 million and RMB479.8 million, respectively, which accounted for approximately 25.7%, 29.6%, 27.7% and 30.7%, respectively, of our total revenue. During the same periods, revenue derived from sales to our single largest customer, the Shimao Group, a connected person, amounted to RMB238.1 million, RMB365.0 million, RMB640.1 million and RMB375.6 million, respectively, which accounted for approximately 22.8%, 27.5%, 25.7% and 24.0%, respectively, of our total revenue. See "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements." We have established ongoing business relationships and cooperation with our largest customer during the Track Record Period for more than ten years. The credit terms granted to our five largest customers in 2017, 2018 and 2019 and the six months ended June 30, 2020 range from 30 to 60 days. We accept payments through bank transfers. The number of customers which were independent third-party developers was nil, two, 30 and 79 in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

During the Track Record Period, we also derived revenue from sales to a number of associates of the Shimao Group. The following tables set out certain details of our five largest customers for the Track Record Period.

Six months ended June 30, 2020

Rank	Customer	Customer type	Length of business relationship with us as of the Latest Practicable Date	Products/ services provided by us	Revenue	Percentage of total revenue	Relationship with the Shimao Group
			(Year)		*(RMB in thousands)*	*(%)*	
1	Shimao Group	Property developer	16	Property management services and sales office management	375,577	24.0	N/A
2	Customer K	Real estate brokerage	1	Carpark sales and agency services	40,423	2.6	N/A
3	Customer L	Artificial intelligence enterprise	1	Software and hardware products	38,832	2.5	N/A
4	Customer M(1)	Property developer	1	Property management services, sales office management and software products	17,422	1.1	N/A
5	Customer N	Smart technology company	1	Software and hardware Products	7,588	0.5	N/A

Note:

(1) Customer M, a property developer who was also one of our top five suppliers in the six months ended June 30, 2020 and provided carpark spaces to us. The carpark spaces provided by Customer M are not related to the services we provided to Customer M. In the six months ended June 30, 2020, our purchase from Customer M amounted to RMB94.5 million. In the six months ended June 30, 2020, our revenue from property management services, sales office management services and sale of software products to Customer M amounted to approximately RMB17.4 million, accounting for 1.1% of our total revenue for the same period.

2019

Rank	Customer	Customer type	Length of business relationship with us as of the Latest Practicable Date	Products/ services provided by us	Revenue	Percentage of total revenue	Relationship with the Shimao Group
			(Year)		*(RMB in thousands)*	*(%)*	
1	Shimao Group	Property developer	15	Property management services and sales office management services	640,110	25.7	N/A
2	Customer A	Artificial intelligence enterprise	1	Software products	25,929	1.0	N/A
3	Customer B	Offline advertising solution company	3	Advertisement display area and public facilities rental services	8,834	0.4	N/A
4	Customer C	Investment company	2	Carpark agency	8,357	0.3	N/A
5	Customer D	Property developer	5	Property management services and sales office management services	6,576	0.3	Associate

2018

Rank	Customer	Customer type	Length of business relationship with us as of the Latest Practicable Date	Products/ services provided by us	Revenue	Percentage of total revenue	Relationship with the Shimao Group
			(Year)		*(RMB in thousands)*	*(%)*	
1	Shimao Group	Property developer	15	Property management services and sales office management services	364,997	27.5	N/A
2	Customer E	Property developer	3	Property management services and sales office management services	10,591	0.8	Associate
3	Customer F	Property developer	2	Property management services and sales office management services	6,325	0.5	Associate
4	Customer G	Property developer	3	Property management services and sales office management services	6,053	0.5	Associate
5	Customer H	Property developer	6	Property management services and sales office management services	5,472	0.4	Associate

2017

Rank	Customer	Customer type	Length of business relationship with us as of the Latest Practicable Date	Products/ services provided by us	Revenue	Percentage of total revenue	Relationship with the Shimao Group
			(Year)		*(RMB in thousands)*	*(%)*	
1	Shimao Group	Property developer	15	Property management services and sales office management services	238,055	22.8	N/A
2	Customer E	Property developer	3	Property management services and sales office management services	11,617	1.1	Associate
3	Customer I	Property developer	3	Property management services and sales office management services	7,816	0.7	Associate
4	Customer J	Property developer	3	Property management services and sales office management services	5,451	0.5	Associate
5	Customer H	Property developer	6	Property management services and sales office management services	4,930	0.5	Associate

As of the Latest Practicable Date, save for disclosed above, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued shares of the Company, had any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS

The following table sets forth the types of our major suppliers for our three business lines.

Business line	Major suppliers
Property management services	Subcontractors providing security, cleaning, greening and gardening, and common area facility repair and maintenance services
Community value-added services	Vendors providing resident services and property developers providing carpark spaces
Value-added services to non-property owners	Subcontractors providing security, cleaning, greening and gardening, and common area facility repair and maintenance services

In 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers amounted to RMB44.7 million, RMB50.7 million, RMB386.1 million and RMB131.2 million, respectively, which accounted for approximately 17.6%, 10.9%, 39.3% and 26.3%, respectively, of our total purchases. During the same periods, purchases from our single largest supplier amounted to RMB16.2 million, RMB12.0 million, RMB211.2 million and RMB94.5 million, respectively, which accounted for approximately 6.4%, 2.6%, 21.5% and 18.9%, respectively, of our total purchases. In 2019, we began to purchase carpark spaces from our largest supplier, a real estate developer, and resell them to property owners, which led to a significant increase in our purchase from largest supplier and the percentage of purchases from our five largest suppliers in 2019 compared to prior years.

The following tables set out details of our five largest suppliers for the Track Record Period.

Six months ended June 30, 2020

Rank	Supplier	Supplier type	Length of business relationship with us as of the Latest Practicable Date	Products/services provided to us	Purchase amount	Percentage of total cost
			(Year)		*(RMB in thousands)*	*(%)*
1	Supplier J[1]	Carpark space provider	1	Carpark space	94,480	18.9
2	Supplier K	Artificial intelligence service provider	1	Technical services	9,508	1.9
3	Supplier L	Property management service provider	3	Greening services	9,465	1.9
4	Supplier M	Property management service provider	3	Elevator maintenance	9,262	1.9
5	Supplier D	Property management service provider	3	Cleaning services	8,510	1.7

2019

Rank	Supplier	Supplier type	Length of business relationship with us as of the Latest Practicable Date	Products/services provided to us	Purchase amount	Percentage of total cost
			(Year)		*(RMB in thousands)*	*(%)*
1	Supplier A	Carpark space provider	1	Carpark space	211,201	21.5
2	Supplier B	Carpark space provider	1	Carpark space	70,802	7.2
3	Shimao Group[2]	Carpark space provider and More+ platform service provider	1	Carpark space and technical staff	66,807	6.8

Rank	Supplier	Supplier type	Length of business relationship with us as of the Latest Practicable Date	Products/services provided to us	Purchase amount	Percentage of total cost
			(Year)		*(RMB in thousands)*	*(%)*
4	Supplier C	Property management service provider	3	Cleaning services	19,119	1.9
5	Supplier D	Property management service provider	2	Cleaning services	18,190	1.9

Notes:

(1) Supplier J provided carpark spaces to us in the six months ended June 30, 2020 and became one of our top five suppliers in the same period. Supplier J was also one of our top five customers in the six months ended June 30, 2020 and purchased property management services, sales office management services and software products from us. See descriptions of Customer M in "— Customers" for more details.

(2) The Shimao Group provided certain marketing and promotional services to us under our home improvement services in 2019 and became one of our top five suppliers in 2019. The Shimao Group was also our single largest customer during the Track Record Period.

2018

Rank	Supplier	Supplier type	Length of business relationship with us as of the Latest Practicable Date	Products/services provided to us	Purchase amount	Percentage of total cost
			(Year)		*(RMB in thousands)*	*(%)*
1	Supplier E	Material provider	3	Working uniforms	12,039	2.6
2	Supplier F	Property management service provider	3	Cleaning services	10,598	2.3
3	Supplier C	Property management service provider	3	Cleaning services	10,298	2.2
4	Supplier G	Property management service provider	3	Cleaning services	9,254	2.0
5	Supplier H	Property management service provider	2	Contractions and decorations	8,488	1.8

2017

Rank	Supplier	Supplier type	Length of business relationship with us as of the Latest Practicable Date	Products/services provided to us	Purchase amount	Percentage of total cost
			(Year)		*(RMB in thousands)*	*(%)*
1	Supplier I	Property management service provider	3	Security services	16,225	6.4
2	Supplier C	Property management service provider	3	Cleaning services	10,397	4.1
3	Supplier F	Property management service provider	3	Cleaning services	10,118	4.0
4	Supplier G	Property management service provider	3	Cleaning services	4,401	1.7
5	Supplier E	Material provider	3	Working uniforms	3,604	1.4

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

SUBCONTRACTING

We outsource certain labor-intensive services and specialized services, primarily including security, cleaning, greening and gardening, and repair and maintenance services, to subcontractors, which enables us to reduce our operating and labor costs, improve service quality and dedicate more resources to management and other value-added services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, and enhance the overall profitability of our operations. In 2017, 2018 and 2019 and the six months ended June 30, 2020, subcontracting costs amounted to RMB181.8 million, RMB210.4 million, RMB425.6 million and RMB276.2 million, respectively, which accounted for approximately 24.1%, 22.4%, 25.8% and 26.7%, respectively, of our total cost of sales. During the same years, the amount of subcontracting costs from our top five subcontractors was RMB40.9 million, RMB45.5 million, RMB85.3 million and RMB40.6 million, respectively, accounting for 22.5%, 21.6%, 20.0% and 14.7%, respectively, of the total subcontracting costs.

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

Selection and Management of Subcontractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain a list of subcontractors based on our series of assessment standards, including, among others, the amount of registered capital, length of existence, size of overall operations, industry credentials and past cooperation with us. After initial evaluation of subcontractors, we also regularly review the performance of subcontractors and assign grades to subcontractors.

Key Terms of Our Subcontracting Agreement

A typical subcontracting agreement entered into between subcontractors and us generally includes the following key terms:

- *Term*. A subcontracting agreement typically has a term of approximately one year and may be renewed upon mutual consent. If the subcontractor's performance meets the agreed standards, we may consider re-engaging such subcontractors.

- *Our responsibilities*. We are typically responsible for providing on-site personnel dispatched by the subcontractor with necessary working space, tools and materials.

- *Obligations of the subcontractor*. The subcontractor is typically responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant subcontracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, subcontractor is required to take necessary rectification measures within the period required by us, failing which we have the right to claim damages, hire alternative subcontractors to provide the contracted services and subtract any expenses incurred by us from the contract price agreed with the nonperforming or underperforming subcontractor, or terminate the contract. The subcontractor is required to manage its personnel providing the contracted services and there is no employment relationship between us and the personnel of the subcontractor.

- *Risk allocation*. The subcontractor is responsible for any damages to property or personal injuries caused by the fault of the subcontractor in the course of providing the contracted services. We typically require the subcontractor to indemnify us for any damages that it causes to the properties of the residents and us. The subcontractor is also required to pay all social insurance and housing provident funds contributions for its personnel in accordance with PRC laws and regulations and bear the liabilities and responsibilities in the event of any non-compliance.

- *Procurement of raw materials*. Raw materials shall be procured by the subcontractor. The procurement costs are usually included in the subcontracting fee.

- *Subcontracting fee*. Subcontracting fee is typically payable monthly or quarterly, including costs incurred in connection with the procurement of raw materials, labor costs, equipment maintenance costs, tax expenses and other miscellaneous costs incurred by the subcontractor.

- *Termination*. We monitor and assess the performance of the subcontractor on a regular basis and can terminate the subcontracting agreement in the event of repeated sub-standard performance.

QUALITY CONTROL

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

Quality Control over Property Management Services

In 2017, we successfully renewed the certification according to ISO9001:2015 standards. We also obtained ISO14001:2015 environmental management certification and OHSAS18001:2007 international occupational health and safety management system certification in recognition of our service quality. We implement a "three-in-one" quality control system by aligning quality, environment protection and occupational health, which provides an all-round quality control guidance to our daily operations and minimize disruption to our operations and related operation costs.

In order to ensure service and consumer satisfaction, we engaged third-party surveyor to conduct property management service quality reviews at substantially all properties under our management on an annual basis. In addition, we also conduct internal reviews on consumer satisfaction at all properties under our management on a monthly basis. The quality check and consumer satisfaction results factor in the performance review of project companies and regional companies.

Quality Control over Subcontractors

We typically include in the agreements with subcontractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards. We also conduct annual surveys among property owners and residents regarding the quality of services provided by our subcontractors. We have the contractual right to adjust the subcontracting fees and decide whether to continue our subcontracting contract depending on the outcomes of such surveys. See "— Subcontracting — Selection and Management of Subcontractors."

Quality Control over Third-party Vendors

We implement a various measures and policies to ensure the quality of the products and services offered by third-party vendors, such as screening candidate vendors by examining their qualifications and conducting on-site inspection of their business premises, before entering into cooperation agreements with them. We also conduct annual assessment on our vendors in respect of transaction volume, service quality and after-sales services. We also have the right to replace a third-party vendor in the event of substandard performance.

Enhanced Hygiene and Precautionary Measures against the COVID-19 Pandemic

In response to the COVID-19 pandemic, we have adopted enhanced hygiene and precautionary measures across the properties under our management since late January 2020. The additional costs for implementing these enhanced measures primarily represent increased staff costs to carry out these measures as well as costs for purchasing protective materials such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. See "— Effects of the COVID-19 Pandemic — Our Response to the COVID-19 Pandemic."

Feedback and Complaint Management

During the ordinary course of our business, we receive feedback, suggestions and complaints (such as report of loss of properties and request for repair of public facilities) from property owners and residents of the properties we manage from time to time regarding our services. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses. We require that all requests and complaints from our customers be responded to within 24 hours, with a specific timeline to solve the problems. Requests and complaints that do not get addressed within the specified timeline will be escalated in our management system and will be ultimately addressed. We will revisit our customers within 24 hours after their problems get resolved, and thus ensure that the results are satisfactory to our customers and their confidence in our services is restored. In order to provide better customer experience and enhance our customer service, we offer a service hotline for residents living in the residential properties we manage, which has been up and running since 2019. Through the hotline, our customers can inquire about our services, provide us with their complaints and feedback as well as order products that are advertised on our service platform, and we can follow up and respond in time to provide timely and efficient solutions to the problems of our clients.

During the Track Record Period, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

RESEARCH AND DEVELOPMENT

As of June 30, 2020, we had a team of 31 research and development personnel, most of whom have bachelor's degrees. Our research and development personnel primarily focus on projects related to our smart community solutions.

Our total expenditure for research and development amounted to nil, nil, RMB19.6 million, RMB1.6 million and RMB13.1 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The significant increase in research and development expenses in 2019 was primarily due to our launch of smart community solutions for which we incurred staff expenses for research and development personnel.

INTELLECTUAL PROPERTY

We consider our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we had 46 patents, 54 copyrights, 182 trademarks and 13 domain names registered in China. We have entered into a trademark licensing agreement with Hailiang Group Co., Ltd., or the Licensing Agreement, for the use of ten trademarks. The Licensing Agreement was not filed with the competent authorities. As advised by our PRC Legal Advisors, the lack of filing of the Licensing Agreement does not impact its effectiveness as between us and Hailiang Group Co., Ltd.

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

AWARDS

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period.

Awarding Year	Award/Recognition	Awarding entity
2020	Top 100 Property Management Companies in the PRC in terms of overall strength (top 12) in 2019 (中國物業服務百強企業Top 12)	CIA (中國指數研究院)
2020	Leading Growth Enterprise among the Top 100 Property Management Companies in the PRC in 2019 (中國物業服務百強成長性領先企業)	CIA (中國指數研究院)
2020	Leading Brand in the PRC Property Management Industry in Specialized Operations in 2019 (中國物業服務專業化運營領先品牌企業)	CIA (中國指數研究院)

Awarding Year	Award/Recognition	Awarding entity
2019-2020	Potential Unicorn of Property Management Service in 2018 and 2019 (物業服務企業潛力獨角獸)	China Property Management Institute (中國物業管理協會), Shanghai E-house Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2019	China Blue Chip Property Management Companies in 2018 (中國藍籌物業企業)	The Economic Observer (經濟觀察報)
2019	Leading Enterprise in Residential Property Service in 2018 (住宅物業服務領先企業)	China Property Management Institute (中國物業管理協會), Shanghai E-house Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2019	Top 100 Property Management Companies in the PRC in terms of overall strength (top 17) in 2018 (中國物業服務百強企業榜單Top 17)	CIA (中國指數研究院)
2019	China Outstanding Property Management Service Operator in 2018 (最佳物業服務運營商)	Leju Financial Institute (樂居財經研究院)
2018	Advanced Unit for Talent Training among the Property Management Companies in Shanghai in 2017 (上海市物業管理行業企業人才培養工作先進單位)	Shanghai Property Management Association (上海市物業管理行業協會)
2018	Luxury Attitude Award in 2017 (聯盟品味 • 品位服務獎)	Golden Key International Alliance (金鑰匙聯盟)

COMPETITION

The property management industry in China is highly competitive and fragmented with numerous market participants according to CIA. We believe that we are able to continue competing with other industry players due to our competitive strengths. We were ranked 12th by CIA among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019. Moreover, according to CIA new market entrants are faced with entry barriers such as brand value, capital requirements, quality of management and availability of talent and technical expertise, all of which we believe we have and will continue to overcome. For more information on the industry and the markets that we operate in, see "Industry Overview" and "Risk Factors — Risks Relating to Our Business and Industry — We may fail to compete effectively."

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001:2015 and OHSAS18001:2007 standards certified by the China Quality Certification Center, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. We also assign security personnel and provide 24-hour safely and security patrol at each of properties under our management to help promote the safety and security of the property owners and residents.

We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties due to violation of environmental laws in China.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contribute to our growth. Our human resources department manages, trains and hires employees.

As of June 30, 2020, we had a total of 13,864 full-time employees. The following table sets forth the number and breakdown of our full-time employees by function as of June 30, 2020.

	Number of employees	% of total
On-site staff[1]	5,801	41.8
Quality control	3,523	25.4
Value-added management	2,867	20.7
Human administration, finance, operations, risk management and other personnel	1,163	8.4
Market development	510	3.7
Total	**13,864**	**100.0**

Note:

(1) On-site staff refer to our staff who directly provide our various services at the properties under our management.

According to the relevant PRC laws and regulations, we make contributions to social insurance fund, including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and housing provident fund for the benefit of our employees in China. During the Track Record Period, our Company and some of its subsidiaries in China did not make in full contribution to the social insurance fund and housing provident fund as required under PRC laws. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to adverse impact for our failure to contribute to social insurance fund and housing provident fund for some of our employees."

During the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

We endeavor to hire competent and qualified employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We provide systematic and extensive training programs to our employees to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. Our Pathfinder Program (探路者計劃) focuses on general knowledge of the property management industry and our corporate culture, and targets entry-level employees to be promoted to project managers. Our Challenger Program (挑戰者計劃) focuses on operation management, practical knowledge in operations management, relevant polices and industry trends, and targets project managers to be promoted to regional managers. Our Trailblazer Program (開拓者計劃) focuses on advanced, managerial training with emphasis on cultivation of business development capabilities, and targets regional managers to be promoted to high-level managers. Our Navigator Program (領航者計劃) focuses on strategic planning, structural thinking and public speaking capabilities, which we believe are essential for successful high-level managers.

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China. During the Track Record Period, some of our PRC subsidiaries did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations.

Reasons for Not Making Full Contributions

As confirmed by our Directors, we did not make full social insurance and housing provident fund contributions during the Track Record Period, primarily because (i) some of our employees, especially our on-site personnel providing cleaning, greening and gardening, security, repair and maintenance services who typically demonstrate high mobility, prefer not to contribute to social insurance and housing provident funds; and (ii) some migrant workers who have purchased new rural insurance at their residences requested us not to pay to social insurance and housing provident funds for them.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations in respect of social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine from one to three times the amount of the outstanding contributions if we fail to make such payments. In respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within the time period stipulated by relevant authorities. If payment is not made within such stipulated time period, relevant employees may apply to PRC courts for compulsory enforcement.

Our Directors have considered the following in assessing our exposures relating to social insurance and housing provident fund contributions: (i) as of the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties, material litigations and legal proceedings, nor were we aware of any material employee complaints nor involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iii) a majority of our PRC subsidiaries have obtained written confirmations from competent local government authorities which confirmed that no penalties had been imposed on us with respect to social insurance and housing provident funds during the Track Record Period; (iv) as advised by our PRC Legal Advisors, the risk of being penalized by the relevant authorities is low; (v) we made provisions for social insurance and housing provident fund contributions of RMB5.8 million, RMB4.3 million, RMB7.6 million and RMB3.0 million, respectively, in 2017, 2018 and 2019 and the six months ended June 30, 2020; and (vi) we will make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities. We believe that the provisions for social insurance and housing provident fund contributions are sufficient, having considered the above-mentioned reasons.

Based on the foregoing, our PRC Legal Advisors are of the view that the risk that we would be subject to material administrative penalties by relevant authorities is low. In light of the above, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period would not have any material adverse effect on our business operations or results of operations.

Remedial Measures

In April 2020, we issued an internal notice, pursuant to which our human resources department shall strictly follow our employee benefit policies and relevant laws and regulations on social insurance and housing provident fund contributions. In May 2020, we introduced further internal policies pursuant to which our risk management department shall check the compliance status of social insurance and housing provident fund contributions. We also made a specific plan to gradually end outsourcing of social insurance and housing provident fund contribution related work and begin to conduct such work internally to better monitor and control our compliance with relevant laws and regulations on social insurance and housing provident fund contribution. We have also formulated a plan to ensure full contribution to the social insurance and housing provident funds according to relevant laws and regulations going forward. The plan lists in detail our current compliance status and major obstacles anticipated during the rectification process.

OUR CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business. Generally, we encourage our subsidiaries and branch offices to settle their transactions through bank transfers to lower the risks relating to managing cash. Our employees are expressly forbidden from removing and/or using our cash for private or other purposes not in line with our ordinary course of business.

Cash flow transactions	Cash handling policies and internal control measures
Cash inflow in relation to payments of property management fees, deposits, rent or service fees from our customers	We typically have designated cashiers or customer service personnel specifically responsible for cash collection who verify that the cash collected is the correct amount prior to issuing receipts.
Payment made to suppliers, service providers and subcontractors of our subsidiaries and branches	Payments by our subsidiaries and branches to their suppliers, service providers and subcontractors shall be pre-approved by the responsible supervising personnel at a higher level. Once approved, such payments shall be made directly from the bank accounts of our subsidiaries and branches.
Cash inventories and deposits	Our subsidiaries and branch offices are typically not allowed to keep more than RMB5,000 in cash on hand. We typically require that excess amounts be deposited into the bank accounts of our subsidiaries and branch offices within the day they are received.
Cash transfers to our centralized bank account or the bank accounts of our subsidiaries and branch offices	We receive cash through methods such as WeChat Pay, Alipay, credit or debit card payments and bank transfers. Our employees are typically required to timely file all proofs of payment.
Opening of and managing bank accounts of our subsidiaries and branch offices	Our subsidiaries and branch offices must adhere to our internal policies and procedures in relation to the opening of bank accounts. They are typically required to complete an application form before opening any bank accounts. Our subsidiaries and branch offices are typically required to reconcile and check bank balances on a monthly basis.

INSURANCE

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injuries suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damages to both movable and immovable properties owned by us or in our custody. We require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with agreements between subcontractors and us, the subcontractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We believe that our insurance coverage is in line with the industry practice in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter."

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisors, save as the certificates, licenses and permits that were being renewed as of the Latest Practicable Date, we obtained all material certificates, licenses and permits from relevant regulatory authorities for our operations including in particular the filings of "non-commercial internet information services" required by our Mao Home mobile application, the relevant permits required for the sales of food products on our Mao Home mobile application, and the filings required by the real estate agency services of Shanghai Runshang. We are required to renew such certificates, licenses and permits from time to time. As to the certificates, licenses and permits that were being renewed as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not expect any difficulties in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations.

The following table sets forth the key licenses and permits required to operate our business during the Track Record Period.

Name of license or permit	Grant date	Expiration date	Renewal status
Shanghai Real Estate Brokerage Enterprise Registration Certificate (上海市房地產經紀企業備案證書)	August 11, 2017	N/A	N/A
Food Business Operation License (食品經營許可證)	May 28, 2020	May 27, 2025	N/A

Subsidiaries of our Group which provided property management services during the Track Record Period and up to the Latest Practicable Date have obtained the necessary business licenses to operate their property management businesses.

We were renewing the filings of three carparks operation certificates for Zheda Sinew and Beijing Guancheng as of the Latest Practicable Date. We engaged in the sales of food products before obtaining such permit. Based on our unaudited management account, we generated revenue and gross profit RMB0.06 million and RMB0.01 million before obtaining such permit, respectively. See "Risk Factors — We may not be able to obtain or renew required permits, licenses, certificates or other relevant governmental approvals necessary for our business operations." Save as disclosed above, as advised by our PRC Legal Advisors, we had obtained all required material licenses and permits for our business carried out throughout the entire Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we owned two properties in China with an aggregate GFA of approximately 30,561 sq.m., and, for the purpose of streamlining our property holdings, had entered into agreements to dispose of two of these properties, both investment properties, as it was considered that holding such investment properties for the generation of rental income was not in line with our core business. See "Financial Information — Description of Certain Consolidated Statement of Balance Sheet Items — Investment Properties." We have obtained the building title certificates for all the properties we own. In addition, Chengdu Xinyi and Zheda Sinew had entered into property sales contracts in relation to 14 properties with a total GFA of approximately 7,554 sq.m. We are still in the process of applying for the relevant property certificate in relation to these 14 properties.

As of the Latest Practicable Date, we also leased 241 properties in various locations in the PRC with an aggregated GFA of approximately 33,028 sq.m. for use primarily as offices and staff dormitories. The landlords of 236 of such properties are Independent Third Parties.

As of the Latest Practicable Date, we had not filed the lease agreements for 210 out of our 241 leased properties with the local housing administration authorities as required under PRC law, primarily due to a lack of cooperation from the landlords in registering the relevant lease agreements, which was beyond our control. We were advised by our PRC Legal Advisors, that such non-filing of lease agreements would not affect the validity of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. The estimated maximum amount of penalty for our failure to file these 210 lease agreements is approximately RMB2.2 million. See "Risk Factors — Risks Relating to Our Business and Industry — Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines." As of the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. Our Directors do not expect any practical difficulty in identifying alternative premises subject to the lease agreements that have not been filed, and are of the view that such non-filing would not have a material impact on our business operations.

For a total of 40 leased properties, the lessors could not provide relevant title certificates or proof of property rights. As advised by our PRC Legal Advisors, if third parties are able to prove that they have valid titles to or valid leasehold interests in these properties and refuse to acknowledge our lease of such properties, we may not be able to enforce the lease agreements in relation to these properties. In the event that we are required to relocate from any of these leased properties as a result of the foregoing, given the nature of our operation, we do not believe that any relocation would result in material disruptions to our business. Moreover, replacement premises for the leased properties without title certificates and proofs of property rights, which we are using primarily as employee dormitories and office premises, are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

On April 12, 2018, a subsidiary of Zheda Sinew entered into a land grant contract with local authorities in Hangzhou over a parcel of land of 9,830 sq.m. at a consideration of RMB44.2 million. On June 7, 2018, it obtained the construction land planning permit. On September 6, 2018, it obtained the land use rights certificate. On December 28, 2018, it obtained the construction work commencement permits. See "Risk Factors — Zheda Sinew may have to forfeit land if it fails to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts."

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

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see "Risk Factors — Risks Relating to Our Business and Industry." In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business. See "Financial Information — Quantitative and Qualitative Analysis about Market Risk."

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

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

- the appointment of Mr. Cai Wenwei as our chief financial officer and Ms. Chan Ka Yan as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see "Directors and Senior Management";

- the appointment of First Shanghai Capital Limited as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and

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

Finally, we adopt before the Global Offering, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, such as contract disputes with our customers, suppliers or disputes with other third parties at properties under our management. As of the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

Historical Non-compliance Incidents

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China. During the Track Record Period, some of our PRC subsidiaries did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations. For details on the reasons for not making full contributions, legal consequences and potential maximum penalties, and remedial measures, see "— Employees — Social Insurance and Housing Provident Fund Contributions."

As advised by our PRC Legal Advisors, we had not been subject to significant fines or legal actions involving non-compliances with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

Immediately upon completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shimao Group Holdings will via Best Cosmos, its wholly-owned subsidiary, own 66.5% of the entire issued share capital of our Company. Shimao Group Holdings is owned as to 55.064% by Gemfair and 9.929% by Shiying Finance Limited, both of which are wholly owned by Mr. Hui. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. As a result, Best Cosmos, Shimao Group Holdings, Gemfair, Overseas Investment, Shiying Finance Limited and Mr. Hui constitute a group of our Controlling Shareholders.

Each of Best Cosmos, Gemfair, Overseas Investment and Shiying Finance Limited is an investment holding company.

DELINEATION OF BUSINESS

The Retained Business

The Shimao Group is primarily engaged in (i) property development; (ii) property investment; (iii) commercial properties operation and management; and (iv) hotels operation (the "**Retained Business**"). Among such businesses, the Shimao Group is engaged in commercial properties investment, development, operation and management through Shanghai Shimao.

Overview

Upon completion of the Spin-off, it is expected that the business focus of each of our Group, the Shimao Group (excluding the Shanghai Shimao Group) and the Shanghai Shimao Group will be as follows ("**Business Delineation Arrangement**"):

	Principal property management business	Principal non-property management business
Our Group	(i) Provision of property management services for: • residential properties • others including but not limited to governmental and public facilities (ii) Provision of property management services to limited Non-Separable Multiple-Use Projects with the Shanghai Shimao Group through Shanghai Maoyuan Property Management Co., Ltd. (上海茂源物業管理有限公司) (the "**Property Management JV**"), a joint venture company held as to 51% by the Shanghai Shimao Group and as to 49% by our Group	(i) Value-added services for non-property owners (ii) Community value-added services

	Principal property management business	Principal non-property management business
The Shimao Group (excluding the Shanghai Shimao Group)	Nil	(i) Property development and investment for residential properties and hotels (ii) Hotels operation (iii) Investment, development and operation of Non-Separable Multiple-Use Projects through a joint venture between the Shimao Group and Shanghai Shimao, in which Shanghai Shimao has majority shareholding (the "**Property Development JV**")
Shanghai Shimao Group	(i) Mainly provision of property management services for commercial properties invested, developed and operated in mainland China by the Shanghai Shimao Group (ii) Provision of property management services with our Group to limited Non-Separable Multiple-Use Projects through the Property Management JV	(i) Investment, development and operation of commercial properties (ii) Investment, development and operation of Non-Separable Multiple-Use Projects through the Property Development JV with the Shimao Group

2007 Non-Competition Agreement

As disclosed in the announcements of Shimao Group Holdings dated October 22, 2007 and September 19, 2008 and the circular of Shimao Group Holdings dated November 15, 2007 (the "**2007 Circular**"), Shimao Group Holdings, Shanghai Shimao and Mr. Hui entered into a non-competition agreement (the "**2007 Non-competition Agreement**") to regulate the non-competition arrangements among the respective property businesses of the parties thereof. For the purpose of this Prospectus, the principal terms of the 2007 Non-competition Agreement in respect of the non-competition arrangements following the effective date of the 2007 Non-Competition Agreement are summarized below:

(i) Shanghai Shimao shall engage in commercial property investment, development and operation (including but not limited to sales, leasing and property management) in the PRC. It undertakes not to engage in the investment, development and operation of residential properties and hotels (excluding its existing projects for residential properties and hotels prior to the non-competition agreement);

(ii) Shimao Group Holdings shall primarily engage in residential properties and hotels investment, development and operation in the PRC. The Shimao Group (excluding the Shanghai Shimao Group), Mr. Hui and his associates undertake not to engage in the investment, development and operation of commercial properties projects;

(iii) for Separable Multi-Use Projects[1], Shimao Group Holdings and Shanghai Shimao shall bid for or acquire (as applicable) such projects on a joint basis (for which each party shall bear their own expenses). Upon successful bidding or acquisition, Shanghai Shimao shall be responsible for the investment, development and operation of the commercial properties, and Shimao Group Holdings shall be responsible for the investment, development and operation of the residential properties and hotels, of such projects; and

(iv) for Non-separable Multiple-Use Projects[2], Shimao Group Holdings and Shanghai Shimao shall jointly invest, develop and operate all future Non-separable Multiple-Use Projects by jointly setting up a project company of which Shanghai Shimao shall be the "absolute controlling shareholder" of such project company, i.e. with over 50% shareholding, save where Shanghai Shimao decides, in accordance with applicable PRC rules and regulations, not to develop such projects.

Following the Spin-off, Shimao Group Holdings, Shanghai Shimao and our Company (as a subsidiary of Shimao Group Holdings) will continue to comply with the undertakings under the 2007 Non-Competition Agreement ensure a clear delineation of business among our Group, the Shimao Group (excluding the Shanghai Shimao Group) and the Shanghai Shimao Group and their respective businesses. Our PRC Legal Advisors have confirmed that the property management business of each of the Shanghai Shimao Group and our Group as set out under the Business Delineation Arrangement does not constitute a breach of the requirements under the 2007 Non-competition Agreement.

Business delineation between our Group and the Shanghai Shimao Group

Upon completion of the Spin-off, the businesses of our Group and the Shanghai Shimao Group will be clearly delineated. The key business of our Group is the provision of property management services for residential properties. The key business of the Shanghai Shimao Group is the investment, development and operation of commercial properties in mainland China, while its related property management service is mainly ancillary to the operation of those commercial properties invested, developed and operated in the PRC by it. Our Directors expect that the limited overlapping business between our Group and the Shanghai Shimao Group described below will reduce going forward given neither group will renew the relevant existing business contracts which do not fall within the context of the Business Delineation Arrangement.

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1 as defined in the 2007 Circular, means property projects comprising commercial property development, hotel and/or residential property development for which independent land use right can be obtained for independent development of commercial property, hotels or residential property, and for which separate project companies can be set up for development of separate projects.

2 as defined in the 2007 Circular, means property projects comprising commercial property development, hotel and/or residential property development for which independent land use right cannot be obtained for commercial property in such projects, or where such land can only be developed by a single project company, owing to PRC legal, regulatory or policy prohibitions or restrictions.

(a) Property management of the Limited Residential Properties by the Shanghai Shimao Group

Upon completion of the Spin-off, the Shanghai Shimao Group will not engage in the property management of residential properties, save for, to a limited extent, a certain number of residential properties currently under its management (the "**Limited Residential Properties**"). As of the Latest Practicable Date, there were five Limited Residential Properties with a total managed GFA of approximately 1.2 million sq.m. The property management contract of all of such Limited Residential Properties will expire if and when the relevant property owners' association is established and if it selects to enter into a new property management services agreement, and unilateral termination by the Shanghai Shimao Group of certain of such contracts before expiration will result in certain penalty or a breach of contract. To the best of our Directors' knowledge and understanding after enquiries with the Shanghai Shimao Group, to eliminate any continued overlapping business with our Group, the Shanghai Shimao Group will not renew the existing management contracts for such Limited Residential Properties upon their expiration. In the event a property owners' association is established and it invites the Shanghai Shimao Group to enter into a new property management contract, the Shanghai Shimao Group will not accept such offer.

According to the Regulation on Property Management (《物業管理條例》) of the PRC, it is the property owners who have the right to change the property management services provider, and the general meeting of the property owners of a property can engage or dismiss a property management services provider with affirmative votes of property owners who own more than half of the total construction area of the property and who account for more than half of the total number of the property owners. The general meeting of property owners is independent of the Shanghai Shimao Group as well as our Group. It may select a new property management services provider, such as our Group or other third parties, through a public tender procedure or other method at its sole discretion. Neither the Shanghai Shimao Group nor our Group has any influence over the process of change of the property management services provider by the property owners. Due to such regulatory requirement and the legal restriction which prohibits the subcontracting of property management services in full, there is practical difficulty for the Shanghai Shimao Group to subcontract or transfer the property management of the Limited Residential Properties in entirety to our Group or any third party. The equity transfer of the relevant property management entities by the Shanghai Shimao Group is not feasible either as such property management entities are also either engaged in providing commercial property management services, or are branch offices of subsidiaries of Shanghai Shimao, and under applicable PRC laws and regulations, branch offices are not transferable. As such, it is expected that the Shanghai Shimao Group will continue to manage the Limited Residential Properties according to the terms of the current property management contracts until their expiration.

We consider that the retention of such business by the Shanghai Shimao Group will not affect the business delineation between our Group and the Shanghai Shimao Group for the following reasons:

(i) *Immateriality* — if the residential property management business of Shanghai Shimao had been undertaken by our Group for the three years ended December 31, 2019 and the six months ended June 30, 2020, the revenue attributable to our Group, assessed based on reasonable enquiries with and confirmation by Shanghai Shimao, would have been approximately 5.0%, 5.1%, 3.3% and 2.3% respectively. As such, we consider that such business is insignificant, and is not expected to expand after the Spin-off due to the restrictions in the Deed of Non-Competition.

(ii) *Not the principal business of Shanghai Shimao* — following the Spin-off, the Shanghai Shimao Group will continue to focus on the business of commercial property investment, development and operation (including property management of commercial properties invested, developed and operated by the Shanghai Shimao Group) in the PRC.

(iii) *Availability of non-competition undertakings* — to protect our Group from potential competition in the future, Shimao Group Holdings, as one of our Controlling Shareholders, will enter into the Deed of Non-Competition in favor of our Group and will procure the Shanghai Shimao Group to abide by the same undertakings. Details on the Deed of Non-Competition are set out in "— Deed of Non-Competition" in this section.

(b) Management of limited Non-separable Multiple-Use Projects by the Property Management JV

Pursuant to the provisions of the 2007 Non-competition Agreement, the property management for Non-separable Multiple-Use Projects shall be conducted through a joint venture between Shanghai Shimao (as the majority shareholder) and Shimao Group Holdings (as the minority shareholder). As a result, upon completion of the Spin-off and in accordance with the requirements of the 2007 Non-competition Agreement, the property management for Non-separable Multiple-Use Projects will be conducted through the Property Management JV. The Property Management JV is owned as to 51% by the Shanghai Shimao Group and as to 49% by our Group. Our Group, as a minority shareholder, will only share profit from the Property Management JV according to its interest held therein and will not consolidate the Property Management JV or individually recognize the residential portion of the revenue of the Property Management JV derived from the Non-separable Multiple-Use Projects. As of the Latest Practicable Date, the Property Management JV was not managing any Non-separable Multiple-Use Projects.

To avoid any material competition with our Group, Shimao Group Holdings as the ultimate major shareholder of the Property Management JV will, and will procure Shanghai Shimao, as the 51% shareholder of the Property Management JV, to ensure that the Property Management JV's revenue from the residential portion of such Non-separable Multiple-Use Projects that it is entitled to manage pursuant to the 2007 Non-competition Agreement, being Non-separable Multiple-Use Projects for which the developer does not designate the residential and non-residential portions for property management purposes (the "**JV Entitled Projects**"), will be less than 1% of our total revenue in any given financial year (the "**Management Limit**"). The Management Limit was determined after considering the number and scale of the JV Entitled Projects under development as of the Latest Practicable Date. Such control will be exerted through limiting the number of the JV Entitled Projects managed by the Property Management JV. The Property Management JV will evaluate the expected revenue to be generated from the residential portion of any potential Non-separable Multiple-Use Projects before entering into new management service contracts to ensure that the Management Limit will not be exceeded. In the unlikely event that the Management Limit is exceeded, the Property Management JV will take the necessary steps to reduce the scale of the Property Management JV's management of the Non-separable Multiple-Use Projects as soon as practicable such that the Property Management JV's revenue from the residential portion of such Non-separable Multiple-Use Projects will be lowered to a level within the Management Limit.

As of the Latest Practicable Date, one Non-separable Multiple-Use Project with a total GFA of 0.36 million sq.m. was under development, of which approximately 18.8% was residential, and it is expected that such Non-separable Multiple-Use Project will be delivered in the fourth quarter of 2020. It is expected that in the event the Property Management JV is contracted to manage such project, its revenue from the residential portion of such Non-Separable Multiple-Use Project will not exceed the Management Limit.

We consider that the interest of our Group and its shareholders as a whole will not be prejudiced by the Property Management JV, as the Property Management JV will not engage in the property management of residential properties on a standalone basis, and it is expected that the scale of the business of the Property Management JV upon completion of the Spin-off will be immaterial. We also consider that the imposition of the Management Limit will not indirectly restrain our Group's business growth going forward, as it is not within our Group's strategy to engage in the property management of Non-separable Multiple-Use Projects, being a distinct type of property that is different in nature from residential and non-residential properties which are the focus of our property management business.

(c) Management of Limited Commercial Projects by our Group

As of the Latest Practicable Date, our Group was contracted to manage 34 commercial properties with a total managed GFA of approximately 4.1 million sq.m. (the "**Limited Commercial Properties**"). Save for the Limited Commercial Properties, our Group was not contracted to manage any other commercial properties. We first became involved in providing property management services for the Limited Commercial Properties due to the following historical circumstantial reasons:

(i) certain commercial properties are within the same project of which the majority proportion comprises of residential properties, therefore our Group became involved to provide consistent management service to each project, which is predominantly residential;

(ii) certain commercial properties had been under the management of our Group prior to the entering into of the 2007 Non-Competition Agreement, or the relevant property management service contracts had been secured by our Group before Shanghai Shimao commenced its property management business;

(iii) acquisitions by the Shimao Group of certain third-party property management companies which were parties to certain commercial management contracts, the term of which had commenced before the relevant acquisitions, and as a result led to certain commercial property management projects becoming managed by our Group;

(iv) our Group obtained the qualification of First Class Property Service Enterprises (一級物業管理企業資質) in 2011, earlier than when the property management company within the Shanghai Shimao Group obtained the same qualification. Such qualification was the prerequisite for undertaking the property management of certain of the relevant commercial properties in the PRC at the relevant time; and

(v) subsequent to commercial negotiations initiated by the engaging party, the Group became designated by the relevant property developers to manage certain commercial properties.

The property management services contracts of the majority of the Limited Commercial Properties will expire if and when the relevant property owners' association is established and if it selects to enter into a new contract, while the rest will expire latest by 2024. Under the applicable PRC regulations, our Group does not have any influence over the process of change of the property management services provider, the right of which is vested in the property owners. As a result, our Group is unable to assign the relevant property management services contracts to other parties and was still managing the Limited Commercial Properties as at the Latest Practicable Date. To the extent we are able to terminate any of such contracts without incurring penalty or constituting a breach of contract, we will in good faith seek to terminate such contracts as soon as practicable, and will continue to manage the remaining Limited Commercial Projects before their expiration. We will not renew our commercial property management services contracts upon their expiration. In the event a property owners' association is established before expiration of an existing management contract and it invites us to enter into a new property management contract, we will not accept such offer. In addition, we will not take on new contracts for the management of commercial properties.

For each of the three years ended December 31, 2019 and the six months ended June 30, 2020, approximately 3.2%, 3.7%, 5.9% and 6.6% of our total revenue was attributable to the Limited Commercial Properties, while the corresponding percentage of our total gross profit was approximately 3.1%, 3.6%, 5.1% and 6.7% respectively.

Our Directors consider that the interests of the Shanghai Shimao Group have not been prejudiced as the management of the Limited Commercial Properties would not have been pursued, or could not have been successfully tendered for, by the Shanghai Shimao Group even if such opportunities had been made available to it. The view of our Directors has been formed to the best of their knowledge based on:

(i) the location of such properties, which are primarily in areas where our Group was the primary property management entity under the Shimao brand due to the vast amount of residential properties in the vicinity;

(ii) our understanding that the positioning and scale of certain of such projects were not in line with the then strategy of the Shanghai Shimao Group; and

(iii) our belief that our Group had a better chance of successfully procuring the contract due to its market share and reputation in the property management industry.

Our Directors consider that as (i) one of the purposes of the 2007 Non-Competition Agreement is the protection of the mutual interests of the Shimao Group and the Shanghai Shimao Group; and (ii) the interests of the Shanghai Shimao Group have not been prejudiced for reasons set out above, we have not breached the commercial principles of the 2007 Non-Competition Agreement.

Shanghai Shimao is aware of the management of the Limited Commercial Properties by our Group and has confirmed that such management does not constitute a breach of the 2007 Non-Competition Agreement, and that it agrees that our Group may continue to manage the Limited Commercial Properties in accordance with the relevant property management contracts.

Considering that (i) the revenue of our Group attributable to the commercial properties management business during the Track Record Period was immaterial; and (ii) the property management of the relevant commercial properties by our Group has been the result of specific circumstantial reasons, our PRC Legal Advisors are of the view that the 2007 Non-Competition Agreement has been complied with in material respects. We have been advised by our PRC Legal Advisors that there is no or will not be any material adverse consequence on our Group in relation to our management of the Limited Commercial Projects.

Commercial properties are different from Non-separable Multiple-Use Projects in the following manner:

(1) *Commercial properties* — as defined in the 2007 Non-competition Agreement, commercial properties refer to "building(s) developed on construction land and used for commercial, financial and commercial services purposes (including but not limited to shops, shopping centers, wholesale and retail markets, commercial and other offices), and relevant ancillary facilities". Commercial properties do not comprise any residential-use components.

(2) *Non-separable Multiple-Use Projects* — as defined in the 2007 Non-competition Agreement, Non-separable Multiple-Use Projects refer to "property projects comprising commercial property development, hotel and/or residential property development for which independent land use right cannot be obtained for commercial property in such projects, or where such land can only be developed by a single project company, owing to PRC legal, regulatory or policy prohibitions or restrictions". Such definition does not take into account the proportion of the commercial area in the total GFA.

Business delineation between the Shimao Group (excluding the Shanghai Shimao Group) and our Group

(a) Investment in Guangzhou Lihe

Upon completion of the Spin-off, it is expected that the Shimao Group will remain interested in Guangzhou Lihe Property Management Co., Ltd. (廣州利合物業管理有限公司) ("**Guangzhou Lihe**"), a property management company which is wholly owned by Guangzhou Lihe Property Development Co., Ltd. (廣州利合房地產開發有限公司) (the "**Project Company**"), a real estate development company held as to 26.67% by the Shimao Group, and as to 26.67% by Guangzhou Hongying Greening Engineering Co., Ltd. (廣州市鴻盈綠化工程有限公司), 26.66% by Guangzhou Zhenran Investment Co., Ltd. (廣州振然投資有限公司) and 20% by Guangdong Zhonghai Property Co., Ltd. (廣東中海地產有限公司), each an independent third-party property developer.

Guangzhou Lihe is under the common control of the four shareholders of the Project Company. The board of directors of Guangzhou Lihe consists of eight directors, comprising two directors appointed by each of the four shareholders of the Project Company. Resolutions at board meetings shall be passed by over one-half or two-thirds of the directors who may vote at the meeting, depending on the nature of the matters discussed at the meeting.

Guangzhou Lihe was established for the purpose of providing property management services to a particular project in Guangzhou developed and operated by the Project Company (the "**Lihe Project**"). Since its establishment, Guangzhou Lihe has provided property management services solely to the Lihe Project and has not provided property management services to any other properties. Based on the audit reports of Guangzhou Lihe, for the three years ended December 31, 2019, the revenue of Guangzhou Lihe was approximately RMB74.7 million, RMB74.5 million and RMB76.6 million and its net profit was approximately RMB13.5 million, RMB2.1 million and RMB4.0 million, respectively. Based on the management accounts of Guangzhou Lihe, the revenue and net profit of Guangzhou Lihe for the six months ended June 30, 2020 were approximately RMB39.4 million and approximately RMB1.5 million, respectively.

The investment held by the Shimao Group in Guangzhou Lihe via the Project Company is a passive, non-controlling interest that is immaterial to the Shimao Group. Guangzhou Lihe is accounted for as an associate of Shimao Group Holdings, the results of which are not consolidated into the financial statements of Shimao Group Holdings. Given the non-controlling shareholding of Shimao Group Holdings and its lack of control of the board of directors of the Project Company, we consider that the interest of Shimao Group Holdings in Guangzhou Lihe will not undermine our interests.

Shimao Group Holdings has confirmed that it has no intention to increase its investment in Guangzhou Lihe to over 50%. Proposed transfer of the Shimao Group's interest in the Project Company to our Group will be subject to restrictions under the articles of association of the Project Company, including the rights of first refusal for the other existing shareholders to purchase the interests from the Shimao Group and the consent from the other shareholders. It would not be in the commercial interest of the Shimao Group if it were to dispose of its interest in the Project Company, as it would unduly affect its participation in the development and operation of the Lihe Project.

In addition, to ensure there will not be any conflict of interest between the Project Company and the Group, the Project Company, as the sole shareholder of Guangzhou Lihe has confirmed that Guangzhou Lihe will not engage in further property management business beyond the Lihe Project.

Going forward, in the event any decision by the Project Company may potentially conflict with that of our Group, the Shimao Group will abstain from voting on the relevant shareholders' resolutions of the Project Company.

(b) Standard Renovations Services

Following the Spin-off, the Shimao Group will be interested in four companies that provide standard renovations services, namely, 廈門信誠建築裝潢有限公司 (Xiamen Xincheng Construction Decoration Co., Ltd.), 上海艾菲迪建材貿易有限公司 (Shanghai Aifeidi Construction Material Trading Co., Ltd.), 上海禮熙裝修工程有限公司 (Shanghai Lixi Decoration Engineering Co., Ltd.) and 綏芬河市百利闔家居用品有限公司 (Suifenhe Bailihe Houseware Co., Ltd.) (collectively, the "**Retained Renovations Services Entities**").

The Retained Renovations Services Entities are engaged in the business of providing standard renovations in the form of pre-designed decoration, the services of which are standardised and provided to home buyers purchasing the residential properties developed by the Shimao Group and its joint ventures or associates. Home buyers do not have the option of varying the scope of the decorations (the "**Standard Renovations Services**").

Our Group provides tailored home improvement services which are sold as a retail service to existing home owners as well as the homebuyers who have received their newly delivered properties from time to time, the specific services of which could be customized to the clients' specifications and include the provision of fixtures and fittings as well as other self-branded home improvement products (the "**Tailored Home Improvement Services**"). During the Track Record, Period, our Group did not provide any Standard Renovations Services.

We consider that the Standard Renovations Services are clearly delineated from our Tailored Home Improvement Services for the following reasons:

(i) *Different service purposes* – these two types of services are distinct and not substitutable.

(1) The Shimao Group provides the Standard Renovations Services only for bare shell properties (毛坯房) developed by the Shimao Group and its joint venture or associates. The Standard Renovations Services are basic pre-designed internal renovations with minimal decorative effect. Typical standard renovations for a bare shell property may include painting or tiling walls and/or floors, installation of sanitary fittings or stoves.

(2) The Tailored Home Improvement Services are provided to improve the design and functionalities of properties where a homeowner (who may or may not be the first-hand buyer of a property from the Shimao Group) or resident requires improvement to the standard renovations, and could be tailored and customised to the homeowners' specifications. The Tailored Home Improvement Services, since they are provided by our Group in the form of value-added services in its capacity as a property management service provider, such services serves the purpose of improving our services.

(ii) *Different service scope* – the Standard Renovations Services are standardized and generally designed together with the architecture and construction of the properties. Standard Renovations Services are typically offered in pre-designed format to homebuyers who do not have an option to alter. Our Group focuses on assisting homeowners in decorating and furnishing the units, or in providing furniture, home appliances and other home improvement products based on the customised specifications.

(iii) *Different service targets* – the Shimao Group has not provided any Standard Renovations Services to properties developed by third parties or to individual customers, other than first-hand homebuyers of properties developed by the Shimao Group and its joint venture or associates. The Shimao Group has no intention to expand its service offerings to new types of properties or customers.

(iv) *Different manner of rendering services* – the Shimao Group provides the Standard Renovations Services on a project basis to all the homebuyers of a new development, as opposed to the individual engagement in the manner as the Tailored Home Improvement Services are provided.

Given the above, the Standard Renovations Services do not form any part of our business strategy. During the Track Record Period and up to the Latest Practicable Date, none of the Shimao Group and our Group had bundled any products or services to its/our respective customers in relation to property management or renovations and home improvement services. The Standard Renovation Services and the Tailored Home Improvement Services are not substitutable, and the customers may choose to purchase the Standard Renovation Services from the Shimao Group or the Tailored Home Improvement Services from us at their discretion. According to CIA, it is common for the Standard Renovations Services and the Tailored Home Improvement Services to be considered as two different businesses.

The Retained Renovations Services Entities entered into certain contracts during the Track Record Period involving the Tailored Home Improvement Services. According to the information provided by the Shimao Group, for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the revenue generated from the Tailored Home Improvement Services by the Retained Services Entities amounted to nil, nil, RMB66.4 million and nil, respectively. As at the Latest Practicable Date, over 1,000 of such contracts were ongoing, and the individual homebuyers to such contracts had already paid the substantial value of the contract fee pursuant to the contract terms to the relevant Retained Renovations Services Entities. As such, the Retained Renovations Services Entities will not transfer such contracts to our Group and will proceed to completing their contractual obligations under such contracts. The services subject to such contracts are one-off in nature and it is expected that the Retained Renovations Services Entities will cease the provision of Tailored Home Improvement Services upon completion of the last of the above-mentioned ongoing contracts by 2021. The outstanding contract sum of such contracts is expected to be immaterial to our Group and it is expected that the revenue from such contracts for the years ending December 31, 2020 and 2021 will amount to approximately RMB32 million and RMB158 million, respectively.

Due to the distinct nature of each of the Standard Renovations Services and the Tailored Home Improvement Services as demonstrated above, there will not be any competition between the standard renovations business of the Shimao Group and our home improvement business upon completion of the Spin-off. In order to concentrate on our core businesses including, among others, the Tailored Home Improvement Business, our Directors are of the view that it is in our best interest to not incorporate the Standard Renovations Business of the Shimao Group, which does not coincide with our business focus and is not in line with our business strategy, into our Group such that we could concentrate our resources on the development and growth of our core businesses.

(c) Management of one residential project

As of the Latest Practicable Date, one member of the Shimao Group, being an entity mainly engaged in hotels operation, was contracted to provide services, including sales office management services and property management services, to one residential project developed by the Shimao Group located in Taizhou, Jiangsu Province. The relevant business opportunity was made available to our Group in November 2018. Having considered the relatively small scale of the project, the expected total net loss for the initial three years of the service period, location of the project (which was not a focus of our then business strategies), and its positioning as compared to our target project types and target profit margins, we were of the view that the undertaking of such management contract was not in line with our business strategy and decided to not pursue such business opportunity after initial commercial negotiations. Given the management of such project is not one which is in line with our business objectives and strategies, the Shimao Group does not plan to assign the relevant contract to our Group and it will continue to provide services under the relevant management contract. Our Directors are of the view that such management of one residential project by the Shimao Group will not constitute any material competition with our business and will not affect the clear business delineation between the Shimao Group and our Group. To the best of our Directors' knowledge and understanding after enquiries with the Shimao Group, (i) the contracted GFA of the residential property management services for such project is approximately 0.2 million sq.m.; (ii) as of the Latest Practicable Date, the units within such residential property were yet to be delivered and hence no revenue attributable to residential property management services was generated by the Shimao Group; (iii) certain sales office and display units management services were provided by the Shimao Group in respect of such project, which generated revenue of approximately nil, RMB0.4 million, RMB2.2 million and RMB0.2 million, respectively for the three years ended December 31, 2019 and the six months ended June 30, 2020; and (iv) the Shimao Group will not renew the existing management contract for such residential project upon its expiration.

Conclusion

Based on the foregoing, we believe that (i) there is clear delineation between our business and the Retained Business; (ii) there will be no direct or material competition between our Group and the Shimao Group upon completion of the Spin-off; and (iii) sufficient arrangements are or will be in place to ensure the clear delineation and minimal competition among the Shimao Group, the Shanghai Shimao Group and our Group.

Other businesses of our Controlling Shareholders

Apart from his interest in the Shimao Group, Mr. Hui, our ultimate Controlling Shareholder, is interested in a number of businesses outside of our Group (the "**Non-included Businesses**"). Such Non-included Businesses are operated through companies owned and/or controlled by Mr. Hui. These companies do not form part of our Group and their business scope is separate and distinct from our business. Our Directors are of the view that there is no competition between the Non-included Businesses and the businesses of our Group.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders and our Directors had any interest in any other business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition will not exist in the future, Shimao Group Holdings and Mr. Hui have entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in "— Deed of Non-Competition" in this section.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing for the following reasons:

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Five of the Directors hold various directorships or senior positions in the Shimao Group, namely Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie, Ms. Tang Fei, Mr. Sun Yan and Ms. Kan Lai Kuen, Alice.

Details of the positions, roles, responsibilities and shareholding in our Company and the Shimao Group of such five individuals are set out below.

	Positions, roles and responsibilities in our Group	Positions, roles and responsibilities in the Shimao Group upon Listing	Shareholding in our Company	Shareholding in the Shimao Group Holdings
Mr. Hui Sai Tan, Jason (許世壇)	Executive Director and chairman of our Board. He is responsible for the overall strategic planning and business management of our Group	Vice chairman, president and executive director of Shimao Group Holdings and director of Shanghai Shimao. He is responsible for the operations and executive responsibilities of the Shimao Group as well as leading the management of the Shimao Group.	None	0.09121%*(Note 1)*

	Positions, roles and responsibilities in our Group	Positions, roles and responsibilities in the Shimao Group upon Listing	Shareholding in our Company	Shareholding in the Shimao Group Holdings
Mr. Ye Mingjie (葉明杰)	Executive Director and president. He is responsible for the overall strategic planning and operations of our Group	Certain non-executive roles in the Shimao Group. He is responsible for providing guidance for the overall development of certain subsidiaries of the Shimao Group	None	0.00340%*(Note 2)*
Ms. Tang Fei (湯沸)	Non-executive Director. She is responsible for providing guidance for the overall development of our Group	Executive director of Shimao Group Holdings, vice president of the Shimao Group, supervisor of Shanghai Shimao. She is responsible for the financial management of the Shimao Group and supervising the operation of Shanghai Shimao	None	0.02641%*(Note 3)*
Mr. Sun Yan (孫岩)	Non-executive Director. He is responsible for providing guidance for the overall development of our Group	Controller of the internal audit, assistant president of the Shimao Group, supervisor of Shanghai Shimao. He is responsible for the internal audit of the Shimao Group and supervising the operation of Shanghai Shimao	None	0.00002%*(Note 4)*
Ms. Kan Lai Kuen, Alice (簡麗娟)	Independent non-executive Director. She is responsible for providing independent advice on the operations and management of our Group	Independent non-executive Director. She is responsible for providing independent advice on the operations and management of the Shimao Group	None	None

Notes:

1. In addition, Mr. Hui Sai Tan, Jason is entitled to 255,214 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00721% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
2. In addition, Mr. Ye Mingjie is entitled to 144,686 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00409% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
3. In addition, Ms. Tang Fei is entitled to 254,954 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00721% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
4. In addition, Mr. Sun Yan is entitled to 88,807 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00251% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.

For reasons set out below, we consider that Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie, Ms. Tang Fei and Mr. Sun Yan, who also have roles in the Shimao Group, will be able to devote sufficient time and resources between our Group and the Shimao Group. Mr. Hui Sai Tan, Jason is the only one of the four executive directors of our Company who will concurrently hold directorship and/or positions in Shimao Group Holdings upon Listing. Mr. Hui Sai Tan, Jason is the vice-chairman, president and an executive director of Shimao Group Holdings and a non-executive director of Shanghai Shimao, and has been in charge of the overall strategic planning and business management of the Group since its inception. Mr. Hui Sai Tan, Jason has been responsible for and been in charge of the property management service segment in the Shimao Group since September 2005 and is expected to, while continuing to be supported by the respective experienced management teams in our Group and the Shimao Group as he has been historically, devote half of his time to the day-to-day operations of our Group upon Listing. Mr. Ye Mingjie, one of our executive Directors, is currently the vice president and head of the engineering management center of Shimao Group Holdings, will be designated to non-executive roles in the Shimao Group Holdings before completion of the Spin-off and will not be involved in the day-to-day management and the business operations of the Shimao Group after Listing. Mr. Cai Wenwei, one of our executive Directors, who is currently the chief financial officer of our Company, does not hold any position in the Shimao Group. Ms. Tang Fei (executive director and vice president of Shimao Group Holdings and chief supervisor of Shanghai Shimao) and Mr. Sun Yan (controller of the internal audit and assistant president of Shimao Group Holdings and supervisor of Shanghai Shimao) are our non-executive Directors. Despite their executive and supervisory roles in Shimao Group Holdings and Shanghai Shimao, Ms. Tang Fei and Mr. Sun Yan as non-executive Directors will not be involved in the day-to-day management and the business operations of our Group and will only be holding non-executive roles in our Company.

In respect of our independent non-executive Directors, while Ms. Kan Lai Kuen, Alice concurrently holds independent non-executive directorships in both our Company and Shimao Group Holdings, our Directors are of the view that she will be able to discharge her duties as an independent non-executive Director of our Company given that: (i) she has acquired extensive management experience and developed substantial knowledge on corporate governance through her directorships in various listed companies which is expected to facilitate the proper discharge of her duties and responsibilities as an independent non-executive Director; (ii) her roles in our Group and Shimao Group Holdings are non-executive in nature and she will not be involved in the daily management of the business operations in our Company and Shimao Group Holdings; (iii) she will abstain from participating and voting at the board meetings of our Company involving matters and transactions between our Group and the Shimao Group; and (iv) our corporate governance measures in place will mitigate any potential conflicts of interests. Our other independent non-executive Directors, namely Mr. Gu Yunchang and Ms. Zhou Xinyi, collectively have extensive experience in the real estate and property management industries. Mr. Gu Yunchang held various positions in the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部) from 1982 to 1985 and also in various real estate industry associations from 1998 to 2009. Ms. Zhou Xinyi is an honorary vice president of the fifth Council Committee of China Property Management Association (中國物業管理協會). For details of the industry experience and profile of Mr. Gu Yunchang and Ms. Zhou Xinyi, see "Directors, Supervisors and Senior Management" in this Prospectus.

Each of the Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In the event of any actual or potential conflict of interest between our Group and the Shimao Group, the Directors who have ongoing roles with the Shimao Group, being Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie, Mr. Tang Fei, Mr. Sun Yan and Ms. Kan Lai Kuen, Alice, will abstain from participating and voting at the relevant board meetings at our Group. To the best of our Company's knowledge and understanding, they will also abstain from participating in and voting at the relevant board meetings of Shimao Group Holdings. Our remaining Directors, namely Mr. Cao Shiyang, Mr. Cai Wenwei, Mr. Gu Yunchang and Ms. Zhou Xinyi, will be able to decide and vote on the relevant matter. Pursuant to the above-mentioned measures, our Directors believe that even in circumstances where all the Overlapping Directors have to abstain from voting on a resolution, we still have four Directors with sufficient knowledge of the operations of our Group and the industry in which we operate to determine and vote on matters which may involve conflicts of interest between our Company and the Shimao Group; and therefore we will be able to function properly and with a sufficient level of independence. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders and their respective close associates.

The following corporate governance measures are in place to mitigate the potential conflicts of interests:

(a) in the event of any actual or potential conflict of interest between our Group and the Shimao Group, our Director shall (i) report such conflict of interest to our independent non-executive Directors as soon as practicable upon becoming aware of it; (ii) convene a Board meeting to review and evaluate the implications and risk exposure of such conflict; and (iii) monitor any material irregular business activities;

(b) our nomination committee will from time to time review the independence of our Directors in terms of the performance of their duties as our Directors to ensure effective management of potential conflict of interest.

(c) our Directors, including our independent non-executive Directors, are entitled to seek independent professional advice from external parties in appropriate circumstances at the Company's expense.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Spin-Off.

Operational Independence

We have full rights, hold and enjoy the benefit of all relevant licenses material to the operation of our business. We are of the view that we have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after the Listing.

The majority of our revenue is from customers who are third-party property owners or third-party property developers independent from our Controlling Shareholders or their respective associates. For the six months ended June 30, 2020, 70.5% of our revenue was generated from independent customers.

At the pre-delivery stage, our preliminary management contracts for property projects developed by the Shimao Group were secured mainly through a tender and bidding process conducted by the Shimao Group whereby tenders would be evaluated by a tender evaluation committee established by the Shimao Group in accordance with the Interim Measures for Tender and Bidding Management for Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》). The tender evaluation committee shall consist of an odd number of no less than five members, including at least a two-thirds majority of property management experts which are independent of our Group and the representative members from the Shimao Group, and selected on a random basis from a list of experts compiled by the local real estate administrative department. For details of the tender process, please refer to "Business — Property Management Services — Property Management Service Agreements" in this Prospectus.

After the property owners' associations have been established by the property owners' general meeting, the property owners' associations can be authorized by the property owners' general meeting to enter into contracts with the property management companies selected by the property owners' general meeting. The Shimao Group does not have any decisive influence over the selection (or replacement) of the property management service provider by individual property owners.

Mutual cooperation relationship

Our Directors believe that we have a well-established and ongoing business relationship with the Shimao Group. Since our Group's inception in 2005, we have provided various services including property management services to the Shimao Group. The business relationship between our Group and the Shimao Group is common among PRC property management companies and their parent companies and has been mutually beneficial and complementary. Our Directors believe that given the long history of business relationship, each of our Group and the Shimao Group has developed a well-established mutual understanding in the business needs of the other. Benefitting from such long standing relationship, our Directors believe that we are able to provide tailored services to the Shimao Group to meet its specific needs and our management is familiar with the standards and requirements of the Shimao Group, while the Shimao Group has been engaging us due to the stability and standards of service of our Group specially catered for its needs.

In respect of all properties developed by the Shimao Group (excluding the Shanghai Shimao Group) during the Track Record Period, the property management of approximately 88% of such properties in terms of number of projects was granted to our Group.

During the Track Record Period, our value-added services for non-property owners were primarily provided to the Shimao Group and its joint ventures and associates. Such services provided to the Shimao Group and its joint ventures or associates contributed to 19.2% of the total revenue of our Group for the six months ended June 30, 2020. Despite so, as confirmed by CIA, it is common for a property management company to provide such services primarily to its related property developer within the same group, and it is also common for a property developer to primarily engage its own subsidiaries to provide such services.

Notwithstanding the large number of property management service providers available in the market, we believe that it would not be in the best interest of the Shimao Group to select and engage those other property management service providers, considering the amount of time and resources required for seeking a comparable service provider. As demonstrated above, as confirmed by our Directors, our Group had, based on our own experience and expertise without relying on our relationship with the Shimao Group, secured a substantial portion of the property management projects relating to the properties developed by the Shimao Group through tendering processes during the Track Record Period. Based on the foregoing, our Directors are of the view that it is unlikely that the current business relationships between our Group and the Shimao Group would be materially adversely changed or terminated.

Efforts to extend services to Independent Third Parties

Since 2015, our Group has started to manage properties developed by independent third-party property developers. As of June 30, 2020, the total GFA under management pursuant to such type of projects was approximately 32.5 million sq.m., representing approximately 37.9% of our total GFA under management. We will continue our efforts to expand our property management services, value-added services and community value-added services to Independent Third Party customers upon completion of the Spin-off so as to lower the proportion of connected transactions with the Shimao Group.

(a) Property management services

Since 2019, we have been actively exploring potential business opportunities such as opportunities for the acquisition of third party property management companies or opportunities to manage properties for third party developers or customers. In 2019, we set up a functional department responsible for overseeing business expansion with third party property developers and the investment in and acquisition of third party property management companies. Such business development team has been proactively exploring market opportunities through market research and soliciting Independent Third Party customers via industry referrals and introduction from residents, property owners or other customers.

In the second half of 2019, we acquired from independent third parties the entire equity interest of Hailiang Property Management and 51% of the equity interest in Quanzhou Sanyuan, being companies mainly engaged in residential property management business. In addition, in 2019, we have entered into new management contracts with Independent Third Parties in respect of residential and other properties developed by them. As a result of the above acquisitions and the new contracts, our aggregated GFA under management in respect of properties developed by Independent Third Parties increased from approximately 0.4 million sq.m. in 2018 to approximately 17.4 million sq.m. in 2019. Our total revenue attributable to Independent Third Parties increased by approximately 14.9% from RMB745.0 million in 2017 to RMB856.3 million in 2018 and further increased by approximately 96.5% to RMB1,682.3 million in 2019, as compared with the corresponding preceding year.

From January 2020 and up to the Latest Practicable Date, we have secured additional management contracts with Independent Third Party customers in respect of residential and other properties developed by them. In addition, since January 1, 2020, we acquired from Independent Third Parties the entire equity interest of Guangzhou Yuetai, 51% of the equity interest in Fusheng Life Services, 67% of the equity interest in Chengdu Xinyi and the entire equity interest of Beijing Guancheng, 26% of the equity interest in Zheda Sinew and 62.5% of the equity interest in Zhejiang Xiangyu, resulting in an increase in the contracted GFA of properties developed or owned by Independent Third Parties of approximately 31.0 million sq.m. Considering the vast opportunities in the property management market, our experience and expertise, our achievement in expanding our business in respect of services provided to properties developed by Independent Third Parties via organic growth or acquisition, we believe that we are well-positioned to capture potential opportunities and could further expand our business in respect of properties developed by Independent Third Parties. As such, despite the increase in the actual amount of revenue from the Shimao Group and its joint ventures and associates, it is expected that the percentage of the relevant revenue contribution to our Group will taper in growth and decrease in the long run.

(b) Value-added services

We have been expanding and will continue to expand our service offerings and customer base to third-party customers.

For non-property owners – we started to expand our value-added services to non-property owners in 2019. Since the beginning of 2020 and up to the Latest Practicable Date, we had secured 42 new engagements for the provision of value-added services to Independent Third Party non-property owners. With such an encouraging start which will serve as good reference to other Independent Third Party property developers, we are confident that our Group will be able to secure further contracts for value-added services for non-property owners from Independent Third Parties. We are also currently in discussion with certain Independent Third Party developers regarding potential new engagements.

For property residents and owners – in 2019, we launched online and offline marketing and promotion to expand our home improvement service offerings to property owners and residents, which are independent from the Shimao Group. Such service expansion also contributed to the increase in revenue of the community value-added services in 2019. Also in 2019, we introduced the smart community solutions where it sells software and hardware to property developers and other property management companies as well as property owners. We plan to offer smart community solutions to a wider group of property developers to streamline their sales office management.

Going forward, our Group plans to increase its efforts to pursue opportunities to provide value-added services to Independent Third Parties including property developers, property owners and residents, and introduce a variety of other community value-added services, to satisfy both the basic living needs of property owners and residents, as well as customized needs for parent-child bonding, healthcare, recreation and real estate sales and rental transactions. We believe that such value-added services will contribute to the future growth of our Group, and facilitate increase in the proportion of our total revenue generated from services provided to Independent Third Parties.

In light of the above, our Directors are of the view, and based on the views of our Directors and the information provided by, and the confirmation from, our Company, the Joint Sponsors concur, that the above measures adopted or to be adopted by our Group are realistic and effective to further reduce our reliance on the Shimao Group.

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers

We conduct our sales and marketing primarily through our own sales and marketing team. Our Group has a diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Operational facilities

As of the Latest Practicable Date, we were leasing five properties from our Controlling Shareholders with a GFA of approximately 8,815.1 sq.m. mainly for office use. The total rent payable for the year ending December 31, 2020 under such lease will be approximately RMB4.3 million. Based on a review of the rental rate of comparable premises in the vicinity of such leased properties, our Directors are of the view that the terms of such lease arrangements are in line with the prevailing market terms and are fair and reasonable. Save as disclosed above, all the properties and facilities necessary for our business operations are independent from our Controlling Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, all of our full-time employees had been recruited independently from our Controlling Shareholders and their respective close associates and primarily through both internal referrals and external sources such as recruiting websites and third-party recruiters.

Connected transactions with our Controlling Shareholders

The section headed "Connected Transactions" in this Prospectus sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the Spin-off. All such transactions are determined after arm's length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in "Connected Transactions" in this Prospectus, our Directors currently do not expect that there will be any other connected transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after the completion of the Spin-off.

As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transactions with our Controlling Shareholders or their associates at a reasonable percentage with respect to our total revenues after Listing. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

As of the Latest Practicable Date, (i) our Group did not have any outstanding advances due from or to the Shimao Group and (ii) our Group had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Each of Shimao Group Holdings and Mr. Hui (the "**Undertaking Controlling Shareholders**") has unconditionally and irrevocably undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (save for members of our Group) not to, directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, being the provision in the PRC of property management services for residential and other properties (including but not limited to governmental and public facilities), value-added services to non-property owners and community value-added services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, except where the Undertaking Controlling Shareholders and their close associates hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange); or (ii) less than 30% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company (the "**Shareholding and Control Exception**"). The above restrictions do not apply (i) to any business which the Shanghai Shimao Group is allowed to conduct under the 2007 Non-Competition Agreement; (ii) when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of the Undertaking Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business; (iii) to the investment in Guangzhou Lihe described in "(a) Investment in Guangzhou Lihe" above; and (iv) to the management of the Limited Residential Properties and the residential project described in "(c) Management of one residential project" above. Each of the Undertaking Controlling Shareholders has undertaken that he/it will not, and will procure his/its close associates not to, renew the management contracts relevant to the Limited Residential Properties upon their expiration. As confirmed by the Undertaking Controlling Shareholders, as of the Latest Practicable Date, save for the shareholding in Guangzhou Lihe, the Undertaking Controlling Shareholders were not conducting or involved in any Restricted Business, and did not hold any interest in or control the board of directors of, any private company engaged in any Restricted Business.

Further, each of the Undertaking Controlling Shareholders has undertaken that if any new business investment or other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by or made available to him/it or any of his/its close associates (save for members of our Group), he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") to our Company within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising only our independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board Committee**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board Committee shall, within 30 business days of receipt of the Offer Notice, inform the Undertaking Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Undertaking Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it receives a notice from the Independent Board Committee declining such Competing Business Opportunity, or if the Independent Board Committee fails to respond within 30 business days as mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity, the relevant Undertaking Controlling Shareholder shall refer or procure the referral of such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

Shimao Group Holdings has further undertaken in the Deed of Non-Competition that as the ultimate major shareholder of the Property Management JV, it will, and will procure Shanghai Shimao as the 51% shareholder of the Property Management JV to, ensure that the revenue of the Property Management revenue from the residential portion of the JV Entitled Projects that it manages will be less than 1% of our total revenue in any given financial year.

The Deed of Non-Competition will lapse automatically if the Undertaking Controlling Shareholders cease to hold, whether directly or indirectly, 50% or above of our Shares with voting rights or if our Shares cease to be listed on the Stock Exchange. In the event we cease to conduct any of the Restricted Businesses, the Undertaking Controlling Shareholders will no longer be prohibited under the Deed of Non-Competition from conducting such business.

To ensure the undertakings in the Deed of Non-Competition will be adhered to in the strictest sense, each of the Undertaking Controlling Shareholders have further undertaken in the Deed of Non-Competition, and will procure his/its close associates (save for members of our Group), to adopt the following measures:

- reminders containing the relevant requirements and restrictions as set out in the Deed of Non-Competition will be distributed periodically to the relevant directors and senior management of the Shimao Group, to ensure that persons involved in the tendering of new property management projects or the negotiation of new business opportunities are fully aware of the relevant requirements, restrictions and delineation arrangements;

- certain senior personnel of each operating entity of the Shimao Group who possess the requisite capacity and capability in making the relevant judgement and decisions (the "**Designated Operational Team**") are designated to be responsible for monitoring and ensuring the proper implementation of the Deed of Non-Competition at the operational level. In particular, no new property management contracts will be entered into without the consent of the Designated Operational Team;

- a special committee (the "**Shimao Committee**") comprising Mr. Hui Sai Tan, Jason (the vice-chairman, president and an executive director of Shimao Group Holdings), Mr. Qu Gang (the head of the operation management center of the Shimao Group) and Mr. Zhang Jiangwen (the head of audit of the Shimao Group) who possess the requisite capacity and capability in making the relevant judgement and decisions will be set up, to which all potential new opportunities in relation to the commercial property management business of the Shimao Group are required to be reported and presented by the Designated Operational Team for approval. The Shimao Committee is responsible for determining whether a new property management opportunity could be taken up in the context of the Deed of Non-Competition;

- the Shimao Committee will hold periodical meetings to assess the compliance status of Deed of Non-Competition, and will report its observations to the board of directors; and

- Shimao Group Holdings will include in each of its future annual reports, a confirmation on the compliance status with the Deed of Non-Competition by the Shimao Group.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition also includes the following provisions:

- each of the Undertaking Controlling Shareholders has undertaken to us that he/it will provide and procure his/its close associates (save for members of our Group) to, on best endeavor basis, assist the annual review by our independent non-executive Directors on the compliance status of the Deed of Non-Competition and provide all information necessary; and

- the Undertaking Controlling Shareholders will make a declaration in each of our annual reports on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

- our independent non-executive Directors shall review on an annual basis the Deed of Non-Competition and compliance with the Deed of Non-Competition by the Undertaking Controlling Shareholders;

- we will disclose in our annual report or by way of announcement in accordance with the requirements of the Listing Rules, the decisions on matters reviewed by the Independent Board Committee (including the reasons for not taking up any Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition;

- a special committee (the "**Special Committee**") comprising of Mr. Ye Mingjie (our executive Director and president), Mr. Cao Shiyang (our executive Director and vice president) and Mr. Lyu Geqiang (our assistant president) will be responsible for: (i) liaising with and answering any enquiries from, the Shimao Committee regarding compliance by the Shimao Group with the Deed of Non-Competition; and (ii) considering the review results by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition described above. The background of Mr. Ye Mingjie, Mr. Cao Shiyang and Mr. Lyu Geqiang are set out in the section headed "Directors and Senior Management". We consider their experience with our Group and in the property management industry to be sufficient for properly performing the functions of the Special Committee;

- regular trainings will be provided to our Directors on their fiduciary duties as directors of our Company; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Pursuant to the Shareholding and Control Exception, the Undertaking Controlling Shareholders and their close associates are only allowed to hold interests which are non-controlling in respect of listed (pursuant to the Listing Rules) and private companies respectively, and are not allowed to control the decisions of the board of directors of such companies. The Undertaking Controlling Shareholders and their close associates, in the event they hold an interest within the Shareholding and Control Exception in a company which engages in business which competes with that of the Group, will not be entitled to exercise meaningful influence over the management and operations of such company. In view of the non-controlling and passive investment nature of the interest, our Directors are of the view, and based on the views of our Directors and the information provided by, and the confirmation from, our Company, the Joint Sponsors concur, that the Deed of Non-Competition will be effective in managing any potential competition between the Undertaking Controlling Shareholders and their close associates on the one hand, and our Group on the other hand.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

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

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

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

(d) we have appointed First Shanghai Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such 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;

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by the Undertaking Controlling Shareholders and their compliance with such undertakings; and

(g) our Company will disclose in its annual report each year the compliance status of each of the 2007 Non-competition Agreement and the Deed of Non-Competition.

Our Group has entered into a number of agreements with parties who will, upon completion of the Listing, become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark Licensing

On October 16, 2020, a trademark license agreement was entered into between our Company, Shimao Group Holdings and Fine Tune Investments Limited ("**Fine Tune Investments**") (the "**Trademark License Agreement**"), pursuant to which Fine Tune Investments agreed and Shimao Group Holdings agreed to procure Fine Tune Investments to irrevocably and unconditionally grant to our Company and other members of our Group a non-transferrable and non-exclusive license to use certain trademarks for a perpetual term commencing from the date of the Trademark License Agreement in the PRC on a royalty-free basis. Subject to negotiations between the parties thereto, the Trademark License Agreement will terminate upon Shimao Group Holdings ceasing to be our Controlling Shareholder. For a full list and details of the licensed trademarks, please refer to "B. Information about Our Business — 2. Intellectual property rights of our Group" in Appendix IV to this Prospectus.

We believe that the entering into of the Trademark License Agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to us and the Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for agreements of this type to be of duration of more than three years.

As of the Latest Practicable Date, Fine Tune Investments as the registered proprietor of the licensed trademarks was an indirect wholly-owned subsidiary of Shimao Group Holdings, one of our Controlling Shareholders. Each of Fine Tune Investments and Shimao Group Holdings is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Trademark License Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the licensed trademarks is granted to our Group on a royalty-free basis, the transaction under the Trademark License Agreement will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Promotion Services

On October 16, 2020, our Company entered into a master promotion services agreement (the "**Master Promotion Services Agreement**") with Shimao Group Holdings, pursuant to which the Shimao Group agreed to provide promotion services to our Group including providing marketing and promotion services at sales offices and display units in respect of our home improvement business (the "**Promotion Services**"). The Master Promotions Services Agreement has a term commencing from the Listing Date until December 31, 2022.

We have been occasionally procuring Promotion Services from the Shimao Group since January 2019. For the year ended December 31, 2019 and the six months ended June 30, 2020, the total service fee payable by our Group to the Shimao Group in respect of the Promotions Services amounted to RMB27.0 million and RMB0.2 million, respectively. The fee for the Promotion Services has been determined based on a percentage of the contract price of our home improvement business promoted with the assistance of the Shimao Group. The lower service fee payable by our Group to the Shimao Group for the six months ended June 30, 2020 was mainly attributable to a decrease in home improvement business contracts facilitated by the Promotion Services due to the COVID-19 pandemic, and we expect that the Promotion Services will increase and make up for the lesser transaction amount during the six months ended June 30, 2020 in the second half of 2020.

It is anticipated under the Master Promotion Services Agreement, our Group will continue to procure Promotion Services from the Shimao Group to leverage its resources employed during the pre-sale stage to promote our home improve services to end customers, which enables us to extend our customer reach, reduce our operating and labor costs and dedicate resources to management and other services. We consider such arrangement will be more effective and efficient in promoting our home improvement business than for us to allocate our own resources for such purposes. The fee to be charged for the Promotion Services will be determined after arm's length negotiations with reference to the historical charge basis and the prevailing market price of similar services in the open market. It is estimated that the maximum amounts of service fee payable by our Group in relation to the Promotion Services for the three years ending December 31, 2020, 2021 and 2022 will not exceed RMB36.0 million, RMB66.6 million and RMB108.3 million, respectively.

The steady increase in the annual caps for the Promotion Services from the year ending December 31, 2020 through the year ending December 31, 2022, as compared to the historical transaction amount for the year ended December 31, 2019, is mainly due to the expected increase in demand for the Promotion Services related to the ongoing and expected expansion of our home improvement business. Demand for the Promotion Services is expected to increase considering (a) the launch of the More+ platform, being the new platform for our home improvement services, in 2019 which is expected to significantly raise demand for the Promotion Services in 2020; and (b) our plan to further enlarge the scale of our home improvement services, both of which require additional promotional work. The increased efforts facilitated by the Promotion Services brought about increased revenue from our home improvement services in 2019 and such increasing tread is expected to continue. The annual caps for the three years ending December 31, 2022 have been estimated with the above increasing demand and expected increasing revenue taken into account.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts of the Promotion Services for the year ended December 31, 2019 and the six months ended June 30, 2020;
- the estimated revenue from our home improvement services with reference to the historical amounts and the significant historical growth trend. Revenue from our home improvement services was RMB0.5 million, RMB0.3 million and RMB74.2 million for each of the three years ended 2017, 2018 and 2019, respectively, which significantly increased over 246 times from 2018 to 2019;
- the estimated increase in demand for the Promotion Services considering the expected rapid expansion of the home improvement business of our Group; and
- the expected commission rate to be charged in respect of the Promotion Services to be provided by the Shimao Group, which is expected to be same as the rate charged for the year ended December 31, 2019.

Shimao Group Holdings is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Promotion Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Master Promotion Services Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Promotion Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

1. Property Management and Related Services

On October 16, 2020, our Company entered into a master property management and related services agreement (the "**Master Property Management and Related Services Agreement**") with Shimao Group Holdings, pursuant to which our Group agreed to provide to the Shimao Group and its associates property management and related services, including but not limited to (i) property management services for the properties owned or used by the Shimao Group and its associates, (ii) pre-delivery cleaning, gardening and security services, (iii) smart community solutions, (iv) repair and maintenance services during the warranty period of residential properties and other properties, (v) display units and property sales office management services, and (vi) preliminary planning and design consultancy services at the pre-delivery stage (the "**Property Management and Related Services**"). The Master Property Management and Related Services Agreement has a term commencing from the Listing Date until December 31, 2022.

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total service fee payable to our Group in respect of the Property Management and Related Services amounted to RMB297.1 million, RMB456.6 million, RMB735.3 million and RMB432.0 million.

The fees to be charged for the Property Management and Related Services will be determined after arm's length negotiations with reference to the prevailing market price (taking into account the location and conditions of the property, the scope of the services and the anticipated operational costs including but not limited to labor costs, administration costs and costs of materials), historical transaction amounts and the prices charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable to our Group in relation to the Property Management and Related Services for the three years ending December 31, 2020, 2021 and 2022 will not exceed RMB983.0 million, RMB1,237 million and RMB1,510 million, respectively. The increase in the annual caps for the Property Management and Related Services as compared to the historical transaction amounts for the Track Record Period is mainly due to the expected increase in demand for Property Management and Related Services, taking into account the latest operating performance of the Shimao Group and its development plan.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts during the Track Record Period;

- the estimated revenue to be recognized based on the existing signed contracts. As of June 30, 2020, we were contracted to manage 166 properties developed by the Shimao Group and its associates which were yet to be delivered with a total contracted GFA of approximately 31.1 million sq.m.;

- the costs incurred for the related services during the Track Record Period;

- the estimated size and number of properties to be delivered by the Shimao Group in the three years ending December 31, 2020, 2021 and 2022, which is based on the properties under development and the land bank held by the Shimao Group as of December 31, 2019. In addition, the GFA under construction and land bank of the Shimao Group has been increasing. According to the interim reports of Shimao Group Holdings, its GFA under construction was 51.60 million sq.m. as of June 30, 2020, representing an increase of 51.4% from 34.08 million sq.m. as of June 30, 2019, and it held a land bank of approximately 83.93 million sq.m. (before interests) as of June 30, 2020, representing an increase of 31.0% from 64.07 million sq.m. (before interests) as of June 30, 2019. According to the annual reports of Shimao Group Holdings, its GFA under construction was 42.79 million sq.m. as of December 31, 2019, representing an increase of 47.5% from 29.02 million sq.m. as of December 31, 2018, and it held a land bank of approximately 76.79 million sq.m. (before interests) as of December 31, 2019, representing an increase of 38.7% from 55.38 million sq.m. (before interests) as of December 31, 2018. The rate of increment of the proposed annual caps has taken such increasing GFA under development and land bank of the Shimao Group into account;

- the percentage of properties delivered by the Shimao Group for which our Property Management and Related Services were engaged, and our estimated capacity for the three years ending December 31, 2022;

- the estimated monthly management fee to be charged in respect of residential and other properties owned by the Shimao Group, which is based on the average monthly management fee charged for the year ended December 31, 2019 and the six months ended June 30, 2020. Such fee is considered by CIA to be reasonable and in line with prevailing market rate;

- the estimated service fee to be charged in respect of residential and other properties to be sold by the Shimao Group which will require our repair and maintenance services during the warranty period and is based on the average service fee charged during the Track Record Period. Such fee is considered by CIA to be reasonable and in line with prevailing market rate;

- the estimated service fee to be charged in respect of residential and other properties to be delivered by the Shimao Group that will require our pre-delivery, cleaning, gardening and security services. Such fee is considered by CIA to be reasonable and in line with prevailing market rate;

- the estimated service fee to be charged in respect of residential and other properties to be delivered by the Shimao Group that will require our preliminary planning and design consultancy services at the pre-delivery stage; and

- the expected volume of sale, number of sales offices, size and number of the properties of Shimao Group to be managed by our Group based on the total GFA of properties developed by Shimao Group under our management during the Track Record Period, the properties under development held by Shimao Group as of June 30, 2020, the estimated time of pre-sales and delivery based on public available information and the expected service fee to be calculated on a cost plus basis at a level that CIA considers to be reasonable and in line with prevailing market rate.

Shimao Group Holdings is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management and Related Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Master Property Management and Related Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master Property Management and Related Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Carpark Sales Agency Services

On October 16, 2020, our Company entered into a master carpark sales agency services agreement (the "**Master Carpark Sales Agency Services Agreement**") with Shimao Group Holdings, pursuant to which our Group agreed to provide carpark space sales agency services, including but not limited to providing marketing and sales services for carpark space developed by the Shimao Group and its associates (the "**Carpark Sales Agency Services**"). The Master Carpark Sales Agency Services Agreement has a term commencing from the Listing Date until December 31, 2022.

For each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total service fee receivable by our Group in respect of the Carpark Sales Agency Services amounted to RMB0.4 million, RMB16.5 million, RMB71.5 million and RMB30.2 million, respectively. The increase in the service fee during the Track Record Period was due to the increased efforts of our Group to develop its Carpark Sales Agency Services. Such service offering was at an initial stage of development in 2017 with limited projects, which substantially expanded during the Track Record Period. The lower service fee incurred for the six months ended June 30, 2020 was due to a lesser number of carparks sold during such period, which had resulted from slower sales activities caused by the COVID-19 pandemic. We expect that the sales of carpark space will increase and make up for the lesser demand during the six months ended June 30, 2020 in the second half of 2020.

The fees to be charged for the Carpark Sales Agency Services will be determined after arm's length negotiations with reference to the prevailing market price (taking into account the location and the conditions of the carparks and the anticipated operational costs including labor costs).

It is estimated that the maximum amounts of service fee receivable by our Group in relation to the Carpark Space Sales Agency Services for the three years ending December 31, 2022 will not exceed RMB210.0 million, RMB395.0 million and RMB592.0 million, respectively. The increase in the annual caps for the Carpark Sales Agency Services as compared to the historical transaction amounts for the Track Record Period as we have increased and will continue to increase our efforts to develop our carpark space sales related services. Such service was at an initial stage of development in 2017 and we have achieved increase in the number of property projects in which we offered Carpark Sales Agency Services during the Track Record Period.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts during the Track Record Period;

- the estimated revenue to be recognized based on the existing signed contracts;

- the estimated number of carparks to be sold by the Shimao Group based on its existing projects available for sale, land bank and projects under development as of December 31, 2019 and June 30, 2020 which will require the Carpark Sales Agency Services for the three years ending December 31, 2022, which is estimated based on the percentage of carparks of the Shimao Group for which our Carpark Sales Agency Services were engaged during the three years ended December 31, 2019 and the six months ended June 30, 2020. Such estimate also takes into account the expected increase in number of projects and properties under development of the Shimao Group, which will lead to an increase in demand for the Carpark Sales Agency Services. According to the interim report of Shimao Group Holdings, as of June 30, 2020, it had 423 projects and a land bank of approximately 83.93 million sq.m. (before interests), representing an increase of 40.5% from 301 projects and 31.0% from 64.07 million sq.m. (before interests), respectively, as of June 30, 2019. According to the annual report of Shimao Group Holdings, as of December 31, 2019, it had 349 projects and a land bank of approximately 76.79 million sq.m. (before interests), representing an increase of 32.2% from 264 projects and 38.7% from 55.38 million sq.m. (before interests), respectively, as of December 31, 2018; and

- the estimated increase in resources devoted to our carpark sales agency business and the expansion of our sales team through recruiting additional experienced sales personnel which will lead to an expected increase in capacity to provide marketing and sales services. Our sales team is expected to expand from 50 sales personnel in 2019 to over 60 sales personnel in 2022.

Shimao Group Holdings is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Carpark Sales Agency Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Master Carpark Sales Agency Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master Carpark Sales Agency Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(D) APPLICATION FOR WAIVER

The transaction described in "— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements but Exempt From Independent Shareholders' Approval Requirement" in this section constitutes our continuing connected transaction under the Listing Rules, which is subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement of the Listing Rules.

The transactions described in "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements but Exempt From Independent Shareholders' Approval Requirement"; and the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from such waivers sought on the strict compliance with the respective requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any of the terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreement with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules, unless we apply for and separate waiver is obtained from, the Stock Exchange.

(E) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in "— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements but Exempt From Independent Shareholders' Approval Requirement" and "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transaction in "— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements but Exempt From Independent Shareholders' Approval Requirement" and "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

We intend to periodically make reference to market terms for our services sourced from and provided to our connected persons, including but not limited through public tendering processes and the conducting of market research by way of seeking quotations from Independent Third Parties, to ensure the terms of our transactions with our connected persons are fair and reasonable. We will duly disclose in our annual reports and accounts the transactions with our connected persons, together with the conclusion drawn by our independent non-executive Directors on whether the transactions are conducted on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholder as a whole.

(F) JOINT SPONSORS' VIEW

Based on the due diligence findings of the Joint Sponsors, information provided by us, confirmation by our Directors (including independent non-executive Directors), discussion with CIA on the prevailing market rate (where available) of the underlying services, and review of the terms of the relevant framework agreements the Joint Sponsors are of the view (i) that the continuing connected transactions described in "— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements but Exempt From Independent Shareholders' Approval Requirement" and "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board of Directors comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. We have entered into a service contract with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

The table below set out certain information in respect of our Directors.

Name	Age	Date of joining our Group (Note)	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Position(s) in the Shimao Group after Listing	Relationship with other Directors or senior management
Executive Directors							
Mr. Hui Sai Tan, Jason (許世壇)	43	September 16, 2005	December 3, 2019	Executive Director and chairman of our Board	Responsible for the overall strategic planning and business management of our Group	Vice chairman, president and executive director of Shimao Group Holdings and director of Shanghai Shimao	None
Mr. Ye Mingjie (葉明杰)	42	July 1, 2009	June 1, 2020	Executive Director and president	Responsible for the overall strategic planning and operations of our Group	Certain non-executive roles in the Shimao Group	None
Mr. Cao Shiyang (曹士揚) (formerly known as Cao Shiyang (曹世楊)	46	July 16, 2009	June 1, 2020	Executive Director and vice president	Responsible for the overall operations, development and management of our Group in the Yangtze River Delta Region	None	None
Mr. Cai Wenwei (蔡文為)	45	February 10, 2020	September 18, 2020	Executive Director, assistant president and chief financial officer	Responsible for accounting management, tax planning and internal control management of our Group	None	None
Non-executive Directors							
Ms. Tang Fei (湯沸)	49	June 21, 2006	June 1, 2020	Non-executive Director	Responsible for providing guidance for the overall development of our Group	Executive director of Shimao Group Holdings, vice president of the Shimao Group and supervisor of Shanghai Shimao	None
Mr. Sun Yan (孫岩)	40	April 10, 2011	June 1, 2020	Non-executive Director	Responsible for providing guidance for the overall development of our Group	Controller of the internal audit and assistant president of the Shimao Group and supervisor of Shanghai Shimao	None

Name	Age	Date of joining our Group (Note)	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Position(s) in the Shimao Group after Listing	Relationship with other Directors or senior management
Independent non-executive Directors							
Mr. Gu Yunchang (顧雲昌) (formerly known as Gu Yongchuang (顧勇闖))	76	October 13, 2020	October 13, 2020	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	None	None
Ms. Kan Lai Kuen, Alice (簡麗娟)	66	October 13, 2020	October 13, 2020	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	Independent non-executive director of Shimao Group Holdings	None
Ms. Zhou Xinyi (周心怡) (formerly known as Zhou Xiaorong (周小榮))	57	October 13, 2020	October 13, 2020	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	None	None

Note: denotes the time from which the relevant Director first became involved in matters relating to the business of our Group while under the employment of the Shimao Group or our Group (where applicable).

Executive Directors

Mr. Hui Sai Tan, Jason (許世壇), aged 43, was appointed as our Director on December 3, 2019 and was re-designated as our executive Director and was appointed as the chairman of our Board on June 1, 2020. Mr. Jason Hui is primarily responsible for the overall strategic planning and business management of our Group.

Mr. Jason Hui has over 20 years of experience in property development and property management. Mr. Jason Hui joined the Shimao Group in March 2000 and has been an executive director, the vice chairman and president of Shimao Group Holdings since November 2004, April 2008 and January 2019, respectively, where he is responsible for the operations and executive responsibilities of the Shimao Group as well as leading the management of the Shimao Group. Mr. Jason Hui currently holds directorships in various subsidiaries of our Group and has also, since March 2009, been a director of Shanghai Shimao.

Mr. Jason Hui has been a member of Shanghai Committee of the Chinese People's Political Consultative Conference since January 2008, and has been a president of New Home Association, Hong Kong since June 2019.

Mr. Jason Hui obtained a master of science degree in real estate from the University of Greenwich in the United Kingdom in September 2001, and a master's degree in business administration from the University of South Australia in Australia in April 2004.

Mr. Jason Hui is the son of Mr. Hui, our ultimate Controlling Shareholder.

Mr. Ye Mingjie (葉明杰), aged 42, was appointed as our executive Director on June 1, 2020 and is primarily responsible for the overall strategic planning and operations of our Group. Mr. Ye joined our Group in July 2009 and was appointed as the president of our Company in April 2020. Mr. Ye currently holds directorships in various subsidiaries of our Group.

Mr. Ye has over 15 years of experience in the property management and related industry. Mr. Ye joined the Shimao Group in February 2004 and has served in various positions in subsidiaries of the Shimao Group. From January 2015 to December 2017, Mr. Ye successively served as an assistant president of the Shimao Group and the head of the engineering management center of the Shimao Group and was promoted to the position of vice president of the Shimao Group in January 2018, where he was responsible for overseeing the engineering management as well as formulating the strategic development plan of the property management business of the Shimao Group, including the business operations of our Group.

Mr. Ye obtained a bachelor's degree in engineering management from Tongji University (同濟大學) in the PRC in January 2020. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023.

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 46, was appointed as our executive Director on June 1, 2020 and has been the vice president of our Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of our Group in the Yangtze River Delta Region. Mr. Cao joined our Group in July 2009 and served as our assistant president and the general manager for Shanghai and Jiangsu regions from January 2018 to December 2019.

Mr. Cao has over 14 years of experience in the property management industry. From July 2009 to December 2019, Mr. Cao successively served various positions at our Group, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining our Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), a property developer and property management service provider whose shares are listed on the Shenzhen Stock Exchange (stock code: 000002) and the Stock Exchange (stock code: 2202) respectively, where he served in various positions including the head of business management department and project leader.

Mr. Cao obtained a diploma in industrial and civil architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008, and a bachelor's degree in engineering management (economic management) from People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.

Mr. Cai Wenwei (蔡文為), aged 45, was appointed as our executive Director on September 18, 2020. He has been serving as an assistant president and the chief financial officer of our Group since February 2020 and is responsible for accounting management, tax planning and internal control management of our Group.

Mr. Cai has over 22 years of experience in accounting and financial management. Mr. Cai joined our Group in February 2020, prior to that, Mr. Cai served as an auditor at Ernst & Young from August 1997 to November 2000, and as a senior manager at KPMG from November 2000 to July 2011. Mr. Cai worked in Weldtech Technology (Shanghai) Co., Ltd (濠信節能科技(上海)有限公司) from July 2011 to October 2015, with his last position as the chief financial officer. From September 2014 to October 2015, Mr. Cai was an executive director of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 145). From July 2016 to April 2019, Mr. Cai served as the chief financial officer of S-Enjoy Service Group Co., Ltd. (新城悅服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悅控股有限公司), a property management service provider listed on the Main Board of the Stock Exchange (stock code: 1755), where he was responsible for financial and accounting functions. From October 2015 to June 2016 and from April 2019 to January 2020, he worked at Seazen Group Limited (新城發展控股有限公司) (formerly known as Future Land Development Holdings Limited (新城發展控股有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 1030), in its Shanghai branch.

Mr. Cai obtained a bachelor's degree in international finance from International Business School of Shanghai University (上海大學國際商學院) in the PRC in July 1997. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2000 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Ms. Tang Fei (湯沸), aged 49, was appointed as our non-executive Director on June 1, 2020 and is primarily responsible for providing guidance for the overall development of our Group.

Ms. Tang has over 26 years of experience in financial management and internal audit. Ms. Tang joined the Shimao Group in July 2004 as the head of audit and served various positions including vice president and financial controller, where she is responsible for the financial management of Shimao Group Holdings. Ms. Tang has been an executive director of Shimao Group Holdings since February 2013 and serves as a director or supervisor in various subsidiaries of the Shimao Group. Ms. Tang joined our Group in June 2006 as the supervisor of our subsidiary. From April 2011 to October 2014 and from July 2016 to July 2018, Ms. Tang served as an executive director of Shimao Tiancheng.

Ms. Tang obtained a master's degree in business administration from the University of South Australia in April 2003. Ms. Tang is a senior International Financial Management Planner (高級國際財務管理師) of the International Financial Management Association, and an admitted International Accountant of the Association of International Accountants ("AIA"). She was also awarded as one of the Top 10 International Accountants of AIA in the PRC (中國十大國際會計師) in 2018.

Mr. Sun Yan (孫岩), aged 40, was appointed as our non-executive Director on June 1, 2020 and is primarily responsible for providing guidance for the overall development of our Group.

Mr. Sun joined the Shimao Group in January 2011 and has been serving as an assistant president and the leader of the internal audit and information management center of the Shimao Group. Mr. Sun also serves as a supervisor in various subsidiaries of the Shimao Group. Mr. Sun has been a supervisor of Shanghai Shimao since April 2012 and is responsible for supervising the overall management of Shanghai Shimao. Mr. Sun joined our Group in April 2011. Prior to joining the Shimao Group, Mr. Sun worked in the audit department at PricewaterhouseCoopers Zhong Tian LLP in 2008. Mr. Sun has been an independent director of Shanghai Phichem Material Co., Ltd. (上海飛凱光電材料股份有限公司), a UV curable materials manufacturer listed on the Shenzhen Stock Exchange (stock code: 300398), since March 2017.

Mr. Sun obtained a bachelor's degree in international accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2002 and a master's degree in business administration from Shanghai Jiaotong University (上海交通大學) in the PRC in December 2018. Mr. Sun was admitted as a certified public accountant granted by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2011. Mr. Sun was appointed as a deputy president of the Association of Guangdong Enterprise Institute for Internal Controls (廣東企業內部控制協會) in September 2018.

Independent non-executive Directors

Mr. Gu Yunchang (顧雲昌), formerly known as Gu Yongchuang (顧勇闖), aged 76, was appointed as our independent non-executive Director on October 13, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Mr. Gu acted as the general secretary of China Real Estate Associate (中國房地產業協會) in 1998, the vice chairman of China Real Estate and Housing Association (中國房地產及住宅研究會) in 2005 and the vice chairman of the fifth Council Committee of China Real Estate Research Association (中國房地產研究會) in 2009.

Mr. Gu formerly held various positions of the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部), including the deputy division head of the General Office of Urban Housing Bureau (城市住宅局綜合處) in 1982 and division head of the General Office of Housing Bureau (住宅局綜合處) in 1985 respectively, and the deputy director of the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) from 1988 to 1998.

Mr. Gu has been an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (旭輝控股(集團)有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 0884) since October 2012; Sunshine 100 China Holdings Ltd. (陽光100中國控股有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2608) since February 2014; and Jiayuan International Group Limited (佳源國際控股有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2768) since February 2016.

In addition, Mr. Gu served as an independent director of Grandjoy Holdings Group Co., Ltd. (大悅城控股集團股份有限公司) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司), a property developer listed on the Shenzhen Stock Exchange (stock code: 000031) from April 2012 to June 2018, and an independent director of Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司), a company principally engaged in design and construction of decoration engineering and listed on the Shenzhen Stock Exchange (stock code: 002375) from May 2013 to May 2019.

Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialised in Urban Planning in July 1966. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was a director of Beijing Jinhehui Consultation Co., Ltd. (北京金合慧諮詢有限公司), a company established in the PRC with limited liability, the business license of which was revoked on December 26, 2007 as the company failed to undergo annual inspection as required under the relevant PRC regulations after cessation of business. Mr. Gu confirmed that as of the Latest Practicable Date, no claims have been made against him and he was not aware of any threatened or potential claims made against him and there are no outstanding claims and/or liabilities as a result of the revocation of business license of the above company.

Ms. Kan Lai Kuen, Alice (簡麗娟), aged 66, was appointed as our independent non-executive Director on October 13, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Ms. Kan has extensive experience in corporate finance, the equity and debt markets. She held various senior positions in banks and financial institutions. She is the managing director and the controlling shareholder of Asia Investment Management Limited (亞洲資產管理有限公司) and has been the responsible officer since April 2003.

Ms. Kan has been an independent non-executive director of Shimao Group Holdings since March 2006; Cosmopolitan International Holdings Limited (四海國際集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 0120) since December 2013; Regal Hotels International Holdings Limited (富豪酒店國際控股有限公司), a hotel management company listed on the Main Board of the Stock Exchange (stock code: 0078) since September 2004; and Jolimark Holdings Limited (映美控股有限公司), a business equipment and tax control equipment provider listed on the Main Board of the Stock Exchange (stock code: 2028) since May 2019.

In addition, Ms. Kan was an independent non-executive director of Shoucheng Holdings Limited (首程控股有限公司) (formerly known as (Shougang Concord International Enterprises Company Limited (首長國際企業有限公司)), a car parking assets operation company listed on the Main Board of the Stock Exchange (stock code: 0697) from September 2004 to May 2018; an independent non-executive director of China Energine International (Holdings) Limited (中國航天萬源國際(集團)有限公司), a wind turbines manufacturer listed on the Main Board of the Stock Exchange (stock code: 1185) from January 2008 to March 2020; an independent director of AVIC International Maritime Holdings Limited (formerly known as AVIC International Investments

Limited), a company engaged in the marine and offshore industry which was listed on the Catalist Board of the Singapore Exchange (stock code: O2I.SI) and was privatised and delisted on 4 March 2020, from April 2011 to March 2020, and an independent non-executive director of Mason Group Holdings Limited (茂宸集團控股有限公司), a financial services provider listed on the Main Board of the Stock Exchange (stock code: 0273) from May 2017 to December 2019.

Ms. Kan studied in the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in Hong Kong of a higher diploma in accounting in February 1976. Ms. Kan is currently an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Australian Society of Certified Practising Accountants and a fellow member of the Hong Kong Institute of Directors.

Ms. Zhou Xinyi (周心怡), formerly known as Zhou Xiaorong (周小榮), aged 57, was appointed as our independent non-executive Director on October 13, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Ms. Zhou is the chairman and president of The Qianhai Chamberlain Institute (Shenzhen) Co., Ltd. (前海勤博教育科技(深圳)有限公司). From August 1996 to October 2017, Ms. Zhou served as the dean of Shenzhen Property Management and Advanced Training College Co., Ltd. (深圳房地產和物業管理進修學院有限公司). From March 2017 to January 2018, Ms. Zhou served as a deputy general manager of Shenzhen Shentou Education Co., Ltd. (深圳市深投教育有限公司), an educational institution engaged in providing educational and vocational training services.

Ms. Zhou is an honorary vice president of the fifth Council Committee of China Property Management Association (中國物業管理協會).

Ms. Zhou obtained her bachelor's degree in English languages and literature from Nanjing University (南京大學) in the PRC in July 1984, and obtained her master's degree in educational psychology from Stanford University in the United States in June 1989.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this Prospectus. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group.

For the biographical details of Mr. Hui Sai Tan, Jason, Mr. Ye Mingjie, Mr. Cao Shiyang and Mr. Cai Wenwei, please refer to "Executive Directors" in this section. Members of the senior management of our Group also include the following:

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities
Mr. Qin Huai (秦淮)	57	April 1, 2017	Vice president	Responsible for business and operations of our Group
Mr. Lyu Geqiang (呂鉻強)	46	June 1, 2017	Assistant president	Responsible for annual budget, cost control management and strategic planning management of our Group

Mr. Qin Huai (秦淮), aged 57, has been serving as a vice president of our Group since January 2020 and is responsible for business and operations of our Group.

Mr. Qin joined our Group in April 2017. From April 2017 to December 2019, Mr. Qin served as an executive vice general manager of our Group.

Mr. Qin joined the Shimao Group in April 2004. From April 2004 to August 2008, Mr. Qin served as a project leader of Shimao Group Holdings where he was primarily responsible for the management of property development projects in Sheshan, Shanghai. From August 2008 to January 2016, Mr. Qin served as a regional leader of Shimao Group Holdings in northern Fujian region. From January 2016 to April 2017, Mr. Qin served as an assistant president of the engineering management center of Shimao Group Holdings.

Mr. Qin obtained a diploma in civil engineering from Anhui Open University (安徽廣播電視大學) in the PRC in July 1987 and a bachelor's degree in economics from the Party School of the Central Committee of C.P.C. Correspondence School (中共中央黨校函授學院) in the PRC in December 1994.

Mr. Lyu Geqiang (呂銘強), aged 46, has been serving as an assistant president of our Group since June 2017 and is responsible for annual budget, cost control management and strategic planning management of our Group.

Mr. Lyu joined the Shimao Group in September 2009. From September 2009 to May 2017, Mr. Lyu served various positions of Shimao Group Holdings, including engineer, project manager, and project controller where he was primarily responsible for project operation management, property development and implementation of project development plan. Prior to joining the Shimao Group, from January 2002 to March 2003, Mr. Lyu worked at Zhejiang Tianping Engineering Supervision Co., Ltd. (浙江天平工程監理有限公司). From January 2005 to April 2008, Mr. Lyu worked at Hangzhou Huaye Real Estate Development Co., Ltd. (杭州華業房地產開發有限公司). From May 2008 to January 2009, Mr. Lyu worked at Hangzhou Zhonghai Property Co., Ltd. (杭州中海地產有限公司), a property developer.

Mr. Lyu obtained a bachelor's degree in construction engineering from Xi'an University of Architecture and Technology (西安建築科技大學) in the PRC in July 1998. Mr. Lyu obtained an engineer qualification granted by Zhejiang Provincial Economic and Trade Commission (浙江省經濟貿易委員會) in December 2003.

COMPANY SECRETARY

Ms. Chan Ka Yan (陳家欣) was appointed as our company secretary on June 1, 2020. Ms. Chan has over 15 years of experience in company secretarial matters and corporate governance practices. Ms. Chan is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan obtained a bachelor of science degree in business and management studies from the University of Bradford in the United Kingdom in 2006 and a master's degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in 2008.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

Our Group has established an audit committee on October 13, 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The audit committee consists of Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi. Ms. Kan Lai Kuen, Alice is the chairperson of the audit committee.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board in respect of financial, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

Our Group has established a remuneration committee on October 13, 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Ms. Zhou Xinyi, Ms. Kan Lai Kuen, Alice and Mr. Gu Yunchang. Ms. Zhou Xinyi is the chairperson of the remuneration committee.

The primary duties of the remuneration committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group has also established a nomination committee on October 13, 2020 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of Mr. Gu Yunchang, Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi. Mr. Gu Yunchang is the chairperson of the nomination committee.

The primary function of the nomination committee is to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

BOARD DIVERSITY POLICY

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 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 talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. Our Company will also take 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 comprises of nine members, including three female Directors. Our Directors also have a balanced mix of knowledge, skills and experience, including property management, real estate industry research, finance and investment. They obtained degrees in various majors including but without limitation to urban planning, accounting and psychology. We have three independent non-executive Directors who have different industry backgrounds, including real estate industry research, accounting and financial management and property management training. Furthermore, our Board has a wide range of age, ranging from 40 years old to 76 years old. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Taking into account our business model and specific needs as well as the presence of three female Directors out of a total of nine Board members, we consider that the composition of our Board satisfies our board diversity policy.

With regards to gender diversity on the Board, our board diversity policy further provides that our Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After Listing, our nomination committee will review our board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISOR

Our Company has appointed First Shanghai Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our Group's business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares under or Rule 13.10 of the Listing Rules.

The term of the appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Company distribute the annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group 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) paid to our Directors for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was approximately RMB0.5 million, RMB2.7 million, RMB3.8 million and RMB2.0 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2019 and the six months ended June 30, 2020.

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 our five highest paid individuals in respect of each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was approximately RMB3.2 million, RMB5.5 million, RMB7.6 million and RMB3.3 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2019 and the six months ended June 30, 2020. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2020 is estimated to be no more than approximately RMB4.3 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

CORPORATE GOVERNANCE CODE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the Listing.

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 Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option) (assuming that each Series A Preferred Share is converted into one ordinary Share of par value of HK$0.01 immediately prior to the Capitalization Issue and the Global Offering):

		Nominal value *(HK$)*
Authorized share capital:		
3,500,000,000	Shares of HK$0.01 each	35,000,000
Issued and to be issued, fully paid or credited as fully paid:		
100,000	Shares in issue immediately prior to the Capitalization Issue	1,000
1,999,900,000	Shares to be issued pursuant to the Capitalization Issue	19,999,000
352,942,000	Shares to be issued under the Global Offering	3,529,420
2,352,942,000	Total	23,529,420

ASSUMPTIONS

The above table assumes that each Series A Preferred Share is converted into one ordinary Share of par value of HK$0.01 immediately prior to the Capitalization Issue. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option 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.

RANKINGS

The Offer Shares 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 Prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus save for the entitlement under the Capitalization Issue.

GENERAL MANDATES TO ALLOT AND ISSUE AND TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, please see "Appendix IV — Statutory and General Information — A. Further Information about our Company" to this Prospectus.

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be 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 other member of our Group:

LONG POSITIONS IN SHARES OF OUR COMPANY

Name of Shareholder *(Note)*	Nature of Interest	Shares held immediately prior to the completion of the Capitalization Issue and the Global Offering		Shares held immediately following the completion of the Capitalization Issue and the Global Offering	
		Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
Best Cosmos	Beneficial owner	90,000	90%	1,564,706,000	66.5%
Shimao Group Holdings	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%
Gemfair	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%
Overseas Investment	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%
Mr. Hui	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%

Note: Best Cosmos is wholly owned by Shimao Group Holdings, which is owned as to approximately 55.064% by Gemfair, which is in turn wholly owned by Mr. Hui. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. By virtue of the SFO, Shimao Group Holdings, Gemfair, Overseas Investment and Mr. Hui are deemed to be interested in shares held by Best Cosmos.

LONG POSITION IN EQUITY INTEREST OF MEMBERS OF OUR GROUP

Name of Shareholder	Company concerned	Nature of Interest	Shares held immediately prior to the completion of the Spin-off	Shares held immediately following the completion of the Spin-off
			Approximate Percentage	*Approximate Percentage*
Unisound (Shanghai) Information Technology Co., Ltd. (雲知聲(上海)智能科技有限公司)	Shanghai Maosheng	Beneficial owner	49%	49%
He Yijia	Quanzhou Sanyuan	Beneficial owner	24.5%	24.5%
He Yanyan	Quanzhou Sanyuan	Beneficial owner	19.6%	19.6%
Zheng Weixi	Fusheng Life Services	Beneficial owner	40%	40%
Fujian Zhongrong Wealth Investment Co., Ltd. (福建中融財富投資有限公司)	福建晟融智慧物業服務有限公司 (Fujian Shengrong Intelligence Property Service Co., Ltd.)	Beneficial owner	49%	49%
Hengli Consulting (Shenzhen) Center (衡禮諮詢(深圳)中心)	深圳市福一家科技有限公司 (Shenzhen Fuyijia Technology Co., Ltd.)	Beneficial owner	30%	30%
Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司)	Shimao Macalline	Beneficial owner	49%	49%
Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司)	Chengdu Xinyi	Beneficial owner	21%	21%
Zhejiang University Holdings Group Co., Ltd. (浙江大學控股集團有限公司)	Zheda Sinew	Beneficial owner	34%	34%
Luo Shuming (羅樹明)	Zhejiang Xiangyu	Beneficial owner	11%	11%
Xianning Yunrui Property Co., Ltd. (咸寧市雲瑞置業有限公司)	Hubei Shimao Yunrui	Beneficial owner	49%	49%
Cao Yanling (曹艷玲)	陝西乾亨物業管理有限公司 (Shanxi Qianheng Property Service Co., Ltd.)	Beneficial owner	45%	45%

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), have beneficial interests or short positions in any Shares or underlying Shares, which would be 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.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information set forth in our Accountant's Report in Appendix I to this Prospectus. Our audited consolidated financial information was prepared in accordance with the HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain certain forward-looking statements which involve risks and uncertainties. These forward-looking statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may 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 Prospectus.

OVERVIEW

We are a leading comprehensive property management and community living service provider in the PRC, according to CIA. We were ranked 12th among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. Driven by our strong capabilities in market expansion, our aggregate GFA under management increased from 42.6 million sq.m. as of December 31, 2017 to 45.0 million sq.m. as of December 31, 2018, to 68.2 million sq.m. as of December 31, 2019, and further to 85.7 million sq.m as of June 30, 2020. Our aggregate contracted GFA increased from 45.7 million sq.m. as of December 31, 2017 to 60.4 million sq.m. as of December 31, 2018, to 100.9 million sq.m. as of December 31, 2019, and further to 125.5 million sq.m as of June 30, 2020. We were recognized by CIA as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid growth in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019.

In addition to property management services, we also offer a variety of community value-added services and value-added services to non-property owners. We witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,042.5 million in 2017 to RMB1,329.3 million in 2018, and further to RMB2,489.1 million in 2019, representing a CAGR of 54.5%. Our profit increased from RMB108.8 million in 2017 to RMB146.2 million in 2018, and further to RMB384.5 million in 2019, representing a CAGR of 88.0%. Our revenue increased by 85.1% from RMB845.4 million in the six months ended June 30, 2019 to RMB1,564.6 million in the six months ended June 30, 2020 while our profit increased by 133.9% from RMB108.9 million in the six months ended June 30, 2019 to RMB254.7 million in the six months ended June 30, 2020.

BASIS OF PRESENTATION

The financial information has been prepared on a consolidated basis and was prepared by including the historical financial information of the companies under the common control of Mr. Hui immediately before and after the Reorganization and now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since the date when the combining companies first came under the control of Mr. Hui, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Hui's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Companies acquired from third parties in 2017, 2018 and 2019 are included in the financial statements of our Group from the date of the acquisition. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination. For the purpose of preparing and presenting the historical financial information, we have consistently adopted HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases* throughout the Track Record Period. The adoption of HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases* do not have a significant impact on our financial position and performance when compared to that of HKAS 39, HKAS 18 and HKAS 17.

ACQUISITION OF ZHEDA SINEW

On July 30, 2020, we entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. and Ningbo Tianquan Equity Investment LLP, the original shareholders of Zheda Sinew to acquire a total of 51% equity interest in Zheda Sinew for a total cash consideration of RMB614.7 million. As of the Latest Practicable Date, RMB184.4 million of the consideration has been paid. See "History and Corporate Structure — Acquisitions after the Track Record Period — Zhejiang Xiangyu and Zheda Sinew" for details of the acquisition.

Zheda Sinew is a property management company located in Zhejiang Province committed to providing comprehensive property management and operational services for college campuses.

The financial information of Zheda Sinew as of December 31, 2017, 2018 and 2019 and June 30, 2020 is included in Part IV of the Accountant's Report set out in Appendix I to this Prospectus.

Part A of Appendix II to this Prospectus sets out our unaudited pro forma financial information as of June 30, 2020 after giving effect to the acquisition of Zheda Sinew, as if such acquisition had been completed as of June 30, 2020.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been and will continue to be affected by a number of factors, which primarily include the following.

GFA under Management and Revenue-bearing GFA

Revenue from our property management services amounted to RMB733.8 million, RMB848.6 million, RMB1,199.4 million and RMB819.7 million, respectively, in 2017, 2018 and 2019 and the six months ended June 30, 2020, accounting for 70.4%, 63.9%, 48.2% and 52.4%, respectively, of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020. Our financial position and results of operations are affected by the amount of revenue-bearing GFA, which is generally proportional to our GFA under management. Our revenue-bearing GFA amounted to 27.1 million sq.m., 30.3 million sq.m., 48.8 million sq.m. and 58.9 million sq.m. as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, which accounted for approximately 63.3%, 67.0%, 71.6% and 68.7% of our GFA under management as of the same dates, respectively. Our revenue-bearing GFA is closely correlated with the increases in our GFA under management. Therefore, our overall results of operations and financial condition also depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to secure new and renew existing property management agreements. During the Track Record Period, GFA under our management grew from 42.6 million sq.m. as of December 31, 2017 to 45.0 million sq.m. as of December 31, 2018, and 68.2 million sq.m. as of December 31, 2019, and further to 85.7 million sq.m as of June 30, 2020.

During the Track Record Period, a significant portion of our property management service agreements were related to the management of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group, which accounted for 96.6%, 99.2%, 74.5% and 62.1% of our total GFA under management as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We also provided property management services with respect to properties solely developed by independent third-party property developers, which accounted for 3.4%, 0.8%, 25.5% and 37.9%, respectively, of our total GFA under management as of December 31, 2017, 2018 and 2019 and June 30, 2020. To further expand total GFA under our management, we acquired other property management companies in addition to our organic growth. In 2019, we acquired a 100% equity interest in Hailiang Property Management as well as a 51% equity interest in Quanzhou Sanyuan. Such acquisitions also contributed to the increases in our GFA under management from 2018 to 2019. In particular, Hailiang Property Management and Quanzhou Sanyuan added 14.8 million sq.m. and 1.3 million sq.m., respectively, to our GFA under management as of December 31, 2019. In the first half of 2020, we acquired a 100% equity interest in Guangzhou Yuetai, a 51% equity interest in Fusheng Life Services and a 67% equity interest in Chengdu Xinyi, adding 3.8 million sq.m., 10.7 million sq.m. and 2.3 million sq.m., respectively, to our GFA under management as of June 30, 2020. As a result, the percentage of GFA under our management of properties solely developed by independent third-party property developers increased from 0.8% as of December 31, 2018 to 37.9% as of June 30, 2020. On July 21, 2020, we acquired a 100% equity interest in Beijing Guancheng, and on August 5, 2020, we acquired a 51% equity interest in Zheda Sinew. Beijing Guancheng and Zheda Sinew added 3.5 million sq.m. and 8.9 million sq.m., respectively, to our GFA under management as of the Latest Practicable Date. We believe that our strategy to continue to capitalize on the growth of the Shimao Group while exploring additional sources of property management service agreements contributes to the sustainable growth in our GFA under management, which we believe will lead to continued growth in our revenue and improvement in our results of operations and financial condition.

Service Mix

As the profit margins of our different service lines vary, changes in revenue contributed by each service line affect our results of operations. The following table sets forth a breakdown of our gross profit and gross profit margin by service line during the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	183,903	25.1	230,021	27.1	348,327	29.0	130,693	29.8	222,825	27.2
Community value-added services	26,554	42.5	43,405	45.9	308,080	47.5	54,983	46.5	206,252	49.4
Value-added services to non-property owners	76,444	31.0	116,864	30.3	181,674	28.3	96,655	33.5	102,718	31.4
Total	**286,901**	**27.5**	**390,290**	**29.4**	**838,081**	**33.7**	**282,331**	**33.4**	**531,795**	**34.0**

In general, gross profit margin for our community value-added services tends to be higher than that of our other service lines, because unlike property management services and value-added services to non-property owners which are labor-intensive and typically incur higher labor related costs, community value-added services typically do not require a large amount of labor. We expect that the gross profit margin of community value-added services will remain higher than our other service lines. Leveraging our operational experience in property management, we plan to devote more resources to grow our community value-added services, and explore other less labor-intensive service offerings to drive up our overall profit margin. We also take measures to streamline our workforce and implement cost-cutting initiatives to better manage our various costs incurred in providing property management services and value-added services to non-property owners to improve their profit margins.

Pricing, Branding and Market Position

Our service pricing level directly affects our results of operations, and largely depends on our service quality, brand image and our competitive position in the market. According to CIA, we are a leading comprehensive property management and community living service provider in the PRC. We were ranked 12th by CIA among the Top 100 Property Management Companies in the PRC in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. We believe such leadership position and our reputation to offer quality property management services have enabled us to charge premium pricing while maintaining a good relationship with the property developers, property owners and residents we serve. The average monthly property management fee per sq.m.

of GFA under our management of residential properties was RMB2.3, RMB2.4, RMB2.1 and RMB2.1, respectively, in 2017, 2018 and 2019 and the six months ended June 30, 2020. In 2019, we acquired Hailiang Property Management and Quanzhou Sanyuan which tend to charge a relative low property management fee compared to us, resulting a decrease in our average monthly property management fee from 2018 to 2019. Excluding the effects of acquisitions of Hailiang Property Management and Quanzhou Sanyuan, our average monthly property management fee per sq.m. of GFA under management of residential properties was approximately RMB2.4 in 2019. We strive to maintain or raise our property management fee rates when renewing expiring property management service agreements to respond to the rising demands for quality services and to cover the increases in our costs and expenses. We believe our ability to maintain and raise our fee rates in light of the expected increase in service costs and expenses will continue to affect our financial condition and results of operations.

To illustrate how property management fee rates affect our results of operations, the following table sets forth a sensitivity analysis of how our profit and revenue from property management services would fluctuate in response to the decreases in average monthly property management fees during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Profit for the year/period	108,781	146,196	384,531	108,882	254,671
Revenue from property management services	733,774	848,583	1,199,398	438,132	819,707
Assuming 5% decrease in our average monthly property management fees					
Impact on profit for the year	(27,359)	(31,780)	(45,569)	(16,407)	(34,377)
Impact on revenue from our property management services	(36,689)	(42,429)	(59,970)	(21,907)	(40,985)
Assuming 10% decrease in our average monthly property management fees					
Impact on profit for the year	(54,717)	(63,559)	(91,138)	(32,815)	(68,754)
Impact on revenue from our property management services	(73,377)	(84,858)	(119,940)	(43,813)	(81,971)

Ability to Manage Staff and Subcontracting Costs

Our ability to manage our staff and subcontracting costs while maintaining and improving our service quality and capabilities affects our results of operations. During the Track Record Period, staff costs represented the largest component of our cost of sales, and experienced steady increases. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, staff costs amounted to RMB459.2 million, RMB607.3 million, RMB843.0 million, RMB315.7 million and RMB462.3 million, respectively, which accounted for 60.8%, 64.7%, 51.1%, 56.1% and 44.8%, respectively, of our cost of sales. Such increases were primarily due to the increases in our headcount driven by our business expansion, as well as the increases in overall compensation level.

We outsource certain services such as security, cleaning, greening and gardening, and common area facility repair and maintenance services to third-party service providers. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our subcontracting costs amounted to RMB181.8 million, RMB210.4 million, RMB425.6 million, RMB133.8 million and RMB276.2 million, respectively, which accounted for 24.1%, 22.4%, 25.8%, 23.8% and 26.7%, respectively, of our total cost of sales. The increases in subcontracting costs during the Track Record Period were primarily due to our business expansion as demonstrated by the increases in GFA under our management, as well as the general increase in subcontracting fees charged by subcontractors driven by the rise in overall labor costs.

In response to the rising labor costs, we have implemented a number of measures to standardize our operating procedures, and adopted smart technologies to reduce our reliance on manual labor, all of which are aimed at reducing the impact of rising labor costs on our results of operations without sacrificing our service quality and capabilities. For more details about our cost-saving measures, see "Business — Management Digitalization, Service Professionalization, Procedure Standardization and Operation Automation."

Competition

According to CIA, the property management industry in the PRC is highly competitive and fragmented. We primarily compete with large national and regional property management companies in the PRC with respect to property management services. Our ability to successfully compete against our competitors affects our ability to grow our business and our results of operations. According to CIA, we were ranked 12th among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019. We have been focusing on, and will continue to focus on keeping our competitiveness in terms of operation scale, pricing, service quality, brand recognition and financial resources, among other factors, in order to obtain a larger market share and increase GFA under our management, which directly lead to our growth and improvement in results of operations. For more details about the industry and markets that we operate in, see "Industry Overview."

SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in notes 2 and 4 to the Accountant's Report in Appendix I to this Prospectus.

Revenue Recognition

Property Management Services

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

For revenue from property management services to properties managed under lump sum basis, where we act as a principal and are primarily responsible for providing the property management services to property owners, we recognize fees received or receivable from property owners as revenue and all related property management costs as cost of sales.

For revenue from property management services properties managed under commission basis, we act as an agent and recognize commission which is a certain percentage of the total property management fees received or receivable from the property units as our revenue for arranging and monitoring the services provided by other suppliers to the property owners.

Community Value-added Services

Community value-added services mainly include commission for community asset management services, home improvement services, carpark sales related services, smart community solutions and other services.

We assist property owners in leasing common spaces and public facilities owned by property owners, including advertisement display area, and public parking areas owned by property owners to third parties. We provide agency services for property owners and recognize commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when we render such agency services.

For marketing and promotional services provided to third-party home furnishing service providers, we charge a fixed upfront fee and recognize it as revenue over time. When the gross sales amount of such third parties exceed certain threshold, we are entitled to receive a variable fee based on a predetermined percentage of the excess over the agreed threshold. For our home furnishing services provided to property owners and residents, we recognize revenue on a gross basis when we render such services.

Our carpark sales related services include carpark sales agency services and direct carpark sales services. Under carpark sales agency services, we act as an agent as we are not the primary obligor to provide the carpark to property owners and have no inventories risks and pricing preferences in sales of carpark spaces. We recognize the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners. In 2019, we started to offer direct carpark sales services where we purchase carpark spaces and sell them to customers. We transfer risk of loss when or as the control of the carpark spaces is transferred to the customer and sell the carpark spaces at agreed upon prices to the customers. We recognize revenue at a point in time when the control of the carpark spaces is transferred to the customer.

We provide smart community solutions and sell smart software and hardware to property owners, property developers and other property management companies, and provide software maintenance services. We recognize revenue on a gross basis when the control of the smart software and hardware are transferred and the services are rendered.

We provide other services to property owners and residents, such as house cleaning and home electronics repair and maintenance. We recognize revenue on a gross basis when the services are rendered.

Value-added Services to Non-property Owners

Value-added services to non-property owners mainly include (i) sales office management services; (ii) preliminary planning and design consultancy services to property developers at the pre-delivery stage; and (iii) repair and maintenance services to property developers during the warranty period of the residential properties. We agree on the price for each type of service with the customers upfront and recognize as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of services provided.

Current and Deferred Income Tax

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

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the year in the jurisdictions where our subsidiaries and associates operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We make provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

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

We recognize deferred tax assets only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

We do not recognize deferred tax liabilities and assets for temporary differences between the carrying amount and tax bases of investments in foreign operations where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

We offset deferred tax assets and liabilities when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. We offset current tax assets and tax liabilities where we have a legally enforceable right to offset and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. We test goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

As of December 31, 2019, goodwill of RMB176.3 million had been allocated to Quanzhou Sanyuan, Hailiang Property Management and Xianghe Wantong separately for impairment testing. As of December 31, 2019, our management performed an impairment assessment on the goodwill. The recoverable amount of the property management business operated by Xianghe Wangtong was assessed by our management, and those operated by Quanzhou Sanyuan, Hailiang Property Management were assessed by an independent valuer and determined based on value-in-use, or VIU, calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by our management.

The following table sets forth each key assumption on which our management had based its cash flow projections to undertake impairment testing of goodwill as of December 31, 2019:

	Quanzhou Sanyuan	Hailiang Property Management	Xianghe Wantong
Revenue 2020 (% annual growth rate)	11%	4%	81%
Revenue 2021 (% annual growth rate)	6%	5%	8%
Revenue 2022 to 2024 (% annual growth rate)	6%	3%	3%-5%
Gross margin (% of revenue)	24%	25%	30%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	20%	22%	29%

As of December 31, 2019, the recoverable amount of RMB27.4 million, RMB336.0 million and RMB8.7 million of Quanzhou Sanyuan, Hailiang Property Management and Xianghe Wantong calculated based on VIU calculation exceeded their carrying value of RMB22.9 million, RMB235.8 million and RMB7.7 million by RMB4.5 million, RMB100.2 million and RMB1.0 million, respectively.

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as of December 31, 2019.

	Quanzhou Sanyuan	Hailiang Property Management	Xianghe Wantong
As of December 31, 2019			
Annual revenue growth rate	-5%	-5%	-5%
Discount rate	+2%	+5%	+4%

We considered there is no reasonably possible change in key parameters would cause the carrying amount of each cash-generating unit to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as of December 31, 2019 and as of June 30, 2020, we determined that no impairment provision on goodwill for the year ended December 31, 2019 or for the six months ended June 30, 2020.

As of June 30, 2020, goodwill of RMB352.1 million had been allocated to Quanzhou Sanyuan, Hailiang Property Management, Xianghe Wantong, Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi separately for impairment testing. As of June 30, 2020, management performed an impairment assessment on the goodwill arising from the acquisitions except for the goodwill in relation to the acquisition of Chengdu Xinyi, which was completed in June 2020. The recoverable amounts of the property management business operated by Quanzhou Sanyuan, Hailiang Property Management, Xianghe Wantong, Guangzhou Yuetai and Fusheng Life Services have been assessed by an independent valuer and determined based on VIU calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by us.

The following table sets forth each key assumption on which we have based its cash flow projections to undertake impairment testing of goodwill as of June 30, 2020.

	Quanzhou Sanyuan	Hailiang Property Management	Xianghe Wantong	Guangzhou Yuetai	Fusheng Life Services
Revenue 2020 (% annual growth rate)	12%	16%	85%	-14%	11%
Revenue 2021 (% annual growth rate)	6%	7%	7%	10%	10%
Revenue 2022 to 2023 (% annual growth rate)	6%	3%	5%	8%	8%
Revenue 2024 (% annual growth rate)	6%	3%	4%	8%	5%
Revenue 2025 (% annual growth rate)	3%	3%	3%	7%	4%
Gross margin (% of revenue)	21%	20%	28%	11%	21%
Long-term growth rate	3%	3%	3%	3%	3%
Pre-tax discount rate	22%	20%	23%	21%	22%

As of June 30, 2020, the recoverable amount of RMB25.0 million, RMB315.2 million, RMB8.6 million, RMB98.8 million and RMB238.5 million of Quanzhou Sanyuan, Hailiang Property Management, Xianghe Wantong, Guangzhou Yuetai and Fusheng Life Services calculated based on VIU calculation exceeded their carrying value of RMB18.8 million, RMB235.9 million, RMB7.7 million, RMB91.7 million and RMB186.6 million by RMB6.2 million, RMB79.3 million, RMB1.0 million, RMB7.1 million and RMB51.9 million respectively.

We have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as of June 30, 2020.

	Quanzhou Sanyuan	Hailiang Property Management	Xianghe Wantong	Guangzhou Yuetai	Fusheng Life Services
As of June 30, 2020					
Annual revenue growth rate	-6%	-5%	-4%	-1%	-4%
Discount rate	+5%	+4%	+3%	+1%	+4%

We considered there is no reasonably possible change in key parameters would cause the carrying amount of each cash-generating unit to exceed its recoverable amount.

Trade and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

We recognize trade and other receivables initially at fair value and subsequently measure at amortized cost using the effective interest method, less provision for impairment.

Allowance on Doubtful Receivables

We make allowances on receivables based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our history, existing market conditions, as well as forward-looking estimates at the end of each year.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial instruments requiring level 3 measurements under the fair value hierarchy due to the presence of significant unobservable inputs primarily included wealth management products from banks. See Note 3.3 to the Accountant's Report set out in Appendix I to this Prospectus.

We have implemented internal policies to ensure the reasonableness of fair value estimation on the level 3 financial assets. Our Directors are aware of the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC on May 15, 2017. In this regard, our Directors confirmed that: (i) they had exercised due care, skill and diligence and supervised the delegates when making the investment decisions; and (ii) they had complied with the standard exercised by a reasonably diligent person with the knowledge, skill and experience that be reasonably expected of a Director carrying out the functions of the Director in relation to the company. Prior to approving investment in financial assets, our Directors shall review the feasibility study or investment proposal of the financial assets prepared by our finance department, taking into consideration the size of the investments, their risk profiles and the rate of return. Upon making investment, our finance department closely monitors the performance of the investment and assess the fair value of level 3 financial assets at least once every reporting period for our Directors' review and approval. Our Directors would review the fair value estimation of Level 3 financial assets, taking into account the significant unobservable inputs and the applicable valuation techniques, and determine if the fair value estimation of level 3 financial assets is in accordance with the applicable HKFRS.

The reporting accountant's opinion on the historical financial information of the Group for the Track Record Period is set out in Appendix I to this Prospectus. Our Directors are satisfied with the valuation work for financial assets categorized within Level 3 of fair value estimation in its historical financial information for the purpose of the preparation of the accountant's report as referred to in Appendix I to this Prospectus.

The Joint Sponsors have conducted the following due diligence work in relation to our Company's fair value estimation of the level 3 financial assets, including: (i) discussing with our Directors with a view to understanding the work done by our Directors in discharging their duties in relation to reviewing the fair value estimation of level 3 financial assets of our Company (including in particular in the context of the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC on May 15, 2017); (ii) reviewing the disclosures in relevant notes (in particular Note 3.3) to the Accountant's Report set out in Appendix I to this Prospectus; (iii) understanding the wealth management products held by our Company, including in particular the risk level and redemption terms with a view to ascertaining whether the fair value assessed by our Company is reasonable; and (iv) discussing with the reporting accountant on the reporting accountant's work done in relation to our level 3 financial assets generally with a view to understanding the accounting treatment of our level 3 financial assets, and whether such treatment is commensurate with nature of the relevant products.

On the basis of the work done by our Directors and the reporting accountant and the Joint Sponsors' due diligence work set out above, nothing has come to the attention of Joint Sponsors that would lead them to cast doubts on the fair value estimation of the level 3 financial assets of the Company.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Revenue	**1,042,528**	**1,329,323**	**2,489,086**	**845,377**	**1,564,636**
Cost of sales	(755,627)	(939,033)	(1,651,005)	(563,046)	(1,032,841)
Gross profit	**286,901**	**390,290**	**838,081**	**282,331**	**531,795**
Selling and marketing expenses	(3,189)	(6,416)	(17,823)	(5,107)	(19,774)
Administrative expenses	(125,978)	(192,601)	(303,907)	(127,616)	(202,956)
Provision of impairment losses on financial assets – net	(19,541)	(8,611)	(3,372)	(6,470)	(7,269)
Other income	2,412	4,008	17,478	3,834	20,976
Other gains/(losses) – net	97	132	(2,606)	306	(5,648)
Other operating expenses	(470)	(784)	(6,694)	(3,442)	(2,979)
Operating profit	**140,232**	**186,018**	**521,157**	**143,836**	**314,145**
Finance income	97,744	76,070	37,935	22,070	2,626
Finance costs	(92,098)	(66,901)	(51,833)	(20,415)	(13,259)
Finance income/(costs) – net	5,646	9,169	(13,898)	1,655	(10,633)
Share of results of associates accounted for using the equity method	–	–	(1,208)	(116)	117
Profit before income tax	**145,878**	**195,187**	**506,051**	**145,375**	**303,629**
Income tax expense	(37,097)	(48,991)	(121,520)	(36,493)	(48,958)
Profit for the year/period	**108,781**	**146,196**	**384,531**	**108,882**	**254,671**
Profit attributable to:					
– Equity owners of the Company	108,781	146,196	384,531	108,882	245,420
– Non-controlling interests	–	–	–	–	9,251

Revenue

We generate revenue from our (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners.

- *Property management services.* Our revenue from property management services primarily consists of property management fees we charge property developers, property owners and residents with respect to properties under our management. The fee rates are generally determined in the property management service agreements between the property owners' associations or property developers and us. We generally charge property management service fees on a lump sum basis where we act as the principal provider of property management services, and recognize the entire fee amount as our revenue and all related costs as cost of sales over the service period. For a small portion of properties we manage, our role is more akin to an agent where we recognize a certain percentage of the property management fees as commission income for arranging and monitoring services provided by various other service providers without bearing any related costs of such service providers. Revenue from property management services accounted for 70.4%, 63.9%, 48.2%, 51.8% and 52.4%, respectively, of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020. We also provide cleaning, greening and gardening, repair and maintenance services as a subcontractor to other property management companies and generate service revenue.

- *Community value-added services*. Our revenue from community value-added services primarily consists of (i) commission for community asset management services; (ii) commissions and sales revenue from carpark sales related services; (iii) marketing and promotional service fees from third-party home furnishing service providers, as well as service fees from home furnishing services to property owners and residents; (iv) smart community solutions income from sales of software and hardware, as well as service fees for our maintenance services of customers' enterprise software; and (v) other service fees from services such as housekeeping and home electronics repair and maintenance services. Revenue from community value-added services accounted for 6.0%, 7.1%, 26.0%,14.0% and 26.7%, respectively, of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

- *Value-added services to non-property owners*. Our revenue from value-added services to non-property owners primarily consists of sales office management service fees, preliminary planning and design consultancy service fees, and repair and maintenance service fees. Our revenue from value-added services to non-property owners accounted for 23.6%, 29.0%, 25.8%, 34.2% and 20.9%, respectively, of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

The following table sets forth a breakdown of revenue by service line during the periods indicated, both in absolute amount and as a percentage of total revenue.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	733,774	70.4	848,583	63.9	1,199,398	48.2	438,132	51.8	819,707	52.4
Community value-added services	62,552	6.0	94,665	7.1	648,558	26.0	118,357	14.0	417,292	26.7
Value-added services to non-property owners	246,202	23.6	386,075	29.0	641,130	25.8	288,888	34.2	327,637	20.9
Total	**1,042,528**	**100.0**	**1,329,323**	**100.0**	**2,489,086**	**100.0**	**845,377**	**100.0**	**1,564,636**	**100.0**

Revenue from Property Management Services

Our revenue from property management services primarily consists of property management fees charged to property developers, property owners and residents over properties under our management for our security, cleaning, greening and gardening, repair and maintenance services. With respect to properties managed by certain other property management companies, we also provide cleaning, greening and gardening, repair and maintenance services as a subcontractor to such property management companies. Revenue from our property management services was RMB733.8 million, RMB848.6 million, RMB1,199.4 million, RMB438.1 million and RMB819.7 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, which accounted for 70.4%, 63.9%, 48.2%, 51.8% and 52.4%, respectively, of our total revenue for the same periods. Revenue derived from property management services provided to other property management companies was RMB3.4 million, RMB1.4 million, RMB40.1 million, RMB14.7 million and RMB25.1 million in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The increases in revenue from property management services were primarily due to the increases in the number of properties and GFA under our management as we expanded our service scale through organic growth, as well as acquisitions of other property management companies. The decreases in revenue from property management services as a percentage of our total revenue from 2017 to 2019 were primarily because we devoted more resources to develop our community value-added services and as a result, revenue from community value-added services grew at a faster pace. The increase in revenue from property management services as a percentage of our total revenue from the six months ended June 30, 2019 to the six months ended June 30, 2020 was primarily due to our acquisition of Fusheng Life Services and Guangzhou Yuetai in the six months ended June 30, 2020. For more details, see "— Period to Period Comparison of Results of Operations."

For most properties under our management, we recognize property management fees as revenue on a lump sum basis. For a small portion of properties we manage, we recognize property management fees on a commission basis. The following table sets forth a breakdown of our revenue from property management services by revenue model for the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Lump sum basis	730,654	99.6	846,220	99.7	1,196,559	99.8	436,813	99.7	818,388	99.8
Commission basis	3,120	0.4	2,363	0.3	2,839	0.2	1,319	0.3	1,319	0.2
Total	**733,774**	**100.0**	**848,583**	**100.0**	**1,199,398**	**100.0**	**438,132**	**100.0**	**819,707**	**100.0**

In terms of property types, we manage both residential properties and non-residential properties, such as government and public facilities, elderly-care and healthcare facilities and airport lounges. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, revenue from our management of residential properties accounted for 95.9%, 95.6% 89.7%, 87.9% and 89.2% of our revenue from property management services, respectively. The decreases in such percentages from 2017 to 2019 reflected our continuous efforts to diversify the types of properties we manage and to expand our property management portfolio to cover non-residential properties. Such percentages remained relatively stable in the six months ended June 30, 2019 and 2020. The following table sets forth a breakdown of our revenue from property management services by property type during the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Residential properties	703,761	95.9	811,057	95.6	1,075,374	89.7	385,216	87.9	730,966	89.2
Non-residential properties	30,013	4.1	37,526	4.4	124,024	10.3	52,916	12.1	88,741	10.8
Total	**733,774**	**100.0**	**848,583**	**100.0**	**1,199,398**	**100.0**	**438,132**	**100.0**	**819,707**	**100.0**

We strategically focus on regions with high growth potential, including the Yangtze River Delta Region, Central and Western China, Southern China and the Bohai Economic Rim. The following table sets forth a breakdown of our revenue from property management services by geographic region during the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Yangtze River Delta Region	310,808	42.4	345,923	40.8	528,198	44.0	207,860	47.5	305,454	37.3
Central and Western China	149,786	20.4	185,663	21.9	259,871	21.7	97,777	22.3	194,521	23.7
Southern China	163,301	22.2	180,175	21.2	222,353	18.5	44,414	10.1	190,780	23.3
Bohai Economic Rim	109,879	15.0	136,822	16.1	188,976	15.8	88,081	20.1	128,952	15.7
Total	**733,774**	**100.0**	**848,583**	**100.0**	**1,199,398**	**100.0**	**438,132**	**100.0**	**819,707**	**100.0**

Historically, we predominantly provided property management services to and generated revenues from properties solely developed by the Shimao Group or joint ventures and associates of Shimao Group. In 2019, we began to further diversify the portfolio of properties under our management by acquiring Hailiang Property Management and Quanzhou Sanyuan, among others, in an effort to reduce our reliance on the Shimao Group and increase GFA under management which directly drives our revenue growth. In furtherance of this goal, we acquired Fusheng Life Services and Chengdu Xinyi in the first half of 2020. The following table sets forth a breakdown of our total GFA under management by developer type as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	GFA under management	GFA under management	GFA under management	GFA under management
	sq.m.	sq.m.	sq.m.	sq.m.
	(in thousands, except for percentages)			
Shimao Group [(1)]	38,691	41,957	46,901	49,799
Joint ventures and associates of the Shimao Group[(2)]	2,461	2,631	3,863	3,450
Independent third-party property developers[(3)]	1,466	364	17,403	32,471
Total	**42,619**	**44,952**	**68,167**	**85,720**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

The following table sets forth a breakdown of our revenue from property management services by developer type for the periods indicated, both in absolute amount and as a percentage of revenue from property management services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Shimao Group[1]	651,524	88.8	763,208	89.9	1,005,571	83.9	399,654	91.2	548,680	67.0
Joint ventures and associates of the Shimao Group[2]	69,842	9.5	79,484	9.4	73,579	6.1	33,743	7.7	43,688	5.3
Independent third-party property developers[3]	12,408	1.7	5,891	0.7	120,248	10.0	4,735	1.1	227,339	27.7
Total	733,774	100.0	848,583	100.0	1,199,398	100.0	438,132	100.0	819,707	100.0

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and independent third-party property developers where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

Revenue from Community Value-added Services

We offer community value-added services to property owners and residents of properties under our management which address their lifestyle and daily needs. Our revenue from such services primarily consists of the following.

- *Commission revenue for community asset management.* We (i) assist property owners in leasing common spaces and public facilities to third parties in exchange for a predetermined percentage of the rental fees as our commissions; and (ii) provide repair and maintenance services with respect to such common spaces and rental services with respect to certain community facilities in exchange for a fixed service fee as our commissions.

  In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the rental fees received from leasing common spaces and public facilities amounted to RMB53.2 million, RMB66.8 million, RMB70.4 million, RMB34.7 million and RMB67.8 million, respectively. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the average commission rate we charged was approximately 29.3%, 29.4%, 29.0%, 28.6% and 30.0%, respectively. The commission rate for different properties varied, ranging from 10.0% to 50.0% , 10.0% to 50.0%, 10.0% to 50.0%, 10.0% to 50.0% and 10.0% to 50.0%, respectively, in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020. Such community asset management services primarily cover common facilities, advertising slots and carpark spaces in common areas.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our commission derived from the provision of repair and maintenance services with respect to common spaces and rental of certain community facilities amounted to RMB33.5 million, RMB48.3 million, RMB142.2 million, RMB43.5 million and RMB96.0 million, respectively. Our commission derived such services and rentals generally increased during the Track Record Period as a result of increases in the number of common spaces for which we provided repair and maintenance services and certain public facilities we leased out which were in line with our business growth.

The following table sets forth the reconciliation between our revenue from community asset management services and our commission received as a percentage of rental income during the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Commission as a percentage of rental income[1]	15,563	19,615	20,389	9,949	20,329
Other commissions					
– Commission derived from repair and maintenance services provided to common space and public facilities	11,415	15,459	67,748	23,528	50,003
– Commission derived from rental of community facilities[3]	22,094	32,866	74,453	20,012	46,028
Commission derived from community asset management	**49,072**	**67,940**	**165,590**	**53,489**	**116,360**

Notes:

(1) Equals to the average commission rates multiplied by the rental proceeds received from the lease of common spaces and public facilities, which cover advertising slots and carpark spaces in common areas.

(2) Includes commission derived from services provided with respect to common spaces and public facilities, which cover advertising slots and carpark spaces in common areas. Such commission may fluctuate from period to period depending on services provided during the relevant periods.

(3) Primarily include commission derived from rental of leasehold carparks, and to a lesser extent, maintenance service of smart meters installed in common areas.

- *Commission and sales revenue for carpark sales related services.* We facilitate the sales of carpark spaces and charge a percentage of the sales proceeds as commission, which depends on the location of the carpark spaces and the amount of efforts we spend in facilitating the transactions. We typically enter into sales agency agreements with property developers and pay deposits which are later refunded to us after we help property developers sell carpark spaces. In 2019, we began to purchase and sell carpark spaces at properties that came under our management as a result of our acquisition of Hailiang Property Management, and generated sales revenue of RMB117.8 million and RMB88.6 million in 2019 and the six months ended June 30, 2020. We enter into sales agreements with property owners and recognize the purchase price as our revenue upon delivery of the carpark spaces. We intend to serve primarily as an agent facilitating purchases and sales of carpark spaces in exchange for commissions going forward.

- *Home improvement service fees.* In 2019, we launched our marketing and promotional services to third-party home furnishing service providers through our online More+ platform and offline marketing and promotional activities. We charge participating service providers a percentage of their service fees as commission. We also offer home furnishing services to property owners and residents, and generate service revenue on a gross basis.

- *Smart community solutions sales and fees.* We generate revenue from the sales of smart software and hardware used in smart community solutions to property owners, property developers and other property management companies. We also generate service revenue from maintenance services of enterprise software to other property management companies.

- *Other service fees.* We generate service revenue from housekeeping, home electronics repair and maintenance services offered to property owners and residents.

The following table sets forth a breakdown of our revenue from community value-added services by service type during the periods indicated, both in absolute amount and as a percentage of revenue from community value-added services.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Community asset management services	49,072	78.5	67,941	71.8	162,590	25.1	53,489	45.2	116,360	28.0
Carpark sales related services	12,521	20.0	25,628	27.1	359,530	55.4	63,973	54.1	154,314	37.0
Home improvement services	508	0.8	296	0.3	74,169	11.4	620	0.5	11,028	2.6
Smart community solutions	–	–	–	–	51,539	8.0	–	–	134,969	32.3
Other services	451	0.7	800	0.8	730	0.1	275	0.2	621	0.1
Total	**62,552**	**100.0**	**94,665**	**100.0**	**648,558**	**100.0**	**118,357**	**100.0**	**417,292**	**100.0**

The substantial increases in our revenue from community value-added services during the Track Record Period were primarily due to (i) significant increases in revenue from carpark sales related services primarily driven by significant increases in the number of properties in which we offered carpark sales related services and in the number of carpark spaces we helped sell during the Track Record Period; and (ii) significant increases in revenue from community asset management services driven by significant increases in the number of properties under our management during the Track Record Period. The significant increase in our revenue from community value-added services during the Track Record Period was also attributable to (i) an increase in revenue from home improvement services as a result of the launch of our marketing and promotional services to home furnishing service providers in 2019; and (ii) an increase in revenue from smart community solutions which was first launched in 2019 and experienced rapid growth starting the second half of 2019.

The number of properties to which we offer carpark sales related services increased from three in 2017 to 15 in 2018, and further to 46 in 2019. The number of properties to which we offer carpark sales related services increased from 31 in the six months ended June 30, 2019 to 40 in the six months ended June 30, 2020. The following table sets forth the number of carpark spaces, the average selling price and the gross profit margin of carpark spaces that we sold as principal and agent during the periods indicated.

	Year ended December 31,									Six months ended June 30,					
	2017			2018			2019			2019			2020		
	Number of carpark spaces sold	Average selling price	Gross profit margin	Number of carpark spaces sold	Average selling price	Gross profit margin	Number of carpark spaces sold	Average selling price	Gross profit margin	Number of carpark spaces sold	Average selling price	Gross profit margin	Number of carpark spaces sold	Average selling price	Gross profit margin
		(RMB in thousands)	%		*(RMB in thousands)*	%		*(RMB in thousands)*	%		*(RMB in thousands)*	%		*(RMB in thousands)*	%
As principal(1)	–	–	–	–	–	–	2,110	59.7	47.8	–	–	–	1,971	50.7	39.9
As agent(2)	504	72.0	43.2	680	114.3	45.6	6,363	114.9	41.8	1,900	96.2	47.2	1,568	99.1	50.4
Total	**504**	**72.0**	**43.2**	**680**	**114.3**	**45.6**	**8,473**	**101.2**	**43.7**	**1,900**	**96.2**	**47.2**	**3,539**	**72.2**	**43.6**

Notes:

(1) Refers to carpark sales services where we purchase carpark spaces from property developers and resell the carpark spaces to property owners. We started to purchase and sell carpark spaces in 2019 as a result of our acquisition of Hailiang Property Management.

(2) Refers to carpark sales agency services where we assist property developers in selling carpark spaces in exchange for a percentage of the sales proceeds as our commission.

We include the purchase price of carpark spaces in the calculation of gross profit when we serve "as principal," while we include other costs and expenses, including salaries, bonuses, sales commissions, information system expenses, administrative expenses and repair and maintenance costs, in the calculation of gross profit when we serve "as agent." As confirmed by our Directors, the gross profit margin of our carpark sales related services are in line with other property management companies with similar service offerings. CIA observed that when acting "as agent," some service providers may charge commission up to 50% of the gross proceeds received, and the average commissions charged by us is in line with market practice.

The following table sets forth the average commission rates, the range of commission rates charged by us and the gross proceeds of sales facilitated by our carpark sales agency services during the periods indicated.

	Year ended December 31,			**Six months ended June 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
Average commission rate *(%)*	35%	35%	35%	35%	35%
Range of commission rate *(%)*	10%-45%	10%-50%	5%-50%	5%-50%	5%-50%
Gross proceeds *(RMB in thousands)*	36,582	77,753	731,359	193,747	164,782

Our commission rates charged to customers for the provision of carpark sales agency services ranged from approximately 5% to 50% during the Track Record Period, and was determined with reference to our fulfillment of our customers' sales target. In general, the more carpark spaces we helped our customers sell, the higher our commission rate would be within the above-mentioned range. Our average commission rate of 35% for each period of the Track Record Period was derived by dividing commission received for such period by the gross proceeds.

The following table sets forth a reconciliation of our total commission revenue and our gross proceeds of sales facilitated by our carpark sales agency services during the periods indicated. Revenue from carpark sales related service revenue:

	Gross proceeds[(2)]	Average commission rate	Carpark sales related service revenue[(3)]
	(RMB in thousands, except for percentages)		
2017			
As principal	–	–	–
As agent	36,582	35.0%	12,079[(1)]
Subtotal	**36,582**		**12,079**
2018			
As principal	–	–	–
As agent	77,753	35.0%	25,628
Subtotal	**77,753**		**25,628**
2019			
As principal	124,877	–	117,808
As agent	731,359	35.0%	241,722
Subtotal	**856,236**		**359,530**
Six months ended June 30, 2020			
As principal	105,899	–	99,905
As agent	164,782	35.0%	54,409
Subtotal	**270,682**		**154,314**

Notes:

(1) Exclude approximately RMB0.4 million which represent revenue from miscellaneous carpark sales related services to property owners which were not a part of our relevant service agreements that are subject to the 5% to 50% commission range.

(2) After giving effect to value-added tax.

(3) Before giving effect to value-added tax.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our gross proceeds of sales facilitated by our carpark sales agency services amounted to RMB36.6 million, RMB77.8 million, RMB731.3 million, RMB193.7 million and RMB164.8 million, respectively. The significant increases in our gross proceeds of sales facilitated by our carpark sales agency services from 2017 to 2019 were primarily due to the increases in the number of carpark spaces sold as agent from 504 in 2017 to 680 in 2018, and further to 6,363 in 2019. The decrease in our gross proceeds of sales facilitated by our carpark sales agency services from the six months ended June 30, 2019 to the six months ended June 30, 2020 was primarily due to the decrease in the number of carpark spaces sold as agent from 1,900 in the six months ended June 30, 2019 to 1,568 in the six months ended June 30, 2020. During the Track Record Period, the range of commission rate charged by us has expanded from 10%-45% in 2017 to 5%-50% in 2019 and the six months ended June 30, 2019 and 2020, primarily due to changes in our performance in terms of our achievement of sales targets. According to CIA, the market commission rates charged for carpark sales agency services generally did not exceed 40% during the Track Record Period.

Revenue from Value-added Services to Non-property Owners

We offer value-added services to non-property owners. We generate revenue from such non-property owners primarily through services such as (i) sales office management services where we offer property management services to sales offices and display units of property developers; (ii) preliminary planning and design consulting services to property developers, covering various stages of property development from preliminary project planning and design to pre-delivery inspections; and (iii) repair and maintenance services to property developers during the warranty period of residential properties. The following table sets forth a breakdown of our revenue from value-added services by service type during the periods indicated, both in absolute amount and as a percentage of revenue from value-added services to non-property owners.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Sales office management services	213,482	86.7	307,006	79.5	517,601	80.7	233,895	81.0	279,576	85.3
Preliminary planning and design consultancy services	20,343	8.3	34,788	9.0	54,520	8.5	23,700	8.2	15,835	4.8
Repair and maintenance services	12,377	5.0	44,281	11.5	69,009	10.8	31,293	10.8	32,226	9.8
Total	**246,202**	**100.0**	**386,075**	**100.0**	**641,130**	**100.0**	**288,888**	**100.0**	**327,637**	**100.0**

The substantial increases in our revenue from value-added services to non-property owners from 2017 to 2019 were primarily due to (i) significant increases in the number of sales offices to which we offered sales office management services from 56 in 2017 to 110 in 2018, and further to 174 in 2019; and (ii) increases in the number of properties to which we offered repair and maintenance services from 16 in 2017 to 49 in 2018, and further to 60 in 2019; and (iii) increases in the number of properties to which we offered preliminary planning and design consultancy services from 31 in 2017 to 46 in 2018, and further to 59 in 2019. The increase in our revenue from value-added services to non-property owners from RMB288.9 million in the six months ended June 30, 2019 to RMB327.6 million in the six months ended June 30, 2020 was primarily due to a significant increase in the number of sales offices to which we offered sales office management services from 140 in the six months ended June 30, 2019 to 230 in the six months ended June 30, 2020. During the Track Record Period, we primarily provided sales office management services and preliminary planning and design consultancy services to the Shimao Group, and as a result, the increases in the number of sales offices to which we offered sales office management services and properties to which we offered preliminary planning and design consultancy services were in line with the Shimao Group's business expansion. The increases in the number of properties to which we offered repair and maintenance services were in line with the general increases in the number of properties under our management during the Track Record Period.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from value-added services to non-property owners amounted to RMB246.2 million, RMB386.1 million, RMB641.1 million, RMB288.9 million and RMB327.6 million, respectively, among which, RMB191.0 million, RMB286.8 million, RMB475.5 million, RMB215.1 million and RMB224.8

million, respectively, was derived from value-added services provided to the Shimao Group, and RMB54.0 million, RMB98.7 million, RMB158.1 million, RMB70.1 million and RMB76.0 million, respectively, was derived from value-added services provided to joint ventures and associates of the Shimao Group. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, gross profit for value-added services provided to the Shimao Group amounted to RMB59.4 million, RMB87.2 million, RMB132.5 million, RMB71.1 million and RMB70.3 million, respectively. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, gross profit for value-added services provided to joint ventures and associates of the Shimao Group amounted to RMB16.7 million, RMB29.5 million, RMB47.1 million, RMB24.4 million and RMB24.3 million, respectively. The increases in revenue as well as gross profit derived from value-added services provided to the Shimao Group and joint ventures and associates of the Shimao Group during the Track Record Period were generally in line with the Shimao Group's business expansion.

Cost of Sales

Our cost of sales represents costs directly attributable to the provision of our services and comprises (i) staff costs of our on-site staff directly providing property management services and value-added services; (ii) subcontracting costs for outsourced services such as security, cleaning, greening and gardening, and common area facility repair and maintenance services; (iii) utilities and facility operating costs for common areas of properties under our management; (iv) cost of selling carpark spaces which we purchase from property developers and resell to property owners; (v) cost of smart community solutions incurred primarily for purchasing software and hardware; and (vi) others. The following table sets forth a breakdown of our cost of sales by type during the periods indicated, both in absolute amount and as a percentage of total cost of sales.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Staff costs	459,172	60.8	607,288	64.7	843,036	51.1	315,736	56.1	462,278	44.8
Subcontracting costs	181,808	24.1	210,429	22.4	425,613	25.8	133,768	23.8	276,241	26.7
Utilities and facility operating costs	63,166	8.4	76,521	8.1	183,155	11.1	46,901	8.3	104,276	10.1
Cost of selling carpark spaces	–	–	–	–	61,527	3.7	–	–	60,008	5.8
Cost of smart community solutions	–	–	–	–	27,336	1.7	7,247	1.3	62,840	6.1
Others[(1)]	51,481	6.7	44,795	4.8	110,338	6.6	59,394	10.5	67,197	6.5
Total	**755,627**	**100.0**	**939,033**	**100.0**	**1,651,005**	**100.0**	**563,046**	**100.0**	**1,032,841**	**100.0**

Note:

(1) Include taxes and other levies, depreciation and amortization, cost of organizing community activities, and cost of purchasing miscellaneous materials related to property management.

The following table sets forth a breakdown of our cost of sales by service line during the periods indicated, both in absolute amount and as a percentage of total cost of sales.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	549,871	72.8	618,562	65.8	851,071	51.6	307,439	54.6	596,882	57.8
Community value-added services	35,998	4.8	51,260	5.5	340,478	20.6	63,374	11.3	211,040	20.4
Value-added services to non-property owners	169,758	22.4	269,211	28.7	459,456	27.8	192,233	34.1	224,919	21.8
Total	**755,627**	**100.0**	**939,033**	**100.0**	**1,651,005**	**100.0**	**563,046**	**100.0**	**1,032,841**	**100.0**

The following table sets forth a breakdown of our cost of sales by variable and fixed costs for the periods indicated, both in absolute amount and as a percentage of total cost of sales.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Variable costs	755,102	99.9	938,158	99.9	1,645,700	99.7	561,867	99.8	1,027,228	99.0
Fix costs	525	0.1	875	0.1	5,305	0.3	1,179	0.2	5,612	1.0
Total	**755,627**	**100.0**	**939,033**	**100.0**	**1,651,005**	**100.0**	**563,046**	**100.0**	**1,032,841**	**100.0**

Substantially all of our cost of sales are variable costs, including staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart community solutions, taxes and other levies and other miscellaneous costs (excluding depreciation and amortization) incurred in relation to property management. Variable costs increased in line with the growth of the Group's business scale and launch of new services, accounting for over 99.0% of the Group's cost of sales during the Track Record Period. As a result, our gross profit margin largely depends on our ability to effectively control variable costs. Fixed costs represented depreciation and amortization, which we do not expect to have a material impact on our gross profit margin.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by service line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Property management services	183,903	25.1	230,021	27.1	348,327	29.0	130,693	29.8	222,825	27.2
Community value-added services	26,554	42.5	43,405	45.9	308,080	47.5	54,983	46.5	206,252	49.4
Value-added services to non-property owners	76,444	31.0	116,864	30.3	181,674	28.3	96,655	33.5	102,718	31.4
Total	**286,901**	**27.5**	**390,290**	**29.4**	**838,081**	**33.7**	**282,331**	**33.4**	**531,795**	**34.0**

Our gross profit margin increased from 27.5% in 2017 to 29.4% in 2018, and further to 33.7% in 2019. Our gross profit margin increased slightly from 33.4% in the six months ended June 30, 2019 to 34.0% in the six months ended June 30, 2020. Such increases were primarily due to the increases in revenue contribution from our community value-added services as a percentage of our total revenue, which typically generate higher gross profit margin compared to other services. The percentage of revenue contributed by community value-added services increased from 6.0% in 2017 to 7.1% in 2018, and further to 26.0% in 2019. The percentage of revenue contributed by community value-added services increased from 14.0% in the six months ended June 30, 2019 to 26.7% in the six months ended June 30, 2020. Gross profit margin for community value-added services is in general higher than property management services, primarily due to the nature of the service offerings, such as community asset management services, carpark sales related services and smart community solutions require fewer staff members and therefore incur less staff related costs and lead to higher gross profit margin for community value-added services in general.

The increases in our gross profit margin from 2017 to 2019 were also attributable to the enhanced profitability of our property management services. Gross profit margin for our property management services increased from 25.1% in 2017 to 27.1% in 2018, and further to 29.0% in

2019 primarily due to our ability to expand our service scale without incurring the same amount of labor costs due to (i) economies of scale and our improved operational efficiencies; and (ii) the geographic proximity among certain properties under our management which enables us to efficiently utilize our management and human resources. The decrease in gross profit margin of our property management services from 29.8% in the six months ended June 30, 2019 to 27.2% in the six months ended June 30, 2020 was primarily due to our acquisition of Guangzhou Yuetai and Fusheng Live Services in the first half of 2020, whose gross profit margins were relatively low.

The increases in our overall gross profit margin during the Track Record Period was also due to a series of cost-saving measures aimed at increasing operational efficiency while maintaining service quality. For example, we established a nationwide supplier engagement policy to replace our practice of having each property engage its own suppliers. We also streamlined our workforce and offered training to our staff to improve their work efficiency and expertise, which we believe contributes to an improvement in our operational efficiency and in our overall gross profit margin. We also enhanced our budget control capabilities by assigning personnel to specialize in budget management leveraging a series of digitized budget management systems, which enables us to monitor our spending and detect potential red flags.

The following table sets forth a breakdown of our gross profit and gross profit margin by developer type during the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Shimao Group[(1)]	245,383	27.4	332,541	29.3	672,217	34.6	242,377	33.4	354,559	36.4
Joint ventures and associates of the Shimao Group[(2)]	36,932	28.5	55,827	29.8	84,782	32.0	34,693	33.3	48,876	36.0
Independent third-party property developers[(3)]	4,585	27.4	1,922	28.3	81,081	28.6	5,261	32.8	128,361	28.2
Total	**286,901**	**27.5**	**390,290**	**29.4**	**838,081**	**33.7**	**282,331**	**33.4**	**531,795**	**34.0**

Notes:

(1) Refer to properties solely developed by the Shimao Group or jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Shimao Group and Independent Third Parties where the Shimao Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

Our gross profit margin for properties developed by independent third-party property developers was lower than the gross profit margins of properties developed by the Shimao Group or by joint ventures and associates of the Shimao Group, primarily due to the lower property management fees in properties developed by independent third-party property developers. See "Business — Property Management Services — Our Pricing Policy" for more details.

Our property management portfolio includes mainly residential properties, and also covers non-residential properties, such as government and public facilities, elderly-care and healthcare facilities and airport lounges. The following table sets forth a breakdown of our gross profit and gross profit margin from property management services by property type during the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Residential properties	175,768	25.0	219,267	27.0	320,597	29.8	114,924	29.8	192,253	26.4
Non-residential properties	8,135	27.1	10,754	28.7	27,730	22.4	15,769	29.8	30,572	33.4
Total	**183,903**	**25.1**	**230,021**	**27.1**	**348,327**	**29.0**	**130,693**	**29.8**	**222,825**	**27.2**

Our gross profit margin from property management services for non-residential properties decreased from 28.7% in 2018 to 22.4% in 2019 primarily because we enhanced the service quality for non-residential properties in 2019 by increasing our investment in staff and training and facility maintenance, thus reducing the gross profit margin. Our gross profit margin from property management services for residential properties decreased from 29.8% in the six months ended June 30, 2029 to 26.4% in the six months ended June 30, 2020 primarily due to our acquisition of Fusheng Life Services and Guangzhou Yuetai, which had relatively low gross profit margins from property management services for residential properties. Our gross profit margin from property management services for non-residential properties increased from 29.8% in the six months ended June 30, 2029 to 33.4% in the six months ended June 30, 2020 primarily because we further enhanced management efficiency for non-residential properties.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) community activities expenses in relation to community activities we organize at properties under our management to promote our brand image and our value-added services; (ii) commission expenses in relation to our carpark sales related services where we engage third-party agents to source customers; (iii) advertising and promotion expenses; (iv) staff expenses; (v) others. The following table sets forth a breakdown of our selling and marketing expenses by type during the periods indicated, both in absolute amount and as a percentage of total selling and marketing expenses.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Community activities expenses	3,189	100.0	6,416	100.0	12,399	69.6	3,120	61.1	1,502	7.6
Commission expenses	–	–	–	–	1,850	10.4	–	–	520	2.6
Advertising and promotion expenses	–	–	–	–	1,769	9.9	1,525	29.9	7,502	37.9
Staff expenses	–	–	–	–	1,611	9.0	423	8.3	6,436	32.5
Others	–	–	–	–	194	1.1	39	0.7	3,814	19.4
Total	**3,189**	**100.0**	**6,416**	**100.0**	**17,823**	**100.0**	**5,107**	**100.0**	**19,774**	**100.0**

The increase in our selling and marketing expenses from RMB3.2 million in 2017 to RMB17.8 million in 2019 was primarily due to (i) an increase in the amount of community activities we organized as we endeavored to promote our brand image and value-added services; (ii) commission expenses which we began to incur in 2019 for acquiring customers for our carpark sales related services; and (iii) advertising and promotion expenses, staff expenses and others which we began to incur in 2019 as we established the investment and expansion team responsible for sales and marketing related activities in early 2019 with a view to expanding our independent third-party customer base. The increase in our selling and marketing expenses from RMB5.1 million in the six months ended June 30, 2020 to RMB19.8 million in the six months ended June 30, 2020 was primarily due to (i) an increase in staff expenses to support our business expansion and the increasing needs for selling and marketing expenses; and (ii) an increase in advertising and promotion expenses to support the expansion of our smart community solutions, marketing and promotional services to third-party home furnishing service providers, and carpark sales related services.

We have engaged third-party agents to source customers for our carpark sales agency services and incurred commission expenses of RMB1.9 million in 2019 and RMB0.5 million in the six months ended June 30, 2020. The nature of these agents' work primarily includes customer sourcing. After engaging third-party agents, we share the carpark space data and floor maps which show the locations of unsold carpark spaces. The third-party agents will then invite customers to select available carpark spaces on the floor map and show the physical carpark spaces to customers. We decided to engage these agents in our carpark sales agency services in relations to Hangzhou Jiangbin Garden Project (杭州江濱花園項目). As we had ceased to provide property management services but were still providing carpark sales agency services to the project, we determined that it would be more convenient for third-party agents to facilitate the carpark space sales in the project instead of delivering the services ourselves.

Administrative Expenses

Our administrative expenses primarily include (i) staff expenses for our administrative personnel; (ii) office and travelling expenses; (iii) depreciation and amortization expenses; and (iv) others such as professional service fees incurred in relation to the acquisitions of Hailiang Property Management and Quanzhou Sanyuan. The following table sets forth a breakdown of our administrative expenses by type during the periods indicated, both in absolute amount and as a percentage of total administrative expenses.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Staff expenses	86,101	68.4	124,723	64.8	168,563	55.5	102,792	80.5	132,099	65.1
Office and travelling expenses	28,975	23.0	58,735	30.5	116,092	38.2	22,605	17.7	39,707	19.6
Depreciation and amortization expenses	1,810	1.4	3,548	1.8	8,705	2.9	2,206	1.8	14,473	7.1
Others	9,092	7.2	5,595	2.9	10,547	3.4	13	0.0	1,072	0.5
Listing expenses	–	–	–	–	–	–	–	–	15,605	7.7
Total	**125,978**	**100.0**	**192,601**	**100.0**	**303,907**	**100.0**	**127,616**	**100.0**	**202,956**	**100.0**

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets primarily consist of impairment provisions for trade receivables and other receivables (excluding prepayments). Under our impairment methodology, provision for impairment losses primarily depend on whether there has been a significant increase in credit risks. For details on credit risks, see note 3.1 to the Accountant's Report included in Appendix I to this Prospectus. Our net impairment losses on financial assets amounted to RMB19.5 million, RMB8.6 million and RMB3.4 million in 2017, 2018 and 2019, respectively. The decreases in net impairment losses from 2017 to 2019 were primarily due to (i) our enhanced our service fee collection efforts with respect to properties under our management; and (ii) increases in the number of newly delivered properties where we typically demand prepayments of property management fees. Our net impairment losses on financial assets increased from RMB6.5 million in the six months ended June 30, 2019 to RMB7.3 million in the six months ended June 30, 2020, primarily due to (i) the expansion of our business; and (ii) our acquisition of Guangzhou Yuetai and Fusheng Live Services in the first half of 2020, both of which had a large amount of third-party receivables, including trade receivables and other receivables, leading to an increase in bad debts.

Other Income

Our other income primarily consists of (i) government grants from various local governments to reward us for employing local employees and for significant tax contributions as well as financial support granted by the local governments as an incentive for business development, among others. All government grants that we received during the Track Record Period were unconditional discretionary subsidies awarded by local governments. For certain government grants, such as reward for employing local employees and significant tax contributions, we expect to continue to receive them as recognitions of our performances and contributions. However, the availability and amount of subsidies are subject to the absolute discretions of local governments. As such, they are not derived from our ordinary course of business and are not recurring in nature; (ii) rental income from our investment properties; (iii) value-added tax deductibles, which arise out of a 10% additional deduction of input value-added taxes pursuant to favorable government policies valid from April 2019 to the end of 2021 for certain service providers including ourselves; and (iv) others which primarily include utility fees prepaid by property developers on our behalf which later released us from repaying such fees. We have entered into agreements to dispose of the relevant investment properties in August 2020, which disposal is expected to complete before the Listing, and do not expect to generate rental income from such properties going forward.

The following table sets forth a breakdown of our other income during the periods indicated, both in absolute amount and as a percentage of total other income.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Government grants	1,412	58.5	3,008	75.0	4,958	28.3	2,053	53.6	11,305	53.9
Rental income	1,000	41.5	1,000	25.0	4,667	26.7	500	13.0	5,594	26.7
Value-added tax deductibles	–	–	–	–	6,092	34.9	1,281	33.4	4,077	19.4
Others	–	–	–	–	1,761	10.1	–	–	–	–
Total	**2,412**	**100.0**	**4,008**	**100.0**	**17,478**	**100.0**	**3,834**	**100.0**	**20,976**	**100.0**

Other Net Gains or Losses

Our other net gains or losses primarily consist of losses on disposal of property, plant and equipment, penalties, and provision made for legal claims. Our other net losses amounted to RMB2.6 million in 2019, primarily due to our provision for a number of immaterial pending legal claims. Our other net losses amounted to RMB5.6 million in the six months ended June 30, 2020 primarily due to provision for pending legal claims of RMB2.1 million and fair value changes of put option of RMB7.2 million.

Other Operating Expenses

Our other operating expenses primarily consist of depreciation of our investment properties, as well as compensation paid in relation to an accident in a property under our management. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our other operating expenses amounted to RMB0.5 million, RMB0.8 million, RMB6.7 million, RMB3.4 million and

RMB3.0 million, respectively. We have entered into agreements to dispose of the relevant investment properties in August 2020 and do not expect to incur depreciation expenses from such properties going forward.

Finance Income and Finance Costs

Our finance income primarily consists of (i) interest income on bank deposits; and (ii) interest income on loans to related parties which we made using proceeds we derived from ABS issuances. Our finance costs primarily relate to interest expenses on ABS, as well as expenses and charges related to loans from related parties and lease liabilities. The following table sets forth a breakdown of our finance income and costs during the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
			(RMB in thousands)		
Finance income					
Interest income on bank deposits	5,734	9,412	4,366	1,838	2,626
Interest income on loans to related parties	92,010	66,658	33,569	20,232	–
Finance costs					
Interest expenses on ABS	(92,010)	(66,658)	(36,619)	(20,232)	(12,746)
Interest expenses on loans from related parties	–	–	(14,840)	–	–
Interest and finance charges paid/payable for lease liabilities and others	(88)	(243)	(374)	(183)	(513)
Finance income/(costs) – net	**5,646**	**9,169**	**(13,898)**	**1,655**	**(10,633)**

Income Tax Expenses

Income tax expenses represent corporate income tax arising out of our income from operations within the PRC. For entities operating in Tibet Autonomous Region, namely Hailiang Property Management, the statutory corporate income tax rate was 15%. For other entities operating in the PRC, the statutory corporate income tax rate is 25%. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our effective corporate income tax rate was 25.4%, 25.1%, 24.0%, 25.1% and 16.1%, respectively. Our effective corporate income tax rate was lower than 25% in 2019 primarily due to our acquisition of Hailiang Property Management whose statutory corporate income tax rate was 15%. The effective corporate income tax rate in the six months ended June 30, 2020 was lower than 25%, primarily because (i) the net profit of RMB65.7 million attributable to one of our subsidiaries providing smart community solutions which has certifications of both "Software Enterprises" and "Software Products (雙軟企業)" enjoyed a zero corporate income tax rate; and (ii) the application of historical losses from Fusheng Life Services during the period.

Our income tax expenses also include the effect of deferred income tax credits or charges, namely tax credits or liabilities carried over from prior years.

The following table sets forth a breakdown of our income tax expenses for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Current income tax:					
PRC Corporate income tax	45,559	44,165	123,151	35,096	61,791
Deferred income tax (credit)/charge	(8,462)	4,826	(1,631)	1,397	(12,833)
Total	**37,097**	**48,991**	**121,520**	**36,493**	**48,958**

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2020

Revenue

Our revenue increased significantly from RMB845.4 million in the six months ended June 30, 2019 to RMB1,564.6 million in the six months ended June 30, 2020, primarily due to the expansion of our following services.

- *Property management services.* Our revenue from property management services increased by 87.1% from RMB438.1 million in the six months ended June 30, 2019 to RMB819.7 million in the six months ended June 30, 2020, primarily due to an increase in the number of properties and GFA under management, which increased from 91 and 47.5 million sq.m. as of June 30, 2019, respectively, to 293 and 85.7 million sq.m. as of June 30, 2020, respectively.

- *Community value-added services.* Our revenue from community value-added services increased significantly from RMB118.4 million in the six months ended June 30, 2019 to RMB417.3 million in the six months ended June 30, 2020, primarily due to (i) a significant increase in our revenue from carpark sales related services from RMB64.0 million in the six months ended June 30, 2019 to RMB154.3 million in the six months ended June 30, 2020, which was primarily driven by an increase in the number of properties for which we offered carpark sales related services from 31 as of June 30, 2019 to 40 as of June 30, 2020, as well as a significant increase in the number of carpark spaces we sold or helped sell during the same periods; and (ii) revenue from our smart community services of RMB135.0 million in the six months ended June 30, 2020, primarily driven by the continuous growth of this business since it was launched in 2019.

- *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners increased by 13.4% from RMB288.9 million in the six months ended June 30, 2019 to RMB327.6 million in the six months ended June 30, 2020, primarily due to a significant increase in the number of sales offices to which we offered sales office management services from 140 in the six months ended June 30, 2019 to 230 in the six months ended June 30, 2020.

Cost of Sales

Our cost of sales increased significantly from RMB563.0 million in the six months ended June 30, 2019 to RMB1,032.8 million in the six months ended June 30, 2020, primarily due to increases in the following costs.

- *Staff costs.* Our staff costs increased by 46.4 % from RMB315.7 million in the six months ended June 30, 2019 to RMB462.3 million in the six months ended June 30, 2020, primarily due to (i) an increase in the number of employees from the six months ended June 30, 2019 to the six months ended June 30, 2020; and (ii) an increase in the overall compensation level.

- *Subcontracting costs.* Our subcontracting costs increased significantly from RMB133.8 million in the six months ended June 30, 2019 to RMB276.2 million in the six months ended June 30, 2020, primarily due to an increase in our purchase of subcontracting services in line with our business expansion as well as our increased effort to outsource certain services with a view to reducing overall costs.

- *Utilities and facility operating costs.* Our utilities and facility operating costs increased significantly from RMB46.9 million in the six months ended June 30, 2019 to RMB104.3 million in the six months ended June 30, 2020 primarily due to (i) the increase in heating fees in connection with properties under management of Hailiang Property Management in Western China; (ii) an increase in our spending on updating facilities of properties managed by newly acquired property management companies with a view to improving service quality and enhancing residents' living experience and (iii) the expansion of our business.

- *Cost of selling carpark spaces.* We began purchasing carpark spaces from property developers and reselling them to property owners in the second half of 2018 due to our acquisition of Hailiang Property Management. We recognize the cost of purchasing such carpark spaces as cost of selling carpark spaces. Our cost of selling carpark spaces amounted to RMB60.0 million in the six months ended June 30, 2020, while we did not incur such costs in the six months ended June 30, 2019.

- *Cost of smart community solutions.* We began offering smart community solutions to property owners, property developers and other property management companies in 2019, which experienced rapid growth starting the second half of 2019, and as a result recorded cost of smart community solutions of RMB62.8 million for purchasing software and hardware in the six months ended June 30, 2020, and RMB7.2 million in the six months ended June 30, 2019.

- *Others.* Others remained relatively stable at RMB59.4 million and RMB54.9 million in the six months ended June 30, 2019 and 2020, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing changes in revenue and cost of sales, our gross profit increased significantly from RMB282.3 million in the six months ended June 30, 2019 to RMB531.8 million in the six months ended June 30, 2020, and our gross profit margin increased slightly from 33.4% to 34.0% during the same periods. The increase in gross profit margin was primarily due to an increase in revenue contributed by our community value-added services as a percentage of our total revenue, which typically generate a higher gross profit margin compared to other services. The increase in our overall gross profit margin was also due to a series of cost-saving measures aimed at increasing operational efficiency while maintaining service quality. For more details, see "Business — Our Competitive Strengths — Strong Operational Capability, High Operational Efficiency and Advanced Technological Support."

Gross profit for property management services increased from RMB130.7 million in the six months ended June 30, 2019 to RMB222.8 million in the six months ended June 30, 2020, primarily due to an increase in our revenue from property management services driven by an increase in GFA under our management and number of properties under our management. Gross profit margin decreased from 29.8% to 27.2%, primarily due to our acquisition of Guangzhou Yuetai and Fusheng Life Services in the first half of 2020, whose gross profit margins were relatively low.

Gross profit for community value-added services increased from RMB55.0 million in the six months ended June 30, 2019 to RMB206.3 million in the six months ended June 30, 2020, primarily due to the increases in revenue from our community asset management services, carpark sales related services, and smart community solutions. Our gross profit margin increased from 46.5% in the six months ended June 30, 2019 to 49.4% in the six months ended June 30, 2020, primarily due to an increase in the revenue from our smart community solutions launched in 2019 which had a relatively high profit margin.

Gross profit for value-added services to non-property owners increased from RMB96.7 million in the six months ended June 30, 2019 to RMB102.7 million in the six months ended June 30, 2020, primarily due to an increase in revenue from our sales office management services. Our gross profit margin for value-added services to non-property owners decreased from 33.5% in the six months ended June 30, 2019 to 31.4% in the six months ended June 30, 2020, primarily due to an increase in staff costs to support our efforts to improve service quality.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB5.1 million in the six months ended June 30, 2019 to RMB19.8 million in the six months ended June 30, 2020, primarily due to (i) an increase in staff expenses to support our business expansion and the increasing needs for selling and marketing expenses; and (ii) an increase in advertising and promotion expenses to support the expansion of our smart community solutions, marketing and promotional services to third-party home furnishing service providers, and carpark sales related services.

Administrative Expenses

Our administrative expenses increased by 59.0% from RMB127.6 million in the six months ended June 30, 2019 to RMB203.0 million in the six months ended June 30, 2020, primarily due to an increase in our staff expenses as a result of an increase in the number of employees and salary level, and an increase in office and traveling expenses in line with our business expansion.

Net Impairment Loss on Financial Assets

Our net impairment loss on financial assets increased from RMB6.5 million in the six months ended June 30, 2019 to RMB7.3 million in the six months ended June 30, 2020, primarily due to (i) the expansion of our business; and (ii) our acquisition of Guangzhou Yuetai and Fusheng Live Services in the first half of 2020, both of whom had a large amount of third-party receivables, including trade receivables and other receivables, leading to an increase in bad debts.

Other Income

Our other income increased significantly from RMB3.8 million in the six months ended June 30, 2019 to RMB21.0 million in the six months ended June 30, 2020, primarily due to (i) an increase in the amount of government grants of RMB11.3 million we received in the six months ended June 30, 2020, such as subsidies in relation to social insurance and employment; (ii) the effect of value-added tax deductibles of RMB4.1 million in the six months ended June 30, 2020 arising out of a 10% additional deduction of input value-added taxes pursuant to favorable government policies valid from April 2019 to the end of 2021 for certain service providers including ourselves; and (iii) an increase in our rental income of RMB5.6 million in the six months ended June 30, 2020 driven by an increase in rental income from our investment properties in Beijing. We have entered into agreements to dispose of the relevant investment properties in August 2020 and do not expect to generate rental income from such properties going forward.

Other Net Gains or Losses

Our other net gains were RMB0.3 million in the six months ended June 30, 2019. We recorded other net losses of RMB5.6 million in the six months ended June 30, 2020, primarily due to our provision for immaterial pending legal claims and fair value changes of put option of RMB9.3 million.

Other Operating Expenses

Our other operating expenses decreased by 13.5% from RMB3.4 million in the six months ended June 30, 2019 to RMB3.0 million in the six months ended June 30, 2020, primarily due to a decrease in compensation expenses as we incurred compensation expenses of RMB3.0 million in the six months ended June 30, 2019 in relation to an accident in a property under our management in 2019. Such decrease was partially offset by an increase in depreciation of investment properties as a result of our purchase of additional investment properties in May 2019. We have entered into agreements to dispose of the relevant investment properties in August 2020 and do not expect to incur depreciation expenses from such properties going forward.

Finance Income and Finance Cost

Our finance income decreased from RMB22.1 million in the six months ended June 30, 2019 to RMB2.6 million in the six months ended June 30, 2020, primarily due to a decrease in interest income on loans to related parties resulting from repayment by related parties of loans we made using proceeds from ABS issuance.

Our finance costs decreased from RMB20.4 million in the six months ended June 30, 2019 to RMB13.3 million in the six months ended June 30, 2020, primarily due to a decrease in interest expense related to our ABS issuance whose balance decreased from RMB20.2 million as of June 30, 2019 to RMB12.7 million as of June 30, 2020.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased significantly from RMB145.4 million in the six months ended June 30, 2019 to RMB303.6 million in the six months ended June 30, 2020.

Income Tax Expense

Our income tax expense increased significantly from RMB36.5 million in the six months ended June 30, 2019 to RMB49.0 million in the six months ended June 30, 2020, primarily due to an increase in profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB108.9 million in the six months ended June 30, 2019 to RMB254.7 million in the six months ended June 30, 2020.

2019 Compared to 2018

Revenue

Our revenue increased significantly from RMB1,329.3 million in 2018 to RMB2,489.1 million in 2019, primarily due to the expansion of our following services.

- *Property management services.* Our revenue from property management services increased by 41.3% from RMB848.6 million in 2018 to RMB1,199.4 million in 2019, primarily due to an increase in the number of properties and GFA under our management, which increased from 93 and 45.0 million sq.m. as of December 31, 2018, respectively, to 184 and 68.2 million sq.m. as of December 31, 2019, respectively. In addition to organic growth, the increase in our GFA under management was also attributable to our acquisitions of two property management companies, namely, Hailiang Property Management and Quanzhou Sanyuan, adding 14.8 million sq.m. and 1.3 million sq.m. to GFA under management, respectively, as of December 31, 2019 and RMB105.5 million and RMB10.9 million, respectively, to our revenue from property management services, in 2019.

- *Community value-added services.* Our revenue from community value-added services increased significantly from RMB94.7 million in 2018 to RMB648.6 million in 2019, primarily due to (i) a significant increase in our revenue from carpark sales related services from RMB25.6 million in 2018 to RMB359.5 million in 2019, which was primarily driven by an increase in the number of properties for which we offered carpark sales related services from 2018 to 2019, as well as a significant increase in the number of carpark spaces we sold or helped sell from 2018 to 2019. In particular, due to our acquisition of Hailiang Property Management in 2019, we recognized revenue from carpark sales of RMB117.8 million; (ii) an increase in our revenue from community asset management services from RMB67.9 million in 2018 to RMB162.6 million in 2019, primarily due to a significant increase in the number of properties under our management from 2018 to 2019; (iii) an increase in revenue from home improvement services, primarily driven by the launch of our marketing and promotional services to home furnishing service providers in 2019; and (iv) our launch of smart community services in 2019 which generated RMB51.5 million in revenue in 2019.

- *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners increased by 66.1% from RMB386.1 million in 2018 to RMB641.1 million in 2019, primarily due to (i) a significant increase in the number of sales offices to which we offered sales office management services from 110 in 2018 to 174 in 2019; and (ii) an increase in the number of properties to which we offered repair and maintenance services from 49 in 2018 to 60 in 2019; and (iii) an increase in the number of properties to which we offered preliminary planning and design consultancy from 46 in 2018 to 59 in 2019.

Cost of Sales

Our cost of sales increased significantly from RMB939.0 million in 2018 to RMB1,651.0 million in 2019, primarily due to increases in the following costs.

- *Staff costs*. Our staff costs increased by 38.8% from RMB607.3 million in 2018 to RMB843.0 million in 2019, primarily due to (i) an increase in the number of employees from 2018 to 2019 primarily as a result of our acquisitions of Hailiang Property Management and Quanzhou Sanyuan in 2019; (ii) an increase in the overall compensation level; and (iii) our decision to pay out higher bonuses to employees due to favorable operational results and improvements in our operational efficiency, as demonstrated by increases in revenue and GFA under management per employee.

- *Subcontracting costs*. Our subcontracting costs increased significantly from RMB210.4 million in 2018 to RMB425.6 million in 2019, primarily due to (i) an increase in our purchase of subcontracting services in line with our business expansion as well as our increased effort to outsource certain services with a view to reducing costs; and (ii) a general increase in subcontracting fees.

- *Utilities and facility operating costs.* Our utilities and facility operating costs increased significantly from RMB76.5 million in 2018 to RMB183.2 million in 2019 primarily due to our acquisition of Hailiang Property Management in 2019. We generally recognize utility and facility operating costs where property owners or residents pay common area utility fees as part of property management fees. Where we collect common area utility fees from property owners or residents and pay to utility suppliers on their behalf, we do not recognize utility and facility operating costs. For many properties managed by Hailiang Property Management, property owners or residents generally pay common area utility fees as part of property management fee and as a result led to an increase in our utility and facility operations costs in 2019. Such increase was also due to the increase in our business scale through organic growth.

- *Cost of selling carpark spaces.* In 2019, due to our acquisition of Hailiang Property Management, we began purchasing carpark spaces from property developers and reselling them to property owners. We recognize the cost of purchasing such carpark spaces as cost of selling carpark spaces. In 2019, our cost of selling carpark spaces amounted to RMB61.5 million.

- *Cost of smart community solutions.* In 2019, we began offering smart community solutions to property owners, property developers and other property management companies, and as a result recorded cost of smart community solutions of RMB27.3 million for purchasing software and hardware.

- *Others*. Others increased significantly from RMB44.8 million in 2018 to RMB110.3 million in 2019 primarily due to (i) an increase in taxes and levies, cost of organizing community activities and cost of purchasing miscellaneous materials related to property management in line with our business growth; and (ii) an increase in costs incurred for common area renovation and public facilities maintenance subsequent to the acquisition of Hailiang Property Management and Quanzhou Sanyuan to improve the service quality and enhance residents' living experience.

Gross Profit and Gross Profit Margin

As a result of the foregoing changes in revenue and cost of sales, our gross profit increased significantly from RMB390.3 million in 2018 to RMB838.1 million in 2019, and our gross profit margin increased from 29.4% in 2018 to 33.7% in 2019. The increase in gross profit margin was primarily due to an increase in revenue contributed by our community value-added services as a percentage of our total revenue, which typically generate a higher gross profit margin compared to other services. The percentage of revenue contributed by community value-added services increased from 7.1% in 2018 to 26.0% in 2019. The increase in our overall gross profit margin was also due to a series of cost-saving measures aimed at increasing operational efficiency while maintaining service quality. For more details, see "Business — Our Competitive Strengths — Strong Operational Capability, High Operational Efficiency and Advanced Technological Support."

Gross profit for property management services increased from RMB230.0 million in 2018 to RMB348.3 million in 2019, primarily due to an increase in our revenue from property management services driven by an increase in GFA under our management and number of properties under our management. Gross profit margin increased from 27.1% to 29.0%, primarily due to our ability to expand our service scale without incurring the same amount of labor costs due to economies of scale and the above-mentioned measures aimed at increasing operational efficiency. In particular, the geographic proximity among certain properties under our management enables us to effectively utilize our management and human resources.

Gross profit for community value-added services increased from RMB43.4 million in 2018 to RMB308.1 million in 2019, primarily due to the increases in revenue of our community asset management services, carpark sales related services, marketing and promotional services under our home improvement services and smart community solutions. Our gross profit margin increased from 45.9% in 2018 to 47.5% in 2019, primarily due to economies of scale and our improved operational efficiencies, as well as the launch of our marketing and promotional services under our home improvement services which has a higher gross profit margin than the overall community value-added services.

Gross profit for value-added services to non-property owners increased from RMB116.9 million in 2018 to RMB181.7 million in 2019, primarily due to the increases in revenue from our sales office property management services. Our gross profit margin for value-added services to non-property owners decreased from 30.3% in 2018 to 28.3% in 2019, primarily due to an increase in the number of employees who provide such services, as well as an increase in the compensation level.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 177.8% from RMB6.4 million in 2018 to RMB17.8 million in 2019, primarily due to (i) an increase in the number of community activities we organized in 2019 as we endeavored to promote our brand image and value-added services; (ii) commission expenses which we began to incur in 2019 for acquiring customers for our carpark sales related services; and (iii) advertising and promotion expenses, staff expenses and others which we began to incur in 2019 as we established the investment and expansion team in early 2019 with a view to expanding our independent third-party customer base.

Administrative Expenses

Our administrative expenses increased by 57.8% from RMB192.6 million in 2018 to RMB303.9 million in 2019, primarily due to an increase in staff expense as a result of an increase in the number of employees due to our organic growth, as well as acquisitions of Hailiang Property Management and Quanzhou Sanyuan in 2019. In 2019, we also increased our investment in information system to support our business expansion and improve operational efficiency, which also contributed to the increase in administrative expenses.

Net Impairment Loss on Financial Assets

Our net impairment loss on financial assets decreased from RMB8.6 million in 2018 to RMB3.4 million in 2019 primarily attributable to our enhanced fee collection efforts.

Other Income

Our other income increased significantly from RMB4.0 million in 2018 to RMB17.5 million in 2019, primarily due to (i) the effect of value-added tax deductibles of RMB6.1 million in 2019 arising out of a 10% additional deduction of input value-added taxes pursuant to favorable government policies valid from April 2019 to the end of 2021 for certain service providers including ourselves; (ii) an increase in our rental income of RMB3.7 million in 2019 because we purchased additional ground-floor shops in Kunshan in May 2019 which began generating rental income thereafter; and (iii) an increase in the amount of government grants of RMB2.0 million we received in 2019.

Other Net Gains or Losses

Our other net gains were RMB0.1 million in 2018. We recorded other net losses of RMB2.6 million in 2019, primarily due to our provision for immaterial pending legal claims.

Other Operating Expenses

Our other operating expenses increased significantly from RMB0.8 million in 2018 to RMB6.7 million in 2019, primarily due to the (i) an increase in depreciation expenses related to investment properties; and (ii) a payment of RMB3.0 million in compensation expenses in relation to an accident in a property under our management in 2019.

Finance Income and Finance Cost

Our finance income decreased from RMB76.1 million in 2018 to RMB37.9 million in 2019, primarily due to a decrease in interest income on loans to related parties resulting from repayment by related parties of loans we made using proceeds from ABS issuance. Our interest income on loans to related parties in 2019 amounted to RMB33.6 million in 2019, which was less than our interest expense on ABS of RMB36.6 million in 2019, primarily because our related parties repaid their loan to us before we made repayment on ABS pursuant to the relevant repayment schedule.

Our finance costs decreased from RMB66.9 million in 2018 to RMB51.8 million in 2019, primarily due to a decrease in interest expense related to our ABS issuance whose balance decreased from RMB553.8 million as of December 31, 2018 to RMB239.8 million as of December 31, 2019, partially offset by an increase in interest expenses from other borrowings of RMB14.8 million in relation to loans we borrowed from Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd. and Mudanjiang Tongda Micro-finance Co., Ltd., two subsidiaries of Shimao Group Holdings, in 2019. For more details on related party transactions, see note 39 to the Accountant's Report included in Appendix I to this Prospectus.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased significantly from RMB195.2 million in 2018 to RMB506.1 million in 2019.

Income Tax Expense

Our income tax expense increased significantly from RMB49.0 million in 2018 to RMB121.5 million in 2019, primarily due to an increase in profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB146.2 million in 2018 to RMB384.5 million in 2019.

2018 Compared to 2017

Revenue

Our revenue increased by 27.5% from RMB1,042.5 million in 2017 to RMB1,329.3 million in 2018, primarily due to the expansion of our following services and the growth of our business scale.

- *Property management services.* Our revenue from property management services increased by 15.6% from RMB733.8 million in 2017 to RMB848.6 million in 2018, primarily due to (i) an increase in the number of properties under our management, leading to an increase in GFA under management of approximately 2.3 million sq.m. from 2017 to 2018; and (ii) an increase in average monthly property management fee per sq.m. of residential properties from RMB2.3 in 2017 to RMB2.4 in 2018.

- *Community value-added services.* Our revenue from community value-added services increased by 51.3% from RMB62.6 million in 2017 to RMB94.7 million in 2018, primarily due to a significant increase in our commission income for carpark sales related services from RMB12.5 million in 2017 to RMB25.6 million in 2018, which in turn was primarily driven by a significant increase in the number of properties in which we offered carpark sales agency services from 2017 to 2018, and a significant increase in the number of carpark spaces we helped sell from 2017 to 2018.

- *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners increased by 56.8% from RMB246.2 million in 2017 to RMB386.1 million in 2018, primarily due to (i) an increase in the number of sales offices to which we offered sales office management services from 56 in 2017 to 110 in 2018; and (ii) an increase in the number of properties to which we offered repair and maintenance services to property developers from 16 in 2017 to 49 in 2018; and (iii) an increase in the number of properties to which we offered preliminary planning and design consultancy services from 31 in 2017 to 46 in 2018.

Cost of Sales

Our cost of sales increased by 24.3% from RMB755.6 million in 2017 to RMB939.0 million in 2018, primarily due to increases in the following costs.

- *Staff costs.* Our staff costs increased from RMB459.2 million in 2017 to RMB607.3 million in 2018, primarily due to an increase in the number of employees from 2017 to 2018.

- *Subcontracting costs.* Our subcontracting costs increased from RMB181.8 million in 2017 to RMB210.4 million in 2018, primarily due to an increase in the number of properties and GFA under our management.

- *Utilities and facility operating costs*. Our utilities and facility operating costs increased from RMB63.2 million in 2017 to RMB76.5 million in 2018 in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing changes in revenue and cost of sales, our gross profit increased by 36.0% from RMB286.9 million in 2017 to RMB390.3 million in 2018, and our gross profit margin increased from 27.5% in 2017 to 29.4% in 2018. The increase in gross profit margin was primarily due to an increase in revenue and economies of scale.

The increase in our overall gross profit margin was also due to a series of cost-saving measures aimed at increasing operational efficiency while maintaining service quality. For example, we established a nationwide supplier engagement policy to replace our practice of having each property engage its own suppliers. We also streamlined our workforce and offered training to our staff to improve their work efficiency and expertise, which we believe contribute to an improvement in our operational efficiency and in our overall gross profit margin. We also enhanced our budget control capabilities by assigning personnel to specialize in budget management leveraging a series of digitized budget management systems, which enables us to monitor our spending and detect potential red flags.

Gross profit for our property management services increased from RMB183.9 million in 2017 to RMB230.0 million in 2018, primarily due to an increase in our revenue from property management services driven by an increase in GFA under our management and number of properties under our management. Gross profit margin increased from 25.1% to 27.1%, primarily due to the above-mentioned measures aimed at increasing operational efficiency.

Gross profit for our community value-added services increased from RMB26.6 million in 2017 to RMB43.4 million in 2018, primarily due to an increase in revenue of our carpark sales related services. Our gross profit margin for community value-added services increased slightly from 42.5% in 2017 to 45.9% in 2018.

Gross profit for our value-added services to non-property owners increased from RMB76.4 million in 2017 to RMB116.9 million in 2018, primarily due to the increases in revenue from our sales office property management services, preliminary planning and design consultancy services and repair and maintenance services. Our gross profit margin for value-added services to non-property owners remained relatively stable at 30.3% in 2018, compared to 31.0% in 2017.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB3.2 million in 2017 to RMB6.4 million in 2018, primarily due to an increase in the number of community activities we organized in 2018.

Administrative Expenses

Our administrative expenses increased by 52.9% from RMB126.0 million in 2017 to RMB192.6 million in 2018, primarily due to an increase in the number of employees who supported our business operations and expansion.

Other Income

Our other income increased from RMB2.4 million in 2017 to RMB4.0 million in 2018, primarily due to an increase in the amount of government grants received from RMB1.4 million in 2017 to RMB3.0 million in 2018.

Finance Income and Finance Cost

Our finance income decreased by 22.2% from RMB97.7 million in 2017 to RMB76.1 million in 2018, primarily due to a decrease in interest income on loans to related parties as the outstanding balance decreased as a result of loan repayment by related parties to us.

Our finance cost decreased by 27.4% from RMB92.1 million in 2017 to RMB66.9 million in 2018, primarily due to a decrease in interest expenses related to our ABS issuance as the outstanding balance decreased from RMB839.9 million as of December 31, 2017 to RMB553.8 million as of December 31, 2018 due to our repayment of ABS pursuant to the relevant repayment schedule.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 33.8% from RMB145.9 million in 2017 to RMB195.2 million in 2018.

Income Tax Expense

Our income tax expense increased by 32.1% from RMB37.1 million in 2017 to RMB49.0 million in 2018, primarily due to an increase in profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 34.4% from RMB108.8 million in 2017 to RMB146.2 million in 2018.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF BALANCE SHEET ITEMS

The following table sets forth our summary consolidated statement of balance sheet as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Assets				
Non-current assets				
Property, plant and equipment	5,145	10,219	14,029	29,240
Investment properties	7,506	7,091	103,003	100,532
Right-of-use assets	1,129	7,026	15,858	12,673
Intangible assets	2,260	4,513	283,294	571,069
Deferred tax assets	32,148	27,322	24,619	36,748
Investments in an associate accounted for using the equity method	–	–	3,692	6,137
Financial assets at fair value through other comprehensive income	–	–	–	356
Total non-current assets	**48,188**	**56,171**	**444,495**	**756,755**
Current assets				
Inventories	–	–	276,775	311,247
Trade receivables	453,295	477,030	747,305	767,831
Receivables arising from debt restructuring	93,153	–	–	–
Prepayments, deposits and other receivables	930,009	2,124,005	1,256,765	364,092
Cash and cash equivalents	596,921	537,714	849,591	1,753,581
Financial assets at fair value through profit or loss	–	–	–	69,868
Total current assets	**2,073,378**	**3,138,749**	**3,130,436**	**3,266,619**
Total assets	**2,121,566**	**3,194,920**	**3,574,931**	**4,023,374**

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Liabilities				
Non-current liabilities				
Borrowings	504,567	218,458	–	–
Lease liabilities	756	4,488	8,622	4,770
Deferred tax liabilities	–	–	14,354	27,418
Provisions for other liabilities and charges	–	–	2,998	5,120
Total non-current liabilities	**505,323**	**222,946**	**25,974**	**37,308**
Current liabilities				
Trade and other payables	642,270	1,051,513	1,913,052	1,931,307
Contract liabilities	193,780	270,300	445,602	482,812
Dividend payables	–	–	559,247	13,061
Income tax liabilities	43,017	64,417	150,576	192,253
Borrowings	335,318	335,378	239,789	80,437
Lease liabilities	543	2,855	6,896	7,709
Total current liabilities	**1,214,928**	**1,724,463**	**3,315,162**	**2,707,579**
Total liabilities	**1,720,251**	**1,947,409**	**3,341,136**	**2,744,887**
Total equity	**401,315**	**1,247,511**	**233,795**	**1,278,487**
Total equity and liabilities	**2,121,566**	**3,194,920**	**3,574,931**	**4,023,374**

Property, Plant and Equipment

Property, plant and equipment mainly consists of electronic equipment, machinery and equipment, vehicles and leasehold improvements. Property, plant and equipment increased from RMB5.1 million as of December 31, 2017 to RMB10.2 million as of December 31, 2018, and RMB14.0 million as of December 31, 2019, and further to RMB29.2 million as of June 30, 2020 in line with our business growth. In addition, the increase from RMB10.2 million as of December 31, 2018 to RMB14.0 million as of December 31, 2019 was also primarily due to our acquisition of Hailiang Property Management and Quanzhou Sanyuan in 2019. The significant increase from RMB14.0 million as of December 31, 2019 to RMB29.2 million as of June 30, 2020 was also primarily due to our acquisition of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi in the first half of 2020.

Investment Properties

Investment properties represent ground-floor shops we acquired in order to generate rental income. The total carrying amount of our investment properties decreased from RMB7.5 million as of December 31, 2017 to RMB7.1 million as of December 31, 2018, primarily due to depreciation of investment properties. The total carrying amount of our investment properties then increased to RMB103.0 million as of December 31, 2019, primarily due to our purchase of additional ground-floor shops in Kunshan in the amount of RMB99.0 million in May 2019, partially offset by depreciation. The total carrying amount of investment properties decreased to RMB100.5 million, primarily due to depreciation of investment properties. We receive rental income from such investment property. As of December 31, 2019 and June 30, 2020, investment properties with a carrying amount of RMB96.3 million and RMB94.0 million, respectively, were pledged as collaterals for a loan of Shanghai Bianrui Trading Limited Co., Ltd. (上海忭睿貿易有限公司), a joint venture of Shimao Group Holdings. In August 2020, we entered into agreements to dispose of the relevant investment properties at a total consideration of RMB130.6 million as holding such investment properties for the generation of rental income was not in line with our core business.

Right-of-use Assets

Right-of-use assets primarily represent office equipment and offices which we leased for our office use and employee dormitories which we leased for our employees' use. Right-of-use assets increased from RMB1.1 million as of December 31, 2017 to RMB7.0 million as of December 31, 2018, and further to RMB15.9 million as of December 31, 2019 primarily due to the increase in the number of our employees during the Track Record Period in line with our business growth. Right-of-use assets decreased from RMB15.9 million as of December 31, 2019 to RMB12.7 million as of June 30, 2020, primarily due to (i) a decrease in the number of office equipment and offices which we leased for office use and employee dormitories; and (ii) amortization of right-of-use assets.

Intangible Assets

Intangible assets primarily represent our expenditures on maintaining and developing software, as well as goodwill arising out of our acquisitions. Our intangible assets increased from RMB2.3 million as of December 31, 2017 to RMB4.5 million as of December 31, 2018, primarily due to our development of enterprise software to support our new service offerings. Our intangible assets further significantly increased to RMB283.3 million as of December 31, 2019 primarily due to the acquisition of Hailiang Property Management, Quanzhou Sanyuan and Xianghe Wantong, which resulted in the recognition of goodwill of RMB176.3 million and customer relationship valued at RMB95.8 million upon completion of the acquisition. Intangible assets increased significantly from RMB283.3 million as of December 31, 2019 to RMB571.1 million as of June 30, 2020, primarily due to the acquisition of Guangzhou Yuetai, Fusheng Life Services and Chengdu Xinyi which resulted in the recognition of goodwill of RMB175.8 million and customer relationship valued at RMB114.0 million upon completion of the acquisition.

Investments Accounted for Using the Equity Method

Investments accounted for using the equity method represents our investments in Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd. (雲茂互聯智能科技(廈門)有限公司), or Yunmao Interconnect. We established Yunmao Interconnect with Xiamen Yunzhixin Intelligent Technology Co., Ltd. (廈門雲知芯智能科技有限公司) in April 2019, holding equity interests of 49% and 51%, respectively, in order to capitalize on its proprietary technological capabilities in artificial intelligence and to incorporate its technologies into our smart community solutions. We contributed RMB4.9 million and became a 49% shareholder of Yunmao Interconnect. Yunmao Interconnect is primarily engaged in providing intelligent IoT platform which organically integrate equipment and user application scenarios to provide users with smart hotels, smart homes, smart buildings, and smart offices and other overall solutions by making full use of artificial intelligence, IoT, cloud computing, mobile Internet and other technologies. For the year ended December 31, 2019 and the six months ended June 30, 2020, its total revenue was approximately RMB6.4 million and RMB13.4 million respectively; its net profit/loss was approximately RMB2.5 million (at loss) and RMB0.2 million respectively; and its gross profit margin was 43.01% and 33.27% respectively. As of December 31, 2019 and June 30, 2020, its total asset was RMB9.1 million and RMB24.5 million respectively. Investments accounted for using the equity method increased to RMB6.1 million as of June 30, 2020, primarily due to the RMB2.3 million increase in equity investment in Kunming Ruixin Urban Operation Management Co., Ltd. (昆明睿信城市運營管理有限公司）as a result of our acquisition of Chengdu Xinyi; partially offset by the RMB1.1 million loss incurred by Yunmao Interconnect, which was at the initial ramp-up and development stage and therefore incurred significant spending on research and development.

Inventories

Inventories represents the use rights of carpark spaces we purchased from property developers for subsequent sale within a period of time under our carpark sales related business. In 2019, we began to purchase and sell carpark spaces at properties that came under our management as a result of our acquisition of Hailing Property Management. These carpark spaces were treated as our inventories instead of investment properties on our consolidated balance sheets. Our inventories increased from RMB276.8 million as of December 31, 2019 to RMB311.2 million as of June 30, 2020, primarily due to an RMB94.5 million increase in the carpark spaces purchased from Fusheng Group Co., Ltd. (福晟集團有限公司), offset by an approximately RMB50.8 million decrease in the carpark spaces from Hailiang Property Management as a result of sales of carpark spaces. As of August 31, 2020, inventories amounting to RMB15.8 million had been sold subsequent to the Track Record Period. Our average inventory turnover days were 821 days and 897 days for 2019 and the six months ended June 30, 2020, respectively. Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year or period divided by the cost of carpark spaces for that corresponding year or period and multiplied by the number of days in the year or period. Average inventory turnover days increased from 2019 to the six months ended June 30, 2020 primarily due to the carpark spaces we purchased from Fusheng Group Co., Ltd. in June 2020, which increased the ending balance of the six-month period. We did not have any inventory for 2017 and 2018 as we started the carpark sales business in 2019.

Trade Receivables and Receivables Arising from Debt Restructuring

Trade receivables and receivables arising from debt restructuring primarily arise from provision of various services and sales of goods in the ordinary course of business. In 2017, Shimao Group Holdings and our Group underwent an inter-company debt restructuring exercise to consolidate certain trade receivables due from Shimao Group Holdings to us. As a result, the related outstanding trade receivables of RMB93.6 million was reclassified as receivables arising from debt restructuring on the date of restructuring. We recognize trade receivables upon rendering relevant property management or value-added services according to relevant agreements, and reduce trade receivables when property owners or property developers pay us the fees due.

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

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Trade receivables				
– Related parties	240,123	342,584	406,687	276,718
– Third parties	245,934	148,971	275,871	323,233
Note receivables				
– Related parties	89	20,955	105,317	217,739
– Third parties	–	–	773	2,789
Total	486,146	512,510	788,648	820,479
Less: allowance for impairment of trade receivables	(32,851)	(35,480)	(41,343)	(52,648)
Subtotal	**453,295**	**477,030**	**747,305**	**767,831**
Receivables arising from debt restructuring[(1)]	93,621	–	–	–
Less: allowance for impairment of receivables arising from debt restructuring	(468)	–	–	–
Total	**546,448**	**477,030**	**747,305**	**767,831**

Note:

(1) The debt restructuring exercise consolidated the trade receivables due from certain subsidiaries under Shimao Group Holdings, totaling to RMB93.6 million, into one balance due from one of the subsidiaries of Shimao Group Holdings. Thus, the counterparties of the balances have changed pursuant to such debt restructuring exercise and resulted in the derecognition of the original trade receivable balances of RMB93.6 million and the recognition of new receivables arising from debt restructuring of the same amount on the date of restructuring. As a result, the aging of the aforesaid balances was recalculated on the date of restructuring. The Directors confirm that there had been no other similar reclassifications of trade balances during the Track Record Period.

Before allowance for impairment of trade receivables and receivables arising from debt restructuring, our trade receivables decreased from RMB579.8 million as of December 31, 2017 to RMB512.5 million as of December 31, 2018, primarily due to our enhanced collection efforts. Before allowance for impairment of trade receivables and receivables arising from debt restructuring, our trade receivables and receivables arising from debt restructuring subsequently increased significantly to RMB788.6 million as of December 31, 2019, primarily due to a significant increase in business volume and revenue from community value-added services and value-added services to non-property owners from 2018 to 2019, leading to a significant increase in receivables for our value-added services in the form of both trade receivables and note receivables where related parties settle payments with notes. Before allowance for impairment of trade receivables and receivables arising from debt restructuring, our trade receivables and receivables arising from debt restructuring increased from RMB788.6 million as of December 31, 2019 to RMB820.5 million as of June 30, 2019, primarily due to an increase in business volume and revenue from value-added services to non-property owners and an increase in business volume and revenue from community value-added services in the first half of 2020.

The notes receivables relate to settlement of trade receivables by the Shimao Group in the form of notes, which primarily arise out of our property management services and value-added services to non-property owners provided to the Shimao Group. As confirmed by the Shimao Group, during the Track Record Period, as a part of its cash management policies, the Shimao Group Holdings and its other subsidiaries issued commercial notes to us to settle certain trade receivables primarily arising out of property management services over unsold properties and sales office management services under value-added services to non-property owners which we provided to the Shimao Group Holdings and its other subsidiaries. Such commercial notes were typically due from six to 12 months. To the best knowledge of our Directors and as confirmed by the Shimao Group, commercial note is a common way of settling trade receivables with suppliers by the Shimao Group. Such commercial notes did not bear interests. We have assessed all overdue trade receivables, including those related to property management services, and made provisions based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics, which was also adjusted for forward-looking estimates.

As of August 31, 2020, RMB400.3 million, accounting for approximately 48.8% of our total trade receivables as of June 30, 2020 had been settled, among which, RMB199.2 million, accounting for approximately 49.8% was from related parties as we further enhanced our collect efforts for trade receivables from related parties and RMB201.1 million, accounting for approximately 50.2% was from Independent Third Parties because property owners tend to pay property management fees in one or more installments during or towards the end of a year.

The following table sets forth our average trade receivables turnover days, the calculation of which takes into account trade receivables, note receivables and receivables arising from debt restructuring, for related parties and for third parties during the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	**2018**	**2019**	**2020**
Average trade receivables turnover days	123	141	90	89
Average trade receivables turnover days for related parties	263	261	169	135
Average trade receivables turnover days for third parties	75	84	46	50
Average note receivables turnover days	545[(1)]	119	104	133

Note:

(1) The average note receivables turnover days for 2017 were mainly attributable to the fact that the beginning balance of the year was approximately RMB15.8 million, while the amount of revenue we recognized in relation to the notes during the year was approximately RMB5.3 million; most of our note receivables, including all of our note receivables outstanding at the beginning of the 2017, had been collected within six to 12 months from the invoice date and by the end of 2017 as the ending balance of our note receivable of the year decreased significantly to approximately RMB0.09 million. There had been no revolving arrangement for our note receivables.

Our average trade receivable turnover days were 123 days, 141 days, 90 days and 89 days in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our average trade receivable turnover days for a certain period are calculated by dividing the average of the beginning and ending balances of trade receivables by revenue during the relevant period, multiplied by the number of days in that period. The increase in average trade receivable turnover days from 123 days in 2017 to 141 days in 2018 was primarily because revenue from independent third-party customers of our community value-added services increased from 2017 to 2018, and the collection period from such independent third-party customers are typically longer than those of individual property owner customers of our property management services who typically are required to pay property management fees in advance. The decrease in average trade receivable turnover days from 141 days in 2018 to 90 days in 2019 was primarily due to improvements in collection from related parties. The trade receivable turnover days for third parties increased from 75 days in 2017 to 84 days in 2018 due to the increase in revenue from community value-added services provided to third parties, whose collection period is typically longer compared to third-party customers of property management services. The trade receivable turnover days for third parties then decreased to 46 in 2019 due to our enhanced collection efforts.

Our average note receivable turnover days were 545 days, 119 days, 104 days and 133 days in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our average note receivable turnover days for a certain period are calculated by dividing the average of the beginning and ending balances of note receivables by the amount of revenue recognized in relation to the notes during the relevant period, multiplied by the number of days in that period. The decrease in average note receivable turnover days from 545 days in 2017 to 119 days in 2018 was primarily due to a large decrease in our note receivables balances from the beginning of 2017 to the end of year, as we collected all of the note receivables incurred in the previous year but recorded a comparably small amount of revenue through new notes issued to us in 2017. The average note receivable turnover days decreased slightly from 119 days in 2018 to 104 days in 2019 and were generally consistent with our policy regarding the collection of commercial notes.

During the Track Record Period, trade receivables turnover days for related parties were generally longer than for third parties, primarily because before the Spin-off, Shimao Group Holdings conducted centralized fund management and allocation among all of its subsidiaries which include (i) our subsidiaries that provided property management services, community value-added services and value-added services and were entitled to receive service fees; and (ii) Shimao Group Holdings' other subsidiaries that received such services and were obligated to pay such service fees. As a result of the centralized fund management, the credit terms granted to related parties were typically longer than those granted to third parties, resulting in the substantially longer turnover days for trade receivables for related parties during the Track Record Period. Going forward, we plan to enhance our trade receivables collection efforts from both related parties and third parties. We plan to continue to adopt different collection approaches, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters, and filing lawsuits, if necessary. We also plan to further enhance the trade receivables collection processes by implementing the following measures: (i) utilizing our information technology systems, in particular our fee collection system, to monitor and control the collection progress; (ii) enhancing our collection efforts toward trade receivables from related parties, including to proactively communicate with related parties with respect to the settlement of long outstanding balances, issue and send invoices to related parties regularly; and (iii) communicating with our customers timely and efficiently with respect to approaching payment deadlines as well as overdue balances and evaluate the accounts to determine the appropriate collection strategy. In particular to our collection efforts in relation to community value-added services and value-added services to non-property owners (including related parties), we have adopted several measures including (i) checking monthly balances of receivables with related party customers at the end of each month; (ii) appointing specific employees to manage collections from customers of value-added services to non-property owners, and linking the collection of such receivables with the job performance of such employees; (iii) adjusting our sales strategies to certain third-party customers with long payment periods from granting credit terms to requiring prepayments; and (iv) communicating with customers who issued us commercial notes before note due dates to ensure sufficient cash is available for us on the relevant due dates.

We typically grant credit terms of 60 days to related-party customers of our community value-added services, and generally do not grant credit terms to independent third-party customers of our community value-added services. During the Track Record Period, the average credit term granted to related parties was 60 days. During the Track Record Period, trade receivable turnover days for related parties were longer than the average credit term granted primarily due to the centralized fund management and allocation conducted by the Shimao Group Holdings before the Spin-off as discussed in the paragraph above. For value-added services to non-property owners, a substantial majority of our service revenue was from related party customers to which we granted a 60-day credit term, with the remaining from independent third-party customer to which we generally did not grant credit terms. Customers of our property management services, including both related-party customers and independent third-party customers, generally do not enjoy credit terms, and are required to pay property management fees in advance as this is stipulated under the relevant contract, which we believe is in line with market practice.

The following table sets forth a breakdown of our trade receivables, including note receivables, by business line with respective average turnover days for the periods indicated.

	Year ended December 31,						Six months ended June 30, 2020	
	2017		2018		2019			
	Trade Receivables[(1)]	Turnover Days	Trade Receivables	Turnover Days	Trade Receivables	Turnover Days	Trade Receivables	Turnover Days
	(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*	
Property management services								
Related party customers	43,877	207	23,645	171	26,884	114	22,349	68
Independent third-party Customers	197,740	68	84,086	65	175,830	42	156,648	40
Subtotal/overall	**241,617**	**86**	**107,731**	**74**	**202,713**	**47**	**178,997**	**42**
Community value-added services								
Related party customers	–	54	11,884	130	77,134	172	78,145	141
Independent third-party Customers	16,544	63	31,223	110	62,032	30	119,199	51
Subtotal/overall	**16,544**	**74**	**43,107**	**113**	**139,166**	**51**	**197,344**	**73**
Value-added services to non-property owners								
Related party customers	288,286	265	326,192	287	405,427	208	391,490	238
Independent third-party Customers	–	N/A	–	N/A	–	N/A	–	N/A
Subtotal/overall	**288,286**	**238**	**326,192**	**286**	**405,427**	**205**	**391,490**	**219**

Note:

(1) Takes into account receivables arising from debt restructuring.

Our trade receivables turnover days for property management services decreased from 86 days in 2017 to 74 days in 2018, and to 47 days in 2019 and further to 42 days in the six months ended June 30, 2020, primarily reflecting our continuous effort to collect property management fees. Our trade receivable turnover days for property management services were generally lower than community value-added services and value-added services to non-property owners, primarily because we typically do not grant credit terms to property management service customers, in addition to the above-mentioned effort to collect property management service fees. Though we generally do not grant any credit terms to customers of our property management services and require such customers to pay property management fees in advance, property owners and residents tend to settle outstanding property management fee balances toward the second half of the year, especially near the end of the year, which is in line with the industry norm, pursuant to CIA. In addition, we have enhanced our collection efforts with respect to property management services fees and the trade turnover days for property management services decreased throughout the Track Record Period.

Our trade receivables turnover days for community value-added services increased from 74 days in 2017 to 113 days in 2018 mainly because we granted relatively long credit term to customers in 2018 to attract potential customers with a view to expanding our customer base for community value-added services. Our trade receivable turnover days for community value-added services then decreased to 51 days in 2019, primarily reflecting our enhanced collection efforts. Our trade receivables turnover days for community value-added services subsequently increased to 73 days in the six months ended June 30, 2020, primarily due to the significant increase in revenue and the number of customers of our smart community solutions, for which we granted longer collection periods to customers with which we wish to collaborate closely in the future. Our trade receivable turnover days increased from 238 days in 2017 to 286 days in 2018, primarily due to delays in our request for payment from our related party customers as our cash needs were relatively low. In 2019, we began to rapidly expand our various business lines, which led to significantly higher cash needs. As a result, we improved our collection efforts from customers of our value-added services to non-property owners in order to satisfy such increased cash needs, which led to the decrease in trade receivable turnover days for value-added services to non-property owners from 286 days in 2018 to 205 days in 2019. Our trade receivables for value-added services to non-property owners subsequently increased to 219 days in the six months ended June 30, 2020, primarily due to increase in the amount of receivables from related parties which were settled through notes whose maturity period ranges from six months to one year. Our trade receivables turnover days for value-added services to non-property owners were relatively long compared to those for property management services and community value-added services because during the Track Record Period, we primarily provided such value-added services to our related parties, for which the trade receivables turnover days were generally longer due to the centralized fund management and allocation conducted by the Shimao Group Holdings before the Spin-off.

The following table sets forth an ageing analysis of our trade receivables, the calculation of which takes into account receivables arising from debt restructuring, based on invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
One year or shorter	502,204	400,832	607,738	489,088
One to two years	43,622	41,076	32,144	51,995
Two to three years	17,882	24,800	16,859	22,278
Over three years	15,970	24,847	25,817	36,590
Total	**579,678**	**491,555**	**682,558**	**599,951**

The following table sets forth an aging analysis of our trade receivables, the calculation of which takes into account receivables arising from debt restructuring, with related parties based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
One year or shorter	328,401	334,779	399,973	259,044
One to two years	4,906	5,417	5,070	15,228
Two to three years	254	2,187	1,482	2,975
Over three years	183	201	162	371
Total	333,744	342,584	406,687	277,618

The following table sets forth an aging analysis of our trade receivables with Independent Third Parties based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
One year or shorter	173,803	66,053	207,765	230,044
One to two years	38,716	35,659	27,074	36,767
Two to three years	17,628	22,613	15,377	20,203
Over three years	15,787	24,646	25,655	36,219
Total	**245,934**	**148,971**	**275,871**	**323,233**

As of December 31, 2017, 2018 and 2019 and June 30, 2020, all note receivables, whether from related parties or Independent Third Parties, aged less than one year based on the issuance dates and the invoice dates of the notes. Our customers issue commercial notes to us within one month from the invoice date. During the Track Record Period, we held the notes until their maturity, upon which, we collected cash from the banks by presenting such notes. In addition, no notes were issued to replace notes previously issued to us during the Track Record Period. The following table sets forth and aging analysis of our note receivables based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
One year or shorter	89	20,955	106,090	220,528
Total	**89**	**20,955**	**106,090**	**220,528**

We believe there is no recoverability issue for balances aged more than one year with related parties based on the Shimao Group's financial status and our settlement record with the Shimao Group. In addition, we have enhanced our collection efforts for trade receivables aged more than one year with related parties. Further, we believe the recoverability for balances aged more than one year with Independent Third Parties is high based on our settlement record with such parties. Moreover, we have made sufficient provision for impairment in relation to any overdue trade receivables.

We apply the simplified approach to provide for expected credit losses and use lifetime expected loss provision for all trade receivables. To measure lifetime expected losses, we group trade receivables based on shared credit risk characteristics and the number of days past due. For related parties, we adopt an expected loss rate of 0.5% in calculating provision for expected credit losses, typically lower than that of third parties. For third parties, we consider historical payment records of customers and consider other forward looking factors. We consider property owners in one property as a group when evaluating expected credit loss in relations to that property. We made allowance for impairment of trade receivables of RMB33.3 million, RMB35.5 million, RMB41.3 million and RMB52.6 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Prepayments, Deposits and Other Receivables

The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Prepayments				
– Utilities	3,316	3,465	5,869	11,799
– Raw materials for value-added services	–	–	10,005	2,563
– Other prepayments	10,030	73,364	35,000	42,435
Other receivables				
– Advance to related parties	908,505	2,012,549	1,106,098	216,691
– Advance to employees	2,595	4,561	8,196	3,040
– Payments on behalf of property owners	10,123	40,355	77,966	60,742
– Others	359	900	22,329	31,484
Total	934,928	2,135,194	1,265,463	368,754
Less: Allowance for impairment of other receivables	(4,919)	(11,189)	(8,698)	(4,662)
Total	**930,009**	**2,124,005**	**1,256,765**	**364,092**

Prepayments

Our prepayments primarily represent (i) utilities prepayment representing the small amount of balance we maintain with the utility companies in relation to common area electricity fees; (ii) raw materials for value-added services representing prepayments to an independent third-party technology company in relation to our smart community solutions; and (iii) other prepayments representing engineering prepayments related to the renovation and improvement projects on common area roads, sewage pipes, among other common area facilities. Our prepayments increased from RMB13.3 million as of December 31, 2017 to RMB76.8 million as of December 31, 2018, primarily due to an increase in renovation and improvement projects which were not completed as of December 31, 2018 and therefore led to an increase in prepayments balance. The subsequent decrease to RMB50.9 million as of December 31, 2019 was primarily due to the partial completion of the above-mentioned renovation and improvement projects. The RMB10.0 million prepayment balance for raw materials for value-added services as of December 31, 2019 was primarily due to prepayment to an independent third-party technology company which helped us develop our smart community solutions in 2019. Our prepayments then increased to RMB56.8 million as of June 30, 2020, primarily due to an increase in utilities prepayments in line with our business expansion and an increase in other prepayments primarily due to an increase in renovation and improvement projects.

Other Receivables

- *Advance to related parties.* Our advance to related parties primarily include (i) advance of interest-bearing loans to related parties as disclosed in "— Related Party Transactions;" (ii) deposits paid to the Shimao Group in relation to carpark related services for properties developed by the Shimao Group; and (iii) other advances to related parties to support their daily operations. Advance to related parties increased from RMB908.5 million as of December 31, 2017 to RMB2,012.5 million as of December 31, 2018, primarily due to (i) our advance of RMB700.0 million to the Shimao Group in 2018; and (ii) an RMB246.4 million increase in deposits paid to the Shimao Group in relation to carpark related services for properties developed by the Shimao Group. Advance to related parties subsequently decreased to RMB1,106.1 million as of December 31, 2019, primarily due to the Shimao Group's repayment of cash advances and interest-bearing loans we made to the Shimao Group, in 2019. Our advance to related parties further decreased to RMB216.7 million as of June 30, 2020, primarily due to the repayment of cash advances by related parties.

- *Advance to employees.* Staff advances primarily consist of advances we made to our staff from time to time for business purposes. We make advances to our employees when we anticipate that our employees need cash for reasonable job-related purposes. Such advances mainly include fixed amounts of petty cash provided to employees whose routine job responsibilities involve cash, such as (i) cashiers; (ii) drivers whose job incurs spending on gas and toll charges; (iii) project managers whose job incurs spending on public relation activities; and (iv) procurement personnel who may need to make urgent procurement payments. The amount of advances made to cashiers typically range from RMB200 to RMB500, and the amount made to drivers, project managers and procurement personnel typically range from RMB3,000 to RMB8,000. Cash advances to other employees primarily related to their temporary cash needs for business purposes, including holding receptions, annual meetings and on-campus information sessions. Such temporary cash advances are typically less than RMB50,000. We have internal policies for making advances to employees, pursuant to which we request our employees to (i) submit applications specifying the purpose for the advances for approval before making such advances; (ii) supply with expense documentations after such advances are spent for job-related purposes; and (iii) return any amount advanced that is in excess of expenses incurred or any amount of cash advance unused within a reasonable period. Advance to employees increased from RMB2.6 million as of December 31, 2017 to RMB4.6 million as of December 31, 2018, and further to RMB8.2 million as of December 31, 2019, primarily due to an increase in our business scale. Advance to employees decreased to RMB3.0 million as of June 30, 2020, primarily due to our enhanced efforts to collect advances to employees in the six months ended June 30, 2020.

- *Payments on behalf of property owners.* In certain properties under our management, we pay common area facility fees on behalf of property owners, and then seek reimbursement from property owners. Payments on behalf of property owners increased from RMB10.1 million as of December 31, 2017 to RMB40.4 million as of December 31, 2018, and further to RMB78.0 million as of December 31, 2019, primarily due to an increase in the number of properties under our management. Payments on behalf of property owners decreased to RMB60.7 million as of June 30, 2020, primarily due to our enhanced efforts to collect the utility fees.

- *Others.* Others represent input tax deductibles. One of our subsidiaries which was incorporated in 2019 was unable to fully deduct its input tax deductibles due to technical issues faced by local tax authorities, and as a result, others increased significantly to RMB22.3 million as of December 31, 2019. Others increased further to RMB31.5 million as of June 30, 2020, primarily due to (i) the expansion of our business; and (ii) the increase in input tax deductibles.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss mainly represent wealth management products we purchased from financial institutions. During the Track Record Period, under limited circumstances, we purchased low-risk investments for cash management purposes, which mainly included wealth management products issued by reputable banks. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our financial assets at fair value through profit or loss amounted to nil, nil, nil and RMB69.9 million, which were all classified as level 3 financial assets in terms of inputs to valuation methods used to estimate fair value. For more details of fair value estimation, see Note 3.3 to the Accountant's Report set out in Appendix I to this Prospectus.

We have implemented a series of internal control policies and rules regarding investment to ensure that the purpose of investment is to preserve capital and liquidity, and we would only purchase financial products under limited circumstances. Our finance department is responsible for managing our investment activities, and investment decisions of our finance department are subject to review and approval of our management team. Prior to making a proposal to invest in financial products, we assess and ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such financial products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as duration of investment and the expected returns. To control our risk exposure, we mainly invest in financial products offered by reputable commercial banks or reputable financial institutions. We generally select financial products with terms of no longer than 12 months or with flexible redemption options. After making an investment, we closely monitor its performance and fair value on a regular basis.

Trade Payables

Our trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials as well as purchases from subcontractors. We typically enjoy a credit term of less than 90 days. For certain suppliers with which we have established long-term business relationships, the credit terms could be extended to 180 days to a year.

The following table sets forth a breakdown of our trade payables as of the dates indicated.

	As of December 31,			As of June 30,
	2017	**2018**	**2019**	**2020**
	(RMB in thousands)			
Related parties	–	–	27,018	27,192
Third parties	37,771	48,402	141,131	152,301
Total	**37,771**	**48,402**	**168,149**	**179,493**

Our trade payables increased from RMB37.8 million as of December 31, 2017 to RMB48.4 million as of December 31, 2018, and RMB168.1 million as of December 31, 2019, and further to RMB179.5 million as of June 30, 2020. The increases in trade payables were primarily due to the growth of our business.

Our average trade payable turnover days were 12 days, 17 days, 24 days and 31 days in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our average trade payable turnover days for a certain period is calculated by dividing the average of the beginning and ending balances of trade payables by cost of sales during the relevant period, multiplied by the number of days in that period. The increases in average trade payable turnover days were primarily due to an increase in the amount of procurement as a result of our business expansion and a longer average credit period granted by our suppliers as a result of our good credit record.

The following table sets forth an ageing analysis of our trade payables to third parties based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
One year or shorter	30,956	35,009	148,753	147,858
One to two years	5,772	9,148	13,967	25,490
Two to three years	19	3,202	1,965	3,761
Over three years	1,024	1,043	3,464	2,384
Total	**37,771**	**48,402**	**168,149**	**179,493**

As of August 31, 2020, approximately RMB112.5 million, representing 62.7% of total trade payables as of June 30, 2020, was settled. Our Directors confirm that we had not defaulted on payment of trade payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables

Our other payables primarily represent (i) advance from related parties which include (a) sales proceeds which we had not transferred to property developers from purchasers of carpark spaces; (b) other advance from related parties to support our business operations; and (c) dividend payables; (ii) accrued expenses consisting of accrued employee compensation, accrued tax liabilities other than corporate income taxes, accrued hardware and software costs for our smart community solutions, and accrued subcontracting costs for security, cleaning, repair and maintenance services; (iii) amounts collected on behalf of property owners such as rental income of community assets such as advertising slots and carpark spaces in common areas; and (iv) unpaid purchase consideration in relation to the acquisitions of Hailiang Property Management and Quanzhou Sanyuan in 2019.

The following table sets forth a breakdown of our other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Related parties	187,156	596,160	1,001,292	756,330
Accrued expenses	200,593	176,392	372,867	521,507
Amounts collected on behalf of property owners	206,729	222,887	341,738	401,337
Purchase consideration	–	–	25,956	69,590
Interest payable	10,021	7,672	3,050	3,050
Total	604,499	1,003,111	1,744,903	1,751,814

Our other payables to related parties increased from RMB187.2 million as of December 31, 2017 to RMB596.2 million as of December 31, 2018 primarily due to an increase in advance received from related parties. Other payables to related parities further increased to RMB1,001.3 million as of December 31, 2019 primarily due to (i) dividend payables of RMB559.2 million declared in 2019; and (ii) acquisition consideration payable to related parties of RMB840.0 million due to our Reorganization as of December 31, 2019. See note 39(b) to the Accountant's Report in Appendix I to this Prospectus. Our other payables to related parties decreased to RMB756.3 million as of June 30, 2020, primarily due to our payment of acquisition consideration of RMB221.5 million in the first half of 2020.

Our accrued expenses decreased from RMB200.6 million as of December 31, 2017 to RMB176.4 million as of December 31, 2018, primarily due to a decrease in accrued subcontracting expenses incurred in relation to security, cleaning, greening and gardening services. In an effort to maintain long-term cooperation with our major suppliers with which we began to cooperate in 2018 after the establishment of our commercial and procurement management department, we improved the timeliness of our payments of various accrued expenses. Our accrued expenses subsequently increased significantly to RMB372.9 million as of December 31, 2019 and RMB521.5 million as of June 30, 2020, primarily due to our business expansion as a result of organic growth as well as acquisitions and the corresponding increases in various accrued employee compensation, tax, smart community expenses, as well as property management expenses to subcontractors.

Amounts collected on behalf of property owners increased during the Track Record Period primarily due to increases in community assets which we assisted property owners in managing and leasing and for which we collected rental proceeds on behalf of property owners.

Contract Liabilities

Our contract liabilities mainly arise from the prepayments of property management fees by our customers. Our contract liabilities increased from RMB193.8 million as of December 31, 2017 to RMB270.3 million as of December 31, 2018, and RMB445.6 million as of December 31, 2019 and further to RMB482.8 million as of June 30, 2020, primarily due to the growth of our business.

Lease Liabilities

We lease certain properties for our business operations, as well as office equipment we leased for our office use and employee dormitories we leased for our employees' use. As required by HKFRS 16, we record the present value of lease payments we were committed to pay under the lease agreements as lease liabilities. The increase in lease liabilities from RMB1.3 million as of December 31, 2017 to RMB7.3 million as of December 31, 2018, and further to RMB15.5 million as of December 31, 2019 was primarily due to the expansion of our business. Our lease liabilities decreased to RMB12.5 million as of June 30, 2020 primarily due to amortization of lease liabilities.

Dividend Payables

In 2019, Shimao Tiancheng declared a dividend of RMB559.2 million to its then shareholder, a wholly-owned subsidiary of Shimao Group Holdings, which had been paid in February 2020.

NET CURRENT ASSETS OR LIABILITIES

The following table sets forth a breakdown of our net current assets or liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
					(unaudited)
	(RMB in thousands)				
Current assets					
Trade receivables	546,448	477,030	747,305	767,831	941,479
Prepayments, deposits and other receivables	930,009	2,124,005	1,256,765	364,092	192,646
Cash and cash equivalents	596,921	537,714	849,591	1,753,581	1,289,974
Inventories	–	–	276,775	311,247	295,420
Financial assets at fair value through profit or loss	–	–	–	69,868	63,642
	2,073,378	3,138,749	3,130,436	3,266,619	2,783,161
Current liabilities					
Trade and other payables	642,270	1,051,513	1,913,052	1,931,307	2,018,564
Contract liabilities	193,780	270,300	445,602	482,812	494,583
Dividend payables	–	–	559,247	13,061	13,313
Income tax liabilities	43,017	64,417	150,576	192,253	142,813
Borrowings	335,318	335,378	239,789	80,437	–
Lease liabilities	543	2,855	6,896	7,709	7,709
	1,214,928	1,724,463	3,315,162	2,707,579	2,676,982
Net current assets/(liabilities)	**858,450**	**1,414,286**	**(184,726)**	**559,040**	**106,179**

Our net current assets increased from RMB858.5 million as of December 31, 2017 to RMB1,414.3 million as of December 31, 2018, primarily due to an RMB1,065.4 million increase in current assets driven primarily by an RMB1,194.0 million increase in prepayments, deposits and other receivables as a result of an increase in advance made to related parties of RMB1,173.1 million. These increases were partially offset by an RMB509.5 million increase in current liabilities driven primarily by an increase in advance received from related parties of RMB389.9 million.

We had net current liabilities of RMB184.7 million as of December 31, 2019, compared to net current assets of RMB1,414.3 million as of December 31, 2018. Our net current liabilities position as of December 31, 2019 was primarily caused by an RMB1,590.7 million increase in current liabilities primarily driven by (i) an RMB861.5 million increase in trade and other payables as a result of acquisition consideration payable to related parties of RMB840.0 million due to our Reorganization; (ii) an RMB559.2 million dividend payables; and (iii) an RMB175.3 million increase in contract liabilities in line with our business growth. These increases in current liabilities were partially offset by an RMB8.3 million increase in current asset driven by (i) an RMB270.3 million increase in trade receivables; (ii) an RMB311.9 million increase in cash and cash equivalents in line with our business growth; and (iii) an RMB276.8 million increase in inventories representing carpark spaces we held for our carpark sales related business, as partially offset by an RMB867.2 million decrease in prepayments, deposits and other receivables.

We had net current assets amounted to RMB559.0 million as of June 30, 2020, compared to net current liabilities of RMB184.7 million as of December 31, 2019. Our net current assets position as of June 30, 2020 was primarily attributable to (i) an RMB136.2 million increase in our current assets primarily driven by the increase in cash and cash equivalents as a result of the receipt of proceeds from the Pre-IPO Investments of RMB864.5 million, and (ii) an RMB607.6 million decrease in current liabilities primarily driven by an RMB546.2 million decrease in dividend payables as a result of dividends paid of RMB569.7 million; and an RMB159.4 million decrease in borrowings.

We expect our net current assets position will continue to improve as a result of (i) the net proceeds from the Global Offering; and (ii) funds generated from our business operations. See "— Liquidity and Capital Resources — Cash Flow."

LIQUIDITY AND CAPITAL RESOURCES

Our main sources of liquidity are proceeds from our business operations and borrowings from financial institutions. In the foreseeable future, we expect these sources to continue to be our principal sources of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital requirements.

Cash Flow

Our primary uses of cash are to fund our working capital requirements, our purchases of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations, borrowings and advances from related parties. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had cash and cash equivalents of RMB596.9 million, RMB537.7 million, RMB849.6 million and RMB1,753.6 million, respectively.

In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. In addition, any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, or at all.

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

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Profit before income tax	145,878	195,187	506,051	145,375	303,629
Operating cash flows before movements in working capital	16,660	4,300	35,646	9,129	53,889
Total adjustment from changes in working capital	117,627	140,162	27,985	(55,520)	75,481
Interest received on bank deposits	5,734	9,412	4,366	1,838	2,626
Income tax paid	(17,780)	(22,765)	(36,992)	(19,988)	(20,114)
Net cash generated from operating activities	268,119	326,296	537,056	80,834	415,511
Net cash flows generated from/(used in) investing activities	216,549	(1,118,393)	627,976	39,064	696,430
Net cash flows (used in)/generated from financing activities	(333,714)	732,890	(853,155)	(252,994)	(201,675)
Net increase/(decrease) in cash and cash equivalents	150,954	(59,207)	311,877	(133,096)	910,266
Cash and cash equivalents at the beginning of the period	445,967	596,921	537,714	537,714	849,591
Effects of exchange rate changes on cash and cash equivalent	–	–	–	–	(6,276)
Cash and cash equivalents at the end of the period	596,921	537,714	849,591	404,618	1,753,581

Cash Flows from Operating Activities

Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as finance expenses, depreciation and amortization, provisions made for impairment of receivables; (ii) movements in working capital, such as increase or decrease in trade receivables, prepayments and other receivables, increase or decrease in trade payables, increase or decrease in contract liabilities, and increase or decrease in other operating liabilities; and (iii) other cash items consisting of interest received and income tax paid.

In the six months ended June 30, 2020, net cash from operating activities amounted to RMB415.5 million, which was the result of cash generated from operations of RMB433.0 million, interest received of RMB2.6 million and income tax paid of RMB20.1 million. Our cash generated from operations of RMB433.0 million, primarily reflected (i) profit before income tax of RMB303.6 million; (ii) positive adjustments before movement in working capital of RMB53.9 million, which primarily reflected positive adjustment for depreciation and amortization expenses of RMB24.2 million, positive adjustment for finance expenses of RMB13.3 million, as partially offset by negative adjustment for finance income of RMB2.6 million and fair value adjustment for financial assets through profit and loss of RMB1.1 million; and (iii) positive movements in working capital of RMB75.5 million, which primarily reflected positive adjustment for a decrease in other operating assets of RMB329.0 million, an increase in other operating liabilities of RMB221.7 million, a decrease in trade payables of RMB22.7 million, and a decrease in contract liabilities of RMB3.8 million, as partially offset by an increase in inventories of RMB31.9 million due to our purchase of carpark spaces, and an increase in trade receivables of RMB26.6 million.

In 2019, net cash from operating activities amounted to RMB537.1 million, which was the result of cash generated from operations of RMB569.7 million, interest received of RMB4.4 million and income tax paid of RMB37.0 million. Our cash generated from operations of RMB569.7 million, primarily reflected (i) profit before income tax of RMB506.1 million; (ii) positive adjustments before movement in working capital of RMB35.6 million, which primarily reflected positive adjustment for finance expenses of RMB51.8 million, positive adjustment for depreciation and amortization expenses of RMB17.1 million, as partially offset by negative adjustment for finance income of RMB37.9 million; and (iii) positive movements in working capital of RMB28.0 million, which primarily reflected positive adjustment for an increase in other operating liabilities of RMB248.8 million, an increase in trade payables of RMB134.2 million, and an increase in contract liabilities of RMB102.7 million, as partially offset by an increase in inventories of RMB276.8 million due to our new carpark sales related services launched due to the acquisition of Hailiang Property Management where we purchase and resell carpark spaces, and an increase in trade receivables of RMB204.2 million.

In 2018, net cash from operating activities amounted to RMB326.3 million which was the result of cash generated from operations of RMB339.6 million, interest received of RMB9.4 million and income tax paid of RMB22.8 million. Our cash generated from operations of RMB326.3 million, primarily reflected (i) profit before income tax of RMB195.2 million; (ii) positive adjustments before movement in working capital of RMB4.3 million, which primarily reflected positive adjustment for finance expenses of RMB66.9 million, positive adjustment for provision for impairment of receivables of RMB8.6 million, and positive adjustment for depreciation and amortization expenses of RMB4.8 million, as partially offset by negative adjustment for finance income of RMB76.1 million; and (iii) positive movements in working capital of RMB140.2 million, which primarily reflected an increase in contract liabilities of RMB76.5 million, a decrease in trade receivables of RMB67.3 million, an increase in other operating liabilities of RMB20.5 million, and an increase in trade payables of RMB10.6 million, as partially offset by an increase in other operating assets of RMB34.7 million.

In 2017, net cash from operating activities amounted to RMB268.1 million which was the result of cash generated from operations of RMB280.2 million, interest received of RMB5.7 million and income tax paid of RMB17.8 million. Our cash generated from operations of RMB280.2 million, primarily reflected (i) profit before income tax of RMB145.9 million; (ii) positive adjustments before movement in working capital of RMB16.7 million, which primarily reflected positive adjustment for finance expenses of RMB92.1 million, positive adjustment for provision for impairment of receivables of RMB19.5 million, as partially offset by negative adjustment for finance income of RMB97.7 million; and (iii) positive movements in working capital of RMB117.6 million, which primarily reflected a decrease in other operating assets of RMB327.7 million, an increase in trade payables of RMB115.3 million, an increase in other operating liabilities of RMB93.5 million, as partially offset by an increase in trade receivables of RMB406.0 million.

Cash Flows from/(used in) Investing Activities

In the six months ended June 30, 2020, our net cash from investing activities amounted to RMB696.4 million, primarily reflecting an RMB1,251.5 million cash advance from related parties, as partially offset by advance to related parties of RMB362.1 million, payment for the acquisition of subsidiaries of RMB107.5 million, and payments for financial assets through profit and loss or RMB68.8 million.

In 2019, our net cash from investing activities amounted to RMB628.0 million, primarily reflecting an RMB1,717.2 million cash advance from related parties, as partially offset by advance to related parties of RMB859.7 million, payments for investment properties of RMB99.0 million and payment for the acquisition of subsidiaries of RMB145.0 million.

In 2018, our net cash used in investing activities amounted to RMB1,118.4 million, primarily reflecting an RMB1,549.8 million cash advance to related parties, as partially offset by repayment of advance to related parties of RMB374.4 million and interest received from loans to related parties of RMB69.0 million.

In 2017, our net cash from investing activities amounted to RMB216.5 million, primarily reflecting an RMB503.2 million repayment of advance to related parties and RMB95.5 million interest received on loans to related parties, as partially offset by advance made to related parties of RMB376.7 million.

Cash Flows (used in)/from Financing Activities

In the six months ended June 30, 2020, our net cash used in financing activities amounted to RMB201.7 million, primarily reflecting (i) dividends paid to the then shareholders of Shimao Tiancheng of RMB569.7 million; (ii) payment for consideration of reorganization of RMB221.5 million; and (iii) repayments of borrowings of RMB159.4 million, as partially offset by RMB864.5 million proceeds from issuance of convertible redeemable preferred shares.

In 2019, our net cash used in financing activities amounted to RMB853.2 million, primarily reflecting (i) repayment of cash advance from related parties of RMB793.6 million; (ii) repayment of borrowings of RMB314.0 million; and (iii) payment of interest of RMB56.1 million, as partially offset by RMB315.0 million cash advance from related parties.

In 2018, our net cash from financing activities amounted to RMB732.9 million, primarily reflecting (i) capital injection from owners of RMB700.0 million; and (ii) cash advance from related parties of RMB419.9 million, partially offset by (i) repayment of borrowings of RMB286.0 million; and (ii) payment of interest of RMB69.0 million.

In 2017, our net cash used in financing activities amounted to RMB333.7 million, primarily reflecting (i) repayments of borrowings of RMB257.9 million; (ii) payment of interest of RMB95.5 million; and (iii) repayment of cash advance from related parties of RMB20.0 million, partially offset by cash advance from related parties of RMB40.0 million.

Working Capital Sufficiency Statement

Our Directors are of the view that, after taking into account the financial resources available to us, including our cash and cash equivalents, cash generated from operations, as well as proceeds from the Pre-IPO Investments and the estimated net proceeds of the Global Offering, we have sufficient working capital to satisfy our requirements at present and for at least the next 12 months following the date of this Prospectus.

INDEBTEDNESS

Except as disclosed below and apart from intra-group liabilities, as of August 31, 2020, we did not have any other material borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

Borrowings

Our total borrowings amounted to RMB839.9 million, RMB553.8 million, RMB239.8 million, RMB80.4 million and nil as of December 31, 2017, 2018 and 2019, June 30 and August 31, 2020, respectively. The following table sets forth a repayment schedule of our borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
					(unaudited)
			(RMB in thousands)		
Within one year	335,318	335,378	239,789	80,437	–
Between one and two years	305,543	218,458	–	–	–
Between two and five years	199,024	–	–	–	–
Total borrowings	**839,885**	**553,836**	**239,789**	**80,437**	**–**

2015 ABS

In 2015, one of our subsidiaries entered into an ABS arrangement with a third-party financing company by pledging the receivables for certain properties under its management, or the 2015 ABS. The 2015 ABS comprises a priority tranche and a sub-prime tranche with aggregate principal of RMB1,400.0 million and RMB110.0 million, respectively. The 2015 ABS bears interest at a rate ranging from 6.0% to 7.1% per annum. The priority tranche of the 2015 ABS is guaranteed by Shanghai Shimao Jianshe Co., Ltd., or Shimao Jianshe, a subsidiary of the Shimao Group Holdings. We repurchased the entire sub-prime tranche in 2015. As of December 31, 2017, 2018 and 2019, and June 30 and August 31, 2020, RMB839.9 million, RMB553.8 million, RMB239.8 million and RMB80.4 million and nil, respectively, of the 2015 ABS remained outstanding. As of the Latest Practicable Date, the 2015 ABS had been fully repaid and the guarantee had been fully released.

The proceeds from the 2015 ABS were advanced to Shimao Jianshe at the same interest rate ranging from 6.0% to 7.1%. This was mainly because before the Spin-off, Shimao Group Holdings conducted centralized fund management and allocation among all of its subsidiaries including us and Shimao Jianshe. Shimao Jianshe repaid the advance in full in December 2019. For more details, see "— Related Party Transactions."

Other Borrowings

In July 2019, we obtained five loans from Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd., a subsidiary of Shimao Group Holdings, in an aggregate amount of RMB305.0 million, and a loan from Mudanjiang Tongda Micro-finance Co., Ltd., a subsidiary of Shimao Group Holdings, in the amount of RMB10.0 million. These loans bear a fixed interest rate of 12.0% per annum and had been fully repaid as of December 31, 2019.

As of June 30, 2020 and August 31, 2020, we did not have other borrowings.

Cash Advance from Related Parties

As of December 31, 2017, 2018 and 2019, and June 30 and August 31, 2020, we had cash advance from related parties of approximately RMB185.8 million, RMB575.7 million, RMB97.2 million, nil and nil, respectively.

Lease Liabilities

The following table sets forth our current and non-current lease liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
					(unaudited)
			(RMB in thousands)		
Lease liabilities					
Current	543	2,855	6,896	7,709	7,709
Non-current	756	4,488	8,622	4,770	4,142
Total lease liabilities	**1,299**	**7,343**	**15,518**	**12,479**	**11,851**

Pledges Provided to Related Parties

As of June 30, 2020 and August 31, 2020, investment properties with a carrying amount of RMB94.0 million and nil, respectively, were pledged as collateral for borrowings of a joint venture of the Shimao Group. As of the Latest Practicable Date, the pledges had been fully released.

As of August 31, 2020, save as disclosed above, we did not have any banking facilities, any unutilized banking facilities or any outstanding or authorized but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges. Our Directors confirmed that there was no material adverse change in our indebtedness since June 30, 2020 and up to August 31, 2020.

Other payables

Pursuant to the acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP ("NTEIPs") for the acquisition of 25% (through the acquisition of 62.5% of equity interests in Zhejiang Xiangyu, which holds 40% of equity interests in Zheda Sinew) and 26% of equity interests in Zheda Sinew, respectively, the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity interests of Zhejiang Xiangyu to the Group at their discretion within 3 months after December 31, 2022. As such, a financial liability of RMB199,616,000, being the present value of the redemption amount for the acquisition of the remaining 37.5% equity interests in Zhejiang Xiangyu upon the exercise of the put option is included in other payables as of August 31, 2020.

CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure

Our capital expenditure during the Track Record Period primarily represented expenditures incurred relating to purchase of property, plant and equipment and intangible assets. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we incurred capital expenditures of RMB5.4 million, RMB12.0 million, RMB120.9 million and RMB16.6 million, respectively. The substantial increase in our capital expenditure from 2018 to 2019 was primarily due to our purchase of additional ground-floor shops in Kunshan in the amount of RMB99.0 million in May 2019.

Our Directors estimate that our capital expenditure for the year ending 2020 will be approximately RMB123.0 million. Such estimate represents the total capital expenditure we expect to incur based on our existing business plans. We may adjust our business plans and the estimate total capital expenditure may also change.

Capital Commitments

During the Track Record Period, we did not have any material capital commitment.

Contingent Liabilities

Save as pledges provided to related parties as disclosed in "— Related Party Transactions," we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

FINANCIAL INFORMATION OF ZHEDA SINEW

The financial information of Zheda Sinew is included in Part IV of the Accountant's Report set out in Appendix I to this Prospectus.

Results of Operations of Zheda Sinew

The following table sets forth the selected consolidated statements of profit or loss and other comprehensive income of Zheda Sinew for the years ended December 31, 2017, 2018 and 2019, and the six months ended June 30, 2019 and 2020.

	Year ended December December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Revenue	747,280	811,406	914,925	421,032	316,413
Cost of sales	(641,071)	(709,845)	(808,962)	(374,539)	(278,619)
Gross profit	106,209	101,561	105,963	46,493	37,794
Administrative expenses	(48,956)	(53,013)	(51,782)	(26,789)	(20,772)
(Provision)/reversal of impairment losses on financial assets – net	(2,151)	4,787	(493)	(138)	(498)
Other income	856	984	2,457	454	3,579
Other gain – net	5,867	4,893	15,078	3,788	2,111
Other operating expenses	(38)	(458)	(457)	(229)	(229)
Finance income	354	433	517	288	214
Finance costs	(1,611)	(1,564)	(1,093)	(427)	(817)
Share of results of associates accounted for using the equity method	4,702	5,165	6,616	1,365	(3,388)
Profit before income tax	65,232	62,788	76,806	24,805	17,994
Income tax expense	(15,828)	(15,071)	(17,323)	(5,864)	(5,096)
Profit for the year/period	49,404	47,717	59,483	18,941	12,898

Revenue

Revenue represents the value of services rendered during the Track Record Period. Zheda Sinew derives revenue from property management services and lifestyle services which mainly include catering services, accommodation services and business trading services. For property management services, Zheda Sinew charges property management fees from schools on a lump sum basis and recognizes revenue and cost of sales from property management services over the service period. For catering services, Zheda Sinew recognizes revenue upon rendering relevant services to teachers, students and staff who dine on campus. Zheda Sinew recognizes revenue on a gross basis, and recognizes all related catering service costs as cost of service. For accommodation services, Zheda Sinew recognizes revenue proportionately over the school year for students who live on campus during the school year, and over their stays for other residents who live on campus when their short-term programs were in session. Zheda Sinew made payments to certain schools to obtain the operation right of the dormitory buildings. The payments are considered as payment to customers and deducted from the revenue on a straight-line basis. Zheda Sinew recognizes revenue from accommodation services on a gross basis. For business trading services, Zheda Sinew recognizes revenue when delivering the goods to customers, and recognizes revenue on a gross basis. In 2017, 2018 and 2019, and the six months ended June 30, 2019 and 2020, Zheda Sinew generated a total revenue of RMB747.3 million, RMB811.4 million, RMB914.9 million, RMB421.0 million and RMB316.4 million, respectively. The following table sets forth a breakdown of total revenue by business lines for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Property management services	311,209	367,540	459,461	210,006	224,862
Lifestyle services	436,071	433,866	455,464	211,026	91,551
Catering services	275,253	294,871	312,857	144,942	69,409
Accommodation services	79,764	63,321	62,558	28,889	11,155
Business trading services	10,895	18,685	22,020	10,407	973
Others	70,159	66,989	58,029	26,788	10,014
Total	**747,280**	**811,406**	**914,925**	**421,032**	**316,413**

Six months ended June 30, 2020 Compared to six months ended June 30, 2019

Total revenue decreased by 24.8% from RMB421.0 million in the six months ended June 30, 2019 to RMB316.4 million in the six months ended June 30, 2020, primarily due to delay of spring sessions of universities as a result of the COVID-19 pandemic, adversely affecting our on-campus service revenue from catering services, accommodation services, and business trading services.

2019 Compared to 2018

Total revenue increased by 12.8% from RMB811.4 million in 2018 to RMB914.9 million in 2019, primarily due to increases in the number of properties under management from 48 as of December 31, 2018 to 61 as of December 31, 2019.

2018 Compared to 2017

Total revenue increased by 8.6% from RMB747.3 million in 2017 to RMB811.4 million in 2018, primarily due to increases in the number of properties under management from 44 as of December 31, 2017 to 48 as of December 31, 2018.

Cost of Sales

Total cost of sales of Zheda Sinew primarily consists of (i) subcontracting labor costs; (ii) raw materials; and (iii) employee benefits expenses. The following table sets forth a breakdown of Zheda Sinew's cost of sales for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Employee benefit expenses	270,444	317,227	386,944	173,746	167,225
Raw material costs	155,601	160,841	167,202	76,042	33,527
Subcontracting labor costs	83,626	86,074	100,889	52,459	25,984
Maintenances costs	45,897	49,512	51,014	21,808	17,656
Depreciation and amortization charges	19,288	21,806	20,626	9,634	8,694
Office expenses	6,652	7,568	9,716	4,914	3,898
Utilities	21,250	23,137	25,094	12,832	9,040
Greening and gardening costs	2,482	4,303	4,441	2,033	1,859
Taxes and surcharges	3,775	4,377	4,504	1,729	1,426
Commodity costs	7,908	14,522	17,126	8,909	796
Others	24,148	20,478	21,406	10,433	8,514
Total	**641,071**	**709,845**	**808,962**	**374,539**	**278,619**

Six months ended June 30, 2020 Compared to six months ended June 30, 2019

Cost of sales decreased by 25.6% from RMB374.5 million in the six months ended June 30, 2019 to RMB278.6 million in the six months ended June 30, 2020, primarily due to the decrease in revenue from catering services, accommodation services, and business trading services due to delay of spring sessions of universities and schools as a result of the COVID-19 pandemic.

2019 Compared to 2018

Cost of sales increased by 14.0% from RMB709.8 million in 2018 to RMB809.0 million in 2019, primarily due to an increase in the number of properties under management and the ensuing increase in costs to support the business expansion.

2018 Compared to 2017

Cost of sales increased by 10.7% from RMB641.1 million in 2017 to RMB709.8 million in 2018, primarily due to an increase in the number of properties under management and the ensuing increase in costs to support the business expansion.

Gross Profit

Gross profit decreased by 18.7% from RMB46.5 million in the six months ended June 30, 2019 to RMB37.8 million in the six months ended June 30, 2020, primarily because (i) Zheda Sinew's revenue from its lifestyle services, such as catering services, accommodation services and business trading services decreased due to the delay of spring sessions of universities and schools as a result of the COVID-19 pandemic; and (ii) certain fixed costs related to lifestyle services did not reduce in proportion to the decrease in related revenue during the same period. Gross profit remained relatively stable at RMB106.2 million, RMB101.6 million and RMB106.0 million in 2017, 2018 and 2019, respectively.

Administrative Expenses

Administrative expenses of Zheda Sinew mainly consist of employee benefits expenses. The following table sets forth the components of the administrative expenses for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Employee benefit expenses	35,698	38,142	37,992	20,971	16,623
Maintenances cost	305	461	497	275	118
Depreciation and amortization charges	1,099	1,153	706	392	323
Office expenses	9,688	10,992	10,907	4,347	3,289
Utilities	55	58	61	33	17
Taxes and surcharges	209	211	172	89	68
Others	1,902	1,996	1,447	682	334
Total	**48,956**	**53,013**	**51,782**	**26,789**	**20,772**

Six months ended June 30, 2020 Compared to six months ended June 30, 2019

Administrative expenses decreased by 22.5% from RMB26.8 million in the six months ended June 30, 2019 to RMB20.8 million in the six months ended June 30, 2020, primarily due to decreases in the number of administrative staff and related expenses, as well as in office and travelling expenses, driven by the COVID-19 pandemic.

2019 Compared to 2018

Administrative expenses remained steady at RMB53.0 million and RMB51.8 million in 2018 and 2019, respectively.

2018 Compared to 2017

Administrative expenses remained steady at RMB49.0 million and RMB53.0 million in 2017 and 2018, respectively.

Other Income

Other income and gains of Zheda Sinew consists primarily of (i) government grants; (ii) value-added tax deductibles; (iii) rental income; and (iv) interest income on finance lease. The table below summarizes the amount of Zheda Sinew's other income and gains for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
			(RMB in thousands)		
Government grants	636	581	1040	200	2,572
Value-added tax deductibles	–	–	1,173	254	700
Interest income on finance lease	220	403	240	–	301
Rental income	–	–	4	–	6
Total	**856**	**984**	**2,457**	**454**	**3,579**

Six months ended June 30, 2020 Compared to six months ended June 30, 2019

Other income increased significantly from RMB0.5 million in the six months ended June 30, 2019 to RMB3.6 million in the six months ended June 30, 2020, primarily due to special grants by the Hangzhou municipal government to encourage eligible companies to reduce layoffs during the COVID-19 pandemic.

2019 Compared to 2018

Other income increased significantly from RMB1.0 million in 2018 to RMB2.5 million in 2019, primarily due to heating subsidies received by Zheda Sinew's Beijing branch office.

2018 Compared to 2017

Other income remained relatively stable at RMB0.9 million and RMB1.0 million in 2017 and 2018, respectively.

Finance Costs – Net

Finance costs – net of Zheda Sinew primarily consists of interest income on bank deposits, less expenses on bank borrowings and interest and finance charges for lease liabilities.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
			(RMB in thousands)		
Interest income on bank deposits	354	433	517	288	214
Finance income	354	433	517	288	214
Interest expense on bank borrowings	(902)	(879)	(476)	(303)	–
Interest expense on lease liabilities	(709)	(685)	(617)	(124)	(817)
Finance costs	(1,611)	(1,564)	(1,093)	(427)	(817)
Finance costs – net	(1,257)	(1,131)	(576)	(139)	(603)

The increase in finance income from 2017 to 2018 and further to 2019 was primarily due to increases in its bank deposit balance. The decrease in finance costs from 2018 to 2019 was primarily due to a decrease in bank borrowing balance and lease liabilities.

Profit for the Year

As a result of the foregoing, for the years ended December 31, 2017, 2018 and 2019, and the six months ended June 30, 2019 and 2020, Zheda Sinew's profit for the year was RMB49.4 million, RMB47.7 million, RMB59.5 million, RMB18.9 million and RMB12.9 million, respectively.

Current Assets and Current Liabilities

The following table sets forth details of Zheda Sinew's current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Current assets				
Inventories	3,901	3,825	3,185	3,152
Prepayments, deposits and other receivables	34,568	43,770	44,881	46,781
Trade receivables	60,326	64,022	87,359	163,657
Financial assets at fair value through profit or loss	113,700	160,020	180,000	144,000
Restricted cash	–	–	700	700
Cash and cash equivalents	127,504	118,722	136,338	81,689
Total current assets	339,999	390,359	452,463	439,979
Current liabilities				
Trade and other payables	163,571	177,980	296,369	281,763
Contract liabilities	31,441	34,285	35,383	32,167
Income tax liabilities	11,434	20,330	22,283	14,379
Borrowings	15,000	10,000	–	–
Lease liabilities	12,281	7,281	11,024	12,864
Total current liabilities	233,727	249,876	365,059	341,173
Net current assets	106,272	140,483	87,404	98,806

As of December 31, 2017, 2018 and 2019 and June 30, 2020, Zheda Sinew had net current assets of RMB106.3 million, RMB140.5 million, RMB87.4 million and RMB98.8 million, respectively. Zheda Sinew had net current assets as of each of these dates primarily because Zheda Sinew was profitable in 2017, 2018 and 2019 and the six months ended June 30, 2020, with net profit of RMB49.4 million, RMB47.7 million, RMB59.5 million and RMB12.9 million, respectively, in the same periods. Meanwhile, Zheda Sinew had maintained a stable level of cash and cash equivalents primarily due to its profitable business operations of RMB127.5 million, RMB118.7 million, RMB136.3 million and RMB81.7 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Cash Flow

The following table sets forth a summary of Zheda Sinew's cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
	(RMB in thousands)				
Profit before income tax	65,232	62,788	76,806	24,805	17,994
Operating cash flows before movements in working capital	15,456	10,745	1,848	5,521	11,524
Interest received on bank deposits	354	433	517	288	214
Total adjustment from changes in working capital	(5,306)	13,673	(2,388)	(82,422)	(93,531)
Interest paid	(902)	(879)	(476)	(303)	–
Income tax paid	(25,864)	(4,698)	(16,310)	(12,113)	(14,570)
Net cash from/ (used in) operating activities	48,970	82,062	60,047	(64,224)	(78,369)
Net cash (used in)/ from investing activities	(37,503)	(67,216)	(2,333)	48,969	40,030
Net cash used in financing activities	(16,406)	(23,628)	(40,098)	(9,995)	(16,310)
Net (decrease)/ increase in cash and cash equivalents	(4,939)	(8,782)	17,616	(25,250)	(54,649)
Cash and cash equivalents at beginning of year/period	132,443	127,504	118,722	118,722	136,338
Cash and cash equivalents at end of year/period	127,504	118,722	136,338	93,472	81,689

Cash Flows from/(used in) Operating Activities

Zheda Sinew generates cash from operating activities primarily from property management services, catering services, accommodation services and business trading services.

In the six months ended June 30, 2020, net cash used in operating activities amounted to RMB78.4 million, which was the result of cash used in operations of RMB64.0 million, interest received on bank deposits of RMB0.2 million and income tax paid of RMB14.6 million. Our cash used in operations of RMB64.0 million primarily reflected (i) profit before tax of RMB18.0 million; (ii) positive total adjustments before movements in working capital of RMB11.5 million, which primarily reflected positive adjustments of depreciation and amortization of RMB9.0 million and positive adjustments of shares of results of associates of RMB3.4 million; and (iii) negative movements in working capital of RMB93.5 million, which primarily reflected an increase in trade receivables of RMB76.8 million and decrease in other operating liabilities of RMB17.8 million.

In 2019, net cash from operating activities amounted to RMB60.0 million, which was the result of cash generated from operations of RMB76.3 million, interest received on bank deposits of RMB0.5 million, interest paid of RMB0.5 million and income tax paid of RMB16.3 million. Our cash generated from operations of RMB76.3 million primarily reflected (i) profit before tax of RMB76.8 million; and (ii) positive total adjustments before movements in working capital of RMB1.8 million, which primarily reflected positive adjustments of depreciation and amortization of RMB21.3 million and negative adjustments of shares of results of associates of RMB6.6 million; and (iii) negative movements in working capital of RMB2.3 million, which primarily reflected an increase in trade receivables of RMB23.8 million as partially offset by an increase in other operating liabilities of RMB23.1 million.

In 2018, net cash from operating activities amounted to RMB82.1 million, which was the result of cash generated from operations of RMB87.2 million, interest received on bank deposits of RMB0.4 million, interest paid of RMB0.9 million and income tax paid of RMB4.7 million. Our cash generated from operations of RMB87.2 million primarily reflected (i) profit before tax of RMB62.8 million; (ii) positive total adjustments before movements in working capital of RMB10.7 million, which primarily reflected positive adjustments of depreciation and amortization of RMB23.0 million; and (iii) positive movements in working capital of RMB13.7 million, which primarily reflected an increase in other operating liabilities of RMB16.2 million as partially offset by an increase in trade receivables of RMB3.6 million.

In 2017, net cash from operating activities amounted to RMB49.0 million, which was the result of cash generated from operations of RMB75.4 million, interest received on bank deposits of RMB0.4 million, interest paid of RMB0.9 million and income tax paid of RMB25.9 million. Our cash generated from operations of RMB75.4 million primarily reflected (i) profit before tax of RMB65.2 million;(ii) positive total adjustments before movements in working capital of RMB15.5 million, which primarily reflected positive adjustments of depreciation and amortization of RMB20.4 million; and (iii) negative movements in working capital of RMB5.3 million, which primarily reflected an increase in trade receivables of RMB9.6 million.

Cash Flows from/(used in) Investing Activities

In the six months ended June 30, 2020, net cash from investing activities amounted to RMB40.0 million, primarily reflecting redemption of financial assets at FVPL of RMB36.0 million and proceeds received from finance lease of RMB2.2 million.

In 2019, net cash used in investing activities amounted to RMB2.3 million, primarily reflecting (i) payment for purchase of financial assets at FVPL of RMB18.6 million; and (ii) payments for property, plant and equipment of RMB6.4 million, as partially offset by proceeds from disposal of subsidiaries of RMB12.6 million and proceeds received from finance lease of RMB9.4 million.

In 2018, net cash used in investing activities amounted to RMB67.2 million, primarily reflecting (i) payments for construction in progress of RMB52.8 million; (ii) payments for property, plant and equipment of RMB13.5 million; and (iii) payment for purchase of financial assets at FVPL of RMB13.0 million, as partially offset by (i) dividends from associates of RMB7.3 million; and (ii) proceeds received from finance lease of RMB5.4 million.

In 2017, net cash used in investing activities amounted to RMB37.5 million, primarily reflecting payment for purchase of financial assets at FVPL of RMB35.5 million and payments for property, plant and equipment of RMB11.1 million, as partially offset by dividends from associates of RMB2.6 million and proceeds received from finance lease of RMB7.0 million.

Cash Flows from/(used in) Financing Activities

Zheda Sinew's expenditures for financing activities were primarily for the repayment of borrowings and payment of interest expense.

In the six months ended June 30, 2020, net cash used in financing activities amounted to RMB16.3 million, primarily reflecting (i) distribution to the shareholders of RMB10.0 million; and (ii) payments for leasing liabilities of RMB4.5 million.

In 2019, net cash used in financing activities amounted to RMB40.1 million, primarily reflecting (i) distribution to the shareholders of RMB21.0 million; (ii) repayments of borrowings of RMB10.0 million; and (iii) payments for leasing liabilities of RMB9.1 million.

In 2018, net cash used in financing activities amounted to RMB23.6 million, primarily reflecting (i) distribution to the shareholders of RMB10.7 million; (ii) payments for leasing liabilities of RMB7.9 million; and (iii) repayment of borrowings of RMB5.0 million.

In 2017, net cash used in financing activities amounted to RMB16.4 million, primarily reflecting (i) distribution to the shareholders of RMB10.3 million; and (ii) payments for leasing liabilities of RMB6.1 million.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the years presented, and we do not currently have any material off-balance sheet arrangements. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us.

SUMMARY OF KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,			As of/for the six months ended June,
	2017	2018	2019	30, 2020
Current ratio[(1)]	1.7	1.8	0.9	1.2
Gearing ratio[(2)]	107.2%	48.0%	N/A	N/A
Return on total assets[(3)]	5.2%	5.5%	11.4%	13.4%
Return on equity[(4)]	31.4%	17.7%	51.9%	67.4%

Notes:

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

(2) Gearing ratio is calculated based on net debt divided by total equity. Net debt/(cash) is calculated as total debt less cash and cash equivalents. For the purpose of this calculation, total debt includes borrowings, lease liabilities and cash advance from related parties.

(3) Return on total assets is calculated based on our profit for the year/period divided by the average balance of our total assets at the beginning and end of the year/period and multiplied by 100% and arithmetically annualizing the result.

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

Current Ratio

Our current ratio remained relatively stable at 1.8 as of December 31, 2018 compared to 1.7 as of December 31, 2017. Our current ratio decreased from 1.8 as of December 31, 2018 to 0.9 as of December 31, 2019, primarily due to an increase in current liabilities as a result of an increase in our trade and other payables. Our current ratio increased from 0.9 as December 31, 2019 to 1.2 as of June 30, 2020, primarily due to (i) an increase in current assets as a result of our strategic investments; and (ii) an decrease in current liabilities as a result of our repayment on ABS. See "— Description of Certain Consolidated Statement of Balance Sheet Items — Other Payables."

Gearing Ratio

Our gearing ratio decreased from 107.2% as of December 31, 2017 to 48.0% as of December 31, 2018 primarily due to the repayment of borrowings, the capital injection from Shimao Group Holdings and the increase in retained earnings. Gearing ratio was not applicable as of December 31, 2019 and June 30, 2020 primarily because we were at a net cash position as of December 31, 2019 and June 30, 2020.

Return on Total Assets

Our return on total assets increased from 5.2% in 2017 to 5.5% in 2018, and further to 11.4% in 2019, primarily due to increases in our profit during the Track Record Period. We had relatively high return on total assets in the six months ended June 30, 2020 primarily due to the relatively higher amount of profit in the six months ended June 30, 2020.

Return on Equity

Our return on equity decreased from 31.4% in 2017 to 17.7% in 2018, primarily due to an increase in total equity from 2017 to 2018 due to capital injection of RMB700.0 million received in 2018. Our return on equity increased from 17.7% in 2018 to 51.9% in 2019, primarily due to a significant increase in our profit from 2018 to 2019 as well as a significant decrease in total equity from 2018 to 2019 due to the deemed distribution arising from the Reorganization. We had a relatively high return on total equity of 67.4% in the six months ended June 30, 2020 primarily due to the relatively higher amount of profit in the six months ended June 30, 2020 as well as the relatively low amount of total equity for the same period.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

We are, in the ordinary course of our business, exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Interest Rate Risk

We closely monitor the interest rate trend and its impact on our interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose us to fair value interest rate risk. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, we have no other significant interest-bearing assets. Our Directors do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we have no floating-interests-rate interest bearing liabilities.

Credit Risk

We are exposed to credit risk in relation to our trade receivables, deposits and other receivables, and cash and cash equivalents.

The carrying amounts of trade receivables, deposits and other receivables, and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

We expect no significant credit risk associated with our cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our Directors do not expect that there will be any significant losses from non-performance by these counterparties.

We have a large number of customers and there was no concentration of credit risk. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each year to ensure that adequate impairment losses are made for irrecoverable amounts.

We expect the credit risks associated with other receivables due from related parties is considered to be low because our related parties have a strong capacity to meet their contractual cash flow obligations in the near term.

In relation to credit risk associated with other receivables other than those from related parties, we make periodic collective assessments, as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in the outstanding balance of other receivables.

For details see note 3.1.2 to the Accountant's Report included in Appendix I to the Prospectus.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet our daily operation working capital requirements. For details on our financial liabilities by relevant maturity grouping at each balance sheet date, see note 3.1.3 to the Accountant's Report included in Appendix I to the Prospectus.

RELATED PARTY TRANSACTIONS

Significant Related Party Transactions

During the Track Record Period, we entered into transactions with certain related party transactions from time to time.

Provision of Services

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, revenue recorded for providing services to related parties amounted to RMB297.6 million, RMB473.1 million, RMB806.8 million, RMB332.8 million and RMB462.2 million, respectively. We derived revenue primarily from providing property management services, community value-added services and value-added services to non-property owners.

The following table sets forth a breakdown of revenue derived from related parties by business line for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
	(RMB in thousands)				
Property management services	52,106	71,123	79,970	38,580	64,994
Community value-added services	443	16,480	93,191	8,972	96,462
Value-added services to non-property owners	245,002	385,456	633,594	285,213	300,771
Total	**297,551**	**473,059**	**806,755**	**332,765**	**462,227**

Purchase of Goods, Assets and Services

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our purchase of goods, assets and services from related parties amounted to RMB1.3 million, RMB4.8 million, RMB172.0 million, RMB3.1 million and RMB1.2 million, respectively, primarily relating to services rendered by certain senior management assigned to us from the Shimao Group during the Track Record Period, our purchase of carpark spaces in 2019, our purchase of ground-floor shops in 2019, and commissions paid for promotion and marketing services rendered to us relating to the services and products offered on the More+ platform since 2019. The significant increase from 2018 to 2019 was primarily due to (i) the purchase of carpark spaces from related parties under our carpark space sales related services of RMB39.8 million in 2019; (ii) the purchase of ground-floor shops in Kunshan from related parties of RMB99.0 million in 2019; and (iii) the payment of commissions of RMB27.0 million to related parties for their promotion and marketing of services and products offered on More+ platform in 2019. Our purchase of goods, assets and services from related parties decreased from RMB3.1 million in the six months ended June 30, 2019 to RMB1.2 million in the six months ended June 30, 2020, primarily because certain senior management members became our Group's employees and therefore we ceased paying the Shimao Group for their services. Before becoming our employees, these senior management members were employees of the Shimao Group and their compensation were paid by the Shimao Group; we would reimburse the Shimao Group for the expenses related to these senior management members' compensation, resulting in purchase of services from the Shimao Group.

Interest-bearing Advances to Related Parties

During the Track Record Period, we provided certain interest-bearing loans to the Shimao Group using proceeds from the issuance of the 2015 ABS at an interest ranging from 6.0% to 7.1%, and recognized interest income of RMB92.0 million, RMB66.7 million, RMB33.6 million, RMB20.2 million and nil in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The decreases in interest income during the Track Record Period were primarily due to the Shimao Group's repayment of the ABS balance, which was fully repaid in the second half of 2019. As of December 31, 2017 and 2018, such interest-bearing loans amounted to RMB839.9 million and RMB553.8 million, respectively. As of December 31, 2019 and June 30, 2020, such interest-bearing loans had been fully repaid by the related parties. See "— Indebtedness — Borrowings — 2015 ABS."

Our PRC Legal Advisors advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisors further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Judicial Interpretations on Private Lending Cases") which came into effect on September 1, 2015 and was amended on August 20, 2020. According to Article 11 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations.

As of the Latest Practicable Date, we had not received any notice of claim or was subject to any investigation or penalty relating to the interest-bearing loans to related parties and based on the public searches conducted by our PRC Legal Advisors, we had not been subject to any administrative penalty in respect of such interest-bearing loans by government authorities as of the Latest Practicable Date. As advised by our PRC Legal Advisors, (i) PRC courts will support a company's claim for interest in respect of such loans as long as the annual interest rate does not exceed four times the loan prime rate for one-year loan published by the National Interbank Funding Center when the related lawsuit is brought under the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》); and (ii) there are few cases that companies have been penalized for extending interest-bearing loans to their related parties by the PBOC. Based on the above, our PRC Legal Advisors are of the view that the risk that we would be subject to any penalty with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is low, and the interest-bearing loans to related parties do not constitute material non-compliance of laws and regulations, and do not have a material adverse impact on the Listing.

Interest-bearing Advances from Related Parties

In July 2019, we obtained five loans from Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd., a subsidiary of Shimao Group Holdings, in an aggregate amount of RMB305.0 million, and a loan from Mudanjiang Tongda Micro-finance Co., Ltd., a subsidiary of Shimao Group Holdings, in the amount of RMB10.0 million. These loans bear a fixed interest rate of 12.0% per annum and had been fully repaid as of December 31, 2019. We incurred interest expenses of RMB14.8 million in 2019 with respect to these loans. See "— Indebtedness — Borrowings — Other Borrowings."

Pledges and Guarantees

As of June 30, 2020, investment properties with a carrying amount of RMB94.0 million were pledged as collateral for the borrowings of a joint venture of the Shimao Group. Our Directors confirm that the pledge will be released prior to the Listing.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our 2015 ABS repayment obligations were guaranteed by a subsidiary of Shimao Group Holdings. Our Directors confirm that the guarantee will be released prior to the Listing.

Balances with Related Parties

The following table sets forth a breakdown of our related party balances as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB in thousands)			
Receivables from related parties				
Trade related				
Trade receivables	333,833	363,539	512,004	494,457
Non-trade related				
Advance to related parties	908,505	2,012,549	1,106,098	216,691
	1,242,338	2,376,088	1,618,102	711,148
Payables to related parties				
Trade related				
Payables on management services	1,310	4,836	33,235	28,264
Payables on carpark spaces	–	15,581	57,903	125,259
Non-trade related				
Acquisition consideration payable	–	–	840,000	630,000
Advance from related parties	185,846	575,743	97,172	–
Dividend payables	–	–	559,247	–
	187,156	596,160	1,587,557	783,523

Our Directors confirm that the above-mentioned transactions with related parties were conducted on an arm's length basis and on normal commercial terms, and would not distort our results of operations during the Track Record Period or impact the reflection of our future performance. Our Directors confirm that all other related party balances as of June 30, 2020 which are non-trade in nature as set forth in note 39(e) to the Accountant's Report included in Appendix I to this Prospectus have been settled as of September 18, 2020.

For more details on related party transactions, see note 39 to the Accountant's Report included in Appendix I to this Prospectus.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Company did not declare or pay any dividends during the Track Record Period. Declaration and payment of any future dividends, if any, will be at the sole discretion of our Board of Directors and will also depend on various factors that our Board of Directors deem relevant. Any declaration and payment, as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board of Directors intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2020. The recommendation of the payment of dividend is subject to the absolute discretion of our Board of Directors and after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

The following table sets forth the details of dividends that were declared by our operating subsidiaries during the Track Record Period.

Dividend declared by	Dividend payable to	Amount of dividend declared	Date of dividend declared	Amount of dividend settled	Date of dividend settlement	Amount of dividend not settled as of June 30, 2020	Method of settlement
		(RMB'000)		*(RMB'000)*		*(RMB'000)*	
Shimao Tiancheng	Shanghai Shiying	559,247	November 8, 2019	559,247	February 26, 2020	–	Cash
Shanghai Runshang	Shimao Tiancheng	42,522	October 10, 2019	42,522	February 26, 2020	–	Cash
Shanghai Fanying	Shimao Tiancheng	12,640	October 10, 2019	12,640	February 26, 2020	–	Cash
Quanzhou Sanyuan	Shimao Tiancheng	385	October 10, 2019	–	–	385	–
Quanzhou Sanyuan	He Yanyan	2,364	October 10, 2019	2,364	December 31, 2019	–	Converted into paid-in share capital
Quanzhou Sanyuan	He Guoying	2,956	October 10, 2019	2,956	December 31, 2019	–	Converted into paid-in share capital
Quanzhou Sanyuan	Wang Herong	591	October 10, 2019	591	December 31, 2019	–	Converted into paid-in share capital
Suifenhe Shifu	Super Rocket	10,310	January 31, 2020	–	–	10,310	–
Mudanjiang Maoju	Shanghai Rongcheng	720	January 31, 2020	720	March 11, 2020	–	Cash
Super Rocket	Class Font Limited	9,744	February 28, 2020	9,744	March 30, 2020	–	Cash

The Company confirms that the declared but unpaid dividend of its subsidiaries will be settled prior to the Listing.

As of June 30, 2020, the retained earnings attributable to the owners of the Company amounted to RMB424.1 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

SUBSEQUENT EVENT

Subsequent Acquisition Event

On July 21, 2020, we acquired a 100% equity interest in Beijing Guancheng, a property management company located in Beijing for a cash consideration of RMB130.0 million. On August 5, 2020, we acquired a 51% equity interest in Zheda Sinew, a property management company located in Hangzhou, Zhejiang Province for a cash consideration of RMB614.7 million.

LISTING EXPENSES

The total amount of listing expenses in connection with the Global Offering, including underwriting commissions, is estimated to be RMB259.0 million (based on the midpoint of the indicative Offer Price range and assuming the Over-allotment Option is not exercised) of which, approximately RMB170.7 million will be borne by our Group and approximately RMB88.3 million will be borne by the Selling Shareholder. Among the RMB170.7 million to be borne by us, (i) approximately RMB15.6 million was charged to our consolidated statement of comprehensive income in the six months ended June 30, 2020; (ii) approximately RMB18.0 million will be charged to our consolidated statement of comprehensive income in the year ending December 31, 2020; and (iii) approximately RMB137.1 million is expected to be accounted for as a deduction from equity upon the Listing. The amount of the listing expenses is expected to account for 3.5% of the gross proceeds from the Global Offering. The professional fees and/or other expenses related to the preparation of the Listing are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our listing expenses will adversely affect on our financial performance for the year ending December 31, 2020.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial or trading position since June 30, 2020 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since June 30, 2020 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is to show the effect of the Global Offering on the consolidated net tangible liabilities of the Group attributable to the owners of the Company as of June 30, 2020 as if the Global Offering had occurred on June 30, 2020. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Global Offering been completed on June 30, 2020 or at any future dates.

	Audited Consolidated Net Tangible Assets of the Group Attributable to the Owners of the Company as of June 30, 2020(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited Pro Forma Adjusted Net Tangible Assets of the Group Attributable to the Owners of the Company(3)	Unaudited Pro Forma Adjusted Net Tangible Assets per Share(4)(5)	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)*	*(HK$)*
Based on an Offer Price of HK$14.8 per Offer Share	788,820	4,379,106	5,167,926	2.20	2.54
Based on an Offer Price of HK$17.2 per Offer Share	788,820	5,092,912	5,881,732	2.50	2.89

Notes:

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2020 is extracted from the Accountant's Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$14.8 and HK$17.2 per share, being the low and high ends of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Group and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2020.

(4) The unaudited pro forma including adjusted net tangible assets per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,352,942,000 Shares are expected to be in issue assuming that the Series A Preferred Shares were fully converted into ordinary shares, the Capitalization Issue and the Global Offering have been completed by June 30, 2020, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any shares which may be granted and issued.

(5) For purposes of the estimated net proceeds of the Global Offering and the unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars and RMB at an exchange rate of HK$1.0 to RMB0.86614. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$5,449.9 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming an Offer Price of HK$16.0 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus).

We intend to use the net proceeds of the Global Offering for the following purposes and in the amounts set forth below.

- Approximately 65% or HK$3,542.5 million, will be used to continue to expand our business scale through multiple channels, among which, (i) approximately 55%, or HK$2,997.5 million will be used to acquire, invest in or cooperate with other property management companies which are suitable for and complementary to our business operations and strategies with a view to enlarge our business scale and solidify our leading industry position. For acquisitions of property management service companies, the key criteria for our assessment of potential targets, among others, (a) a total GFA under management of over 2.0 million sq.m.; and (b) a total annual operating revenue of over RMB50.0 million for 2019. We are also more inclined to consider companies with a strong capability in its community value-added services, which we believe can provide significant growth opportunities to us, expand and enhance our brand influence and enrich our service offerings. According to CIA, there is a sufficient number of suitable targets companies available in the market that meet our criteria; and (ii) approximately 10% or HK$545.0 million will be used to develop and launch municipal services. Specifically, we plan to (a) establish systems of municipal management which provide landscape design services, city lighting design services, infrastructure maintenance services and other comprehensive municipal services, and upgrade common asset management by updating the existing municipal facilities and the improvement in the utilization rate of common municipal assets; (b) establish a municipal service and operation team in regions where we plan to offer municipal services by assigning dedicated teams in Yangtze River Delta Region, Central and Western China, Southern China and Bohai Economic Rim that include functions such as sales and marketing, product development and research, customer services and other operational functions so that we can provide comprehensive, standardized and high quality municipal services to our customers; (c) collaborate with Tencent to jointly develop smart municipal solution (智慧城市聯合解決方案) by forming joint ventures that combine Tencent's strength in cloud computing, customer management, big data and other technologies with our strength in traditional property management operation to provide smart city management services; and (d) establish benchmark municipal service projects by first testing our services in certain markets in Southern China, and then building on this experience to create standardized services and customization options that can be offered to a wider market and adopted to the requirements of different customers. As of the date of the Prospectus, we have not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering.

- Approximately 15% or HK$817.5 million, will be used to diversify people-oriented and property-oriented value-added service offerings, among which, (i) approximately 10%, or HK$545.0 million, will be used to upgrade our smart community solutions to facilitate the business operations of property development companies and other property management companies. Specifically, we plan to (a) develop a smart procurement system to facilitate our internal procurement needs as well as serve external users' need for procurement management; (b) develop and introduce new smart home solutions and integrate them with our home furnishing services; (c) improve our management of sales offices and construction sites of property developers to enable our them to better manage and analyze property purchaser data and manage their construction and sales processes; and (d) improve our smart traffic control and carpark management systems; and (ii) approximately 5%, or HK$272.5 million, will be used to offer more value-added services. Specifically, we plan to (a) offer community space operations services at our Shimao Riverside SUNIT flagship store and SUNIT Nanjing Bund New City store which we plan to open; (b) enlarge the scale of our home improvement services by cooperating with nationally leading home furnishing service providers and develop a full-cycle ERP home furnishing management system; (c) launch full-time community educational services that focus on toddler, pre-school and elementary school related educational services to children under 12; and (d) collaborate with industry players offering people-oriented and property-oriented services such as elevator repair and maintenance.

- Approximately 5% or HK$272.5 million, will be used to improve our information technology system and smart technologies, among which (i) approximately 2%, or HK$109.0 million, will be used to upgrade our enterprise resource planning system. Specifically, we plan to introduce functions such as real-time analysis and data management centralization. We also plan to digitalize our customer management system to better predict customer behaviors and devise more accurate marketing measures. Through these additional functions, we expect our overall management efficiency to significantly improve; (ii) approximately 2%, or HK$109.0 million, will be used to optimize our data middle office and big data analytics platforms; and (iii) approximately 1%, or HK$54.5 million, will be used to upgrade our Mao Home (茂家) mobile application.

- Approximately 5% or HK$272.5 million, will be used to attract and nurture talent. We plan to offer our employees more trainings on business operations, leading to higher work efficiency and performance. We plan to further enhance our compensation schemes to align the interests of our employees with the success of our Group, including employee share incentive plans.

- Approximately 10% or HK$545.0 million, will be used for working capital and other general corporate purposes. We expect to have increasing needs for working capital as a result of the rapid and organic expansion as well as diversifying service offerings and property portfolio under management.

Plans for Strategic Acquisitions and Investments

Our Directors confirm that, as of the date of this Prospectus, other than disclosed in this Prospectus we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering. The allocation of proceeds among the different types of targets above is subject to adjustments based on market conditions.

We have determined certain criteria for evaluating potential targets. These efforts are based on our experience in acquisition during the Track Record Period, as well as the results of research, financial due diligence and preliminary assessments and feasibility studies undertaken during the Track Record Period and up to the Latest Practicable Date.

The above allocation of the proceeds will be adjusted on a *pro rata* basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price Range.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that it will receive, in aggregate, net proceeds from the Global Offering of approximately HK$3,662.8 million, assuming an Offer Price of HK$16.0 per Share (being the mid-point of the indicative Offer Price range).

Major categories	Percentage of total proceeds	Amount of proceeds	Sub-categories	Percentage of total proceeds	Specific plans	Time Frame 2020	2021	2022	2023
		(HK$ in millions)				*(HK$ in millions)*			
Continue to expand our business scale through multiple channels	65%	3,542.5	(i) Acquire, invest in or cooperate with other property management companies	55%	We intend to acquire at least ten targets with an average GFA under management of approximately 18.0 million sq.m. The key criteria for our potential targets include: (a) a total GFA under management of over 2.0 million sq.m.; (b) a total annual operating revenue of over RMB50.0 million for 2019; (c) located in new tier-one and tier-two cities; and (d) gross profit margin of approximately 15.0% to 25.0%. In 2020, 2021 and 2022, we intend to acquire at least two, five and three new targets, respectively.	340.4	1,559.4	1,097.7	–
			(ii) Develop and launch municipal services	10%	We plan to develop and launch municipal services. Specifically, we plan to (a) establish systems of municipal management, and upgrade common asset management services; (b) establish a municipal service and operation team in regions where we plan to offer municipal services; (c) collaborate with Tencent to jointly develop smart municipal solution (智慧城市聯合解決方案); and (d) establish benchmark municipal service projects.	14.3	71.4	459.3	–
Diversify people-oriented and property-oriented value-added service offerings	15%	817.5	(i) Upgrade our smart community solutions to facilitate the business operations of our property developer and property management company customers, as well as to enhance the living experience of our property owner customers	10%	We plan to develop a smart procurement system to facilitate our internal procurement needs as well as serve external users' need for procurement management.	15.0	13.0	–	–
					We plan to develop and introduce new smart home solutions, such as introducing voice control and security control functions, and integrate them with our home furnishing services.	–	124.1	62.1	20.7
					We plan to improve our management of sales offices and construction sites of property developers to enable them to better manage and analyze property purchaser data and manage their construction and sales processes.	–	72.4	63.3	45.2
					We plan to improve our smart traffic control and carpark management systems by developing and upgrading our smart traffic solutions to provide additional functions such as charging management for electronic vehicles and bill management. We plan to use the proceeds from the Global Offering on the necessary hardware and software.	–	51.7	45.2	32.3

Major categories	Percentage of total proceeds	Amount of proceeds	Sub-categories	Percentage of total proceeds	Specific plans	Time Frame 2020	2021	2022	2023
		(HK$ in millions)				*(HK$ in millions)*			
			(ii) Offer more value-added services	5%	We plan to offer community space operations services at our Shimao Riverside SUNIT flagship store and SUNIT Nanjing Bund New City store which we plan to open.	–	58.1	46.5	–
					We plan to enlarge the scale of our home improvement services by cooperating with nationally leading home furnishing service providers and develop a full-cycle ERP home furnishing management system.	–	13.9	8.3	5.6
					We plan to launch full-time community educational services that focus on toddler, pre-school and elementary school related educational services to children under 12.	–	79.0	42.6	–
					We plan to collaborate with industry players offering people-oriented and property-oriented services such as elevator repair and maintenance. For example, we are working with an elevator manufacturing company to potentially collaborate in offering elevator repair and maintenance services. The proceeds will be used as development costs in the preliminary stage of our collaboration and as funds for the operation of the repair and maintenance services.	–	13.0	3.7	1.8
Improve our information technology system and smart technologies	5%	272.5	(i) Upgrade our enterprise resource planning system	2%	We plan to maintain and upgrade our property-full-cycle platform and to develop and upgrade the SAP system to meet the operational management and financial accounting needs of our various functions, such as education, retail and technology. The SAP system is an enterprise resource planning system, used to maintain and upgrade our property-full-cycle platform and to monitor our fee charging system of all our business lines.	–	49.1	32.7	27.2
			(ii) Optimize our data middle office and big data analytics platforms	2%	We plan to research and develop our big data analysis platforms by introducing functions such as real-time analysis and early warning to improve the efficiency and effectiveness of our decision making process. We plan to purchase more hardware and software related to such research and development plans.	–	54.4	27.3	27.3
			(iii) Upgrade our Mao Home (茂家) mobile application	1%	We plan to improve the real-time feedback of the application and shorten the response time to the owners to enhance our customer service and efficiency.	–	27.3	21.8	5.4

Major categories	Percentage of total proceeds	Amount of proceeds	Sub-categories	Percentage of total proceeds	Specific plans	Time Frame 2020	2021	2022	2023
		(HK$ in millions)				*(HK$ in millions)*			
Attract and nurture talent	5%	272.5	(i) Recruit external talent and promote internal talent	2%	As a part of our business strategies, we plan to create approximately 400 managerial positions, each with an annual budget of approximately RMB300,000, at regional, city and district levels. By the end of 2020, we plan to fill approximately 50% of these positions through external hirings and the other 50% through internal promotion. We estimate that more than two thirds of new talents will be deployed in the new business lines.	–	54.5	32.7	21.8
			(ii) Further improve training programs and strengthen our employee development	1%	We plan to enhance our managerial training programs to our talent reserve program candidates and business and strategic planning trainings to our management team through external education institutions.	–	32.7	16.4	5.4
			(iii) Establish a new system with new business lines, talent and structure	2%	As we expand our business offerings, we plan to recruit top industry talent from such industries, including retail, education, IoT technology and municipal management services, to serve in our core management team. The core management team will consist of executive management, business management, operational planning and industry experts. We plan to formulate industry-specific talent recruitment plans for talent from various industries.	–	65.4	32.7	10.9
Working capital and other general corporate purposes	10%	545.0		10%	We expect to have increasing needs for working capital as a result of the rapid and organic expansion as well as diversifying service offerings and property portfolio under management.	27.2	81.7	163.5	272.6

If the Offer Price is fixed at HK$17.2 per Offer Share (being the high end of the Offer Price Range stated in this Prospectus), we will receive net proceeds of approximately HK$5,862.0 million, after deduction of underwriting fees and commissions and estimated expenses in connection with the Global Offering.

If the Offer Price is fixed at HK$14.8 per Offer Share (being the low end of the Offer Price Range stated in this Prospectus), the net proceeds we receive will be approximately HK$5,037.9 million, after deduction of underwriting fees and commissions and estimated expenses in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the net proceeds to short-term demand deposits with authorized financial institutions and/or licensed banks. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

HONG KONG UNDERWRITERS

(in alphabetical order)

China International Capital Corporation Hong Kong Securities Limited

Morgan Stanley Asia Limited

(in alphabetical order)

Goldman Sachs (Asia) L.L.C.

The Hongkong and Shanghai Banking Corporation Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 58,824,000 New Shares and the International Offering of initially 529,412,000 Shares (comprising 294,118,000 New Shares and 235,294,000 Sale Shares), subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this Prospectus and the Over-allotment Option (in the case of the International Offering). Of the 529,412,000 Offer Shares initially being offered under the International Offering, 58,823,000 Offer Shares are available for subscription by the Qualifying Shimao Group Holdings Shareholders under the Preferential Offering as Assured Entitlement.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on October 19, 2020. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to reallocation set out in "Structure of the Global Offering" in this Prospectus) for subscription by the public in Hong Kong in accordance with the terms and conditions of this Prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

For applicants applying under the Hong Kong Public Offering and for the Qualifying Shimao Group Holdings Shareholders applying under the Preferential Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering and the Preferential Offering. The International Offering is expected to be fully underwritten by the International Underwriters.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a propsective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, Singapore, the United States, Canada, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**");

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing a change or development involving a prospective change in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction;

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, industrial actions, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, public disorder, acts of war, act of terrorism (whether or not responsibility has been claimed), acts of God, accidents, interruption of transportation, epidemic, pandemic, outbreak of diseases or viruses) in or directly or indirectly affecting any Relevant Jurisdiction;

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction;

(v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;

(vi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at Federal or New York State level or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), London, the PRC, the European Union (or any member thereof), or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction;

(vii) any change or development involving a prospective change in or affecting taxation or exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control in any Relevant Jurisdiction;

(viii) the issue or requirement to issue by our Company of a supplement or amendment to this Prospectus, the Application Forms, Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) or Offering Circular (as defined in the Hong Kong Underwriting Agreement) or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) any materialization of any of the risks set out in "Risk Factors" in this Prospectus;

(x) any litigation, legal action or claim being threatened or instigated against any member of our Group or any Director (other than an independent non-executive Director);

(xi) a Director (other than an independent non-executive Director) or a member of our Group's senior management as named in this Prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company;

(xii) the chairman of our Board or the president of our Company vacating office;

(xiii) any contravention by any member of our Group or any Director (other than an independent non-executive Director) of the Listing Rules or (save as those already disclosed in "Business — Legal Proceedings and Compliance — Historical non-compliance incidents" in this Prospectus) applicable Laws (as defined in the Hong Kong Underwriting Agreement);

(xiv) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of our Group or any Director (other than an independent non-executive Director);

(xv) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of our Company;

(xvi) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

(xvii) a prohibition on our Company or the Selling Shareholder for whatever reason from allotting, issuing or selling the Shares (including the Option Shares) pursuant to the terms of the Global Offering;

(xviii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription, acquisition and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws (as defined in the Hong Kong Underwriting Agreement);

(xix) the imposition of sanctions, in whatever form, economic or otherwise, directly or indirectly, by, or for, any Relevant Jurisdiction on our Company or any other member of our Group; or

(xx) a significant portion of the orders in the bookbuilding process at the time of the entering into of the International Underwriting Agreement has been withdrawn, terminated or cancelled, which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholders' equity, profit, losses, results of operations, position or condition (financial or otherwise), or performance of our Group as a whole; or

(ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased; or

(iii) makes or will make or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by, this Prospectus, the Application Forms, the Formal Notice (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) or the Offering Circular (as defined in the Hong Kong Underwriting Agreement); or

(iv) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, or any of the Hong Kong Underwriters:

(i) that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any public notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") was, when it was issued, or has become untrue or incorrect in any material respects or misleading or that any forecasts, estimate, expressions of opinion, intention or expectation expressed in any of the Offer Related Documents is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto);

(iii) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties and undertakings given by our Company and the Warranting Shareholders under the Hong Kong Underwriting Agreement;

(iv) any material breach of any of the obligations of our Company and each of the Warranting Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

(v) any event, act or omission which gives or is likely to give rise to any liability of any of our Company and the Warranting Shareholders pursuant to the indemnities given by our Company and the Warranting Shareholders under the Hong Kong Underwriting Agreement;

(vi) that any person (other than the Joint Sponsors) has withdrawn or subject to withdraw its consent to being named as an expert in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement);

(vii) that the grant or agreement to grant by the Listing Committee of the listing of, and permission to deal in, the Offer Shares on the Main Board of the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(viii) that our Company has withdrawn any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice orally or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings Pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not exercise its power to issue any further Shares, or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except:

(a) pursuant to the Global Offering and the Over-allotment Option; or

(b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to our Company and to the Stock Exchange, except pursuant to the Over-allotment Option the Capitalization Issue, the Global Offering, the Stock Borrowing Agreement and the exercise of that they will not, and shall procure that the registered holder(s) (if any) will not:

(a) in the period commencing on the date of this Prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which they are shown in this Prospectus to be the beneficial owner(s) (the "**Relevant Securities**"); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and to the Stock Exchange that, during the First Six-Month Period and the Second Six-Month Period:

(a) when any of the Controlling Shareholders pledges or charges any Shares or securities beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

(b) when any of the Controlling Shareholders receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of such indications.

Our Company will also inform the Stock Exchange as soon as it has been informed of the above matters by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time during the period after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, and will procure that other members of our Group will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any legal or beneficial interest in the share capital or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) offer to or agree to or announce or publicly disclose any intention to effect any transaction described in paragraph (a), (b) or (c) above, in each case, whether any of the foregoing transactions as described in paragraphs (a), (b), (c) or (d) above is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company is allowed to enter into any of the transactions described in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by the Warranting Shareholders

The Warranting Shareholders have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), the Warranting Shareholders will not, and will procure that none of his/its associates will, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time:

(a) during the First Six-Month Period:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of the share capital (including, for the avoidance of doubt, the Reserved Shares that may be subscribed by any of Gemfair and Shiying Finance Limited under the Preferential Offering) or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein);

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon exercise or enforcement of any options, right, interest or encumbrances pursuant to such transaction, the Warranting Shareholders, together with the other Controlling Shareholders, will cease to be our Controlling Shareholders; and

(c) until the expiry of the Second Six-Month Period, in the event that the Warranting Shareholder or his/its associates enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to agree to or announce any intention to effect any such transaction, such Warranting Shareholder or his/its associates (as the case may be) will take all reasonable steps to ensure that such Warranting Shareholder or his/its associates (as the case may be) will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company and the Warranting Shareholders, has agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company or the Warranting Shareholders of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this Prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters had any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Selling Shareholder and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement set out in "Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement" above. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The Option Grantor and our Company expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Option Grantor to sell up to 35,294,000 additional Shares and our Company to issue and allot up to an aggregate of 52,941,000 additional Shares, representing approximately 15.0% of the initial Offer Shares, at the same price per Share, under the International Offering to cover, among other things, over allocations (if any) in the International Offering.

Commissions and Expenses and Joint Sponsors' Fee

Our Company will pay the Underwriters a commission of 2.0% and a discretionary incentive fee of up to 0.7% of the aggregate Offer Price in respect of all the Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters. In addition, we may at our sole discretion pay an incentive fee of such amount determined by us in our sole discretion to any or all of the Underwriters.

The fees and commissions, the Stock Exchange trading fee and the SFC transaction levy payable and borne by us in connection with the offering of New Shares under the Hong Kong Public Offering and the International Offering, together with the legal and other professional fees, printing and other expenses payable by us in relation to the Global Offering, are estimated to amount to approximately RMB170.7 million in aggregate (based on an Offer Price of HK$16.00 per Share, being the midpoint of the indicative Offer Price range) (assuming the Over-allotment Option is not exercised at all).

The Selling Shareholder shall bear, and be responsible for the payment of, all the underwriting commission, incentive fee (if any), the Stock Exchange trading fee and the SFC transaction levy in connection with the sale of the Sale Shares under the International Offering. Such listing expenses payable by the Selling Shareholder in connection with the sale of the Sale Shares (based on an Offer Price of HK$16.00 per Share, midpoint of the indicative Offer Price range) are estimated to be RMB88.3 million. The Option Grantor shall bear, and be responsible for the payment of, all the underwriting commission, incentive fee (if any), the Stock Exchange trading fee and the SFC transaction levy in connection with the sale of the additional Shares pursuant to the exercise of the Over-allotment Option. Such listing expenses payable by the Option Grantor in connection with the sale of the additional Shares (based on an Offer Price of HK$16.00 per Share, midpoint of the indicative Offer Price range) are estimated to be RMB13.2 million.

An aggregate amount of approximately HK$2.0 million is payable by our Company as sponsor fees to the Joint Sponsors.

The commissions and fees were determined after arm's length negotiations between our Company and the Hong Kong Underwriters and/or other parties by reference to the current market conditions.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 58,824,000 New Shares (subject to reallocation as described below) for subscription by the public in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 529,412,000 Shares (comprising 294,118,000 New Shares and 235,294,000 Sale Shares, and subject to reallocation and the Over-allotment Option as described below) outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Of the 529,412,000 Offer Shares initially being offered under the International Offering, 58,823,000 Offer Shares are available for subscription by Qualifying Shimao Group Holdings Shareholders under the Preferential Offering as Assured Entitlement.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. The Offer Shares will represent approximately 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 28.1% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

References in this Prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 58,824,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Offer Shares available under the Global Offering, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering will represent approximately 2.5% of the enlarged share capital of our Company immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 29,412,000 Hong Kong Offer Shares (being 50% of the Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 to the Listing Rules to the effect as further described below (the “**Mandatory Reallocation**”):

(i) 58,824,000 Offer Shares are initially available for subscription under the Hong Kong Public Offering, representing approximately 10.0% of the Offer Shares initially available for subscription under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 49 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 88,235,000 Offer Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 49 times or more but less than 99 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 147,059,000 Offer Shares, representing approximately 25.0% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 99 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 147,059,000 Offer Shares, representing approximately 25.0% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18.

In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 14 times of the number of Hong Kong Offer

Shares initially available for subscription under the Hong Kong Public Offering provided that, in accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the Offer Price would be set at HK$14.80 (low-end of the indicative Offer Price range), and up to 58,824,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 117,648,000 Offer Shares, representing approximately 20.0% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

The number of Reserved Shares under the Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$17.20 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK$17.20 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus.

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Qualifying Shimao Group Holdings Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Shimao Group Holdings Shareholders are being invited to apply for an aggregate of 58,823,000 Reserved Shares in the Preferential Offering, representing approximately 11.1% and 10.0% of the Offer Shares available under the International Offering and the Global Offering, respectively, as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" above.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 61 Shimao Group Holdings Shares held by Qualifying Shimao Group Holdings Shareholders as of 4:30 p.m. on the Record Date.

Qualifying Shimao Group Holdings Shareholders who hold less than 61 Shimao Group Holdings Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

Qualifying Shimao Group Holdings Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 1,000 Shares. Further, the Reserved Shares allocated to the Qualifying Shimao Group Holdings Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying Shimao Group Holdings Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Basis of Allocation for Applications for Reserved Shares

Qualifying Shimao Group Holdings Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Shimao Group Holdings Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **HK eIPO Blue Form** service via **www.hkeipo.hk** and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Shimao Group Holdings Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Shimao Group Holdings Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above and set forth on the **BLUE** Application Forms) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying Shimao Group Holdings Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Shimao Group Holdings Shareholders who intend to apply for excess Reserved Shares must apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees Limited).

To the extent that the excess applications for the Reserved Shares are:

(i) less than the Reserved Shares not taken up by the Qualifying Shimao Group Holdings Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial owners (not being Non-Qualifying Shimao Group Holdings Shareholders) whose Shimao Group Holdings Shares are held by a nominee company should note that our Company will regard the nominee company as a single Shimao Group Holdings Shareholder according to the register of members of Shimao Group Holdings. Accordingly, such beneficial owners whose Shimao Group Holdings Shares are held by a nominee company should note that the arrangement under paragraph (iii) above will not apply to them individually. Any beneficial owners (not being Non-Qualifying Shimao Group Holdings Shareholders) whose Shimao Group Holdings Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Shimao Group Holdings Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying Shimao Group Holdings Shareholders for Hong Kong Offer Shares

Qualifying Shimao Group Holdings Shareholders may make an application for Reserved Shares either through the **HK eIPO Blue Form** service via **www.hkeipo.hk** or on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering). Such Qualifying Shimao Group Holdings Shareholders will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

Qualifying Shimao Group Holdings Shareholders and Non-Qualifying Shimao Group Holdings Shareholders

Only Shimao Group Holdings Shareholders whose names appeared on the register of members of Shimao Group Holdings at 4:30 p.m. on the Record Date, excluding the Non-Qualifying Shimao Group Holdings Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Shimao Group Holdings Shareholders are those Shimao Group Holdings Shareholders whose names appeared on the Record Date and whose addresses as shown in such register are in any of the Specified Jurisdictions and any Shimao Group Holdings Shareholders or beneficial Shimao Group Shareholders at that time who are otherwise known by Shimao Group Holdings to be resident in any of the Specified Territories.

Notwithstanding any other provision in this Prospectus or the **BLUE** Application Forms, our Company reserves the right to permit any Shimao Group Holdings Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to or can otherwise be lawfully made to them without contravention of any relevant or legal regulatory requirements.

Our Company has been advised by our Company's PRC Legal Advisor that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) does not provide services relating to the subscription of newly issued shares to southbound investors. Accordingly, beneficial owners who hold Shimao Group Holdings Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. As such, the Shares will not be securities eligible for the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying Shimao Group Holdings Shareholder. In addition, Qualifying Shimao Group Holdings Shareholders will receive a copy of this Prospectus in the manner in which they have elected to receive corporate communications under Shimao Group Holdings's corporate communications policy.

If a Qualifying Shimao Group Holdings Shareholder has elected to receive corporate communications from Shimao Group Holdings in printed form, or has not been asked to elect the means of receiving Shimao Group Holdings's corporate communications, a printed copy of this Prospectus in the elected language version(s) will be despatched to such Qualifying Shimao Group Holdings Shareholder.

Qualifying Shimao Group Holdings Shareholders may also obtain a printed copy of this Prospectus during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of those Hong Kong Underwriters as set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus.

Distribution of this Prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this Prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares — B. Applications for Reserved Shares" in this Prospectus and on the **BLUE** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the Reserved Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an offering of initially 529,412,000 Shares (comprising 294,118,000 New Shares and 235,294,000 Sale Shares), representing approximately 90.0% of the total number of Offer Shares available under the Global Offering. Of the 529,412,000 Offer Shares initially being offered under the International Offering, 58,823,000 Offer Shares are available for subscription by Qualifying Shimao Group Holdings Shareholders under the Preferential Offering as Assured Entitlement.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, it is expected the Option Grantor and our Company will grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters). Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Option Grantor to sell up to 35,294,000 additional Shares and our Company to issue and allot up to 52,941,000 additional Offer Shares, representing approximately 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued by our Company will represent approximately 2.2% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Friday, October 23, 2020 and in any event no later than Tuesday, October 27, 2020.

The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder).

The Offer Price will not be more than HK$17.20 per Offer Share and is expected to be not less than HK$14.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this Prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares and/or the Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com** notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change materially as a result of any such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this Prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. The Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, October 29, 2020 on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting" in this Prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Listing Committee granting listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering; and (ii) the Shares which may be issued pursuant to the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before October 27, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com** on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilization Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilization transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilization Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilization transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilization action. Such stabilization activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time.

Any such stabilization activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 88,235,000 Offer Shares, which is approximately 15.0% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilization activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilization actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b);

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of the Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e).

Stabilization actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilization action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilization period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to end on Sunday, November 22, 2020. As a result, demand for the Shares, and their market price, may fall after the end of the stabilization period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilization action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilization Manager (or its affiliate(s)) may choose to borrow up to 88,235,000 Shares (being the maximum number of Shares which may be sold upon the exercise of the Over-allotment Option) from Best Cosmos pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rules 10.07(3).

If the Stock Borrowing Agreement is entered into, the Stabilization Manager (or its affiliate(s)) may borrow Shares from Best Cosmos on the following conditions:

(a) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Best Cosmos will be limited to 88,235,000 Shares, being the maximum aggregate number of Shares which our Company and Option Grantor may be required to issue/sell upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Best Cosmos must be returned to it or its nominees (as the case may be) no later than the third business day following the earlier of:

    (i) the last day on which the Over-allotment Option may be exercised; or

(ii) the date on which the Over-allotment Option is exercised in full;

(d) the stock borrowing arrangement will be carried out in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to Best Cosmos by the Stabilization Manager (or its affiliate(s)) in relation to such stock borrowing arrangement.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stabilization Manager (or any person acting for it) is not required to pay any stock borrowing fee, stock borrowing interest or other consideration and no collateral (cash or otherwise) will be provided by the Stabilization Manager (or any person acting for it) to Best Cosmos in connection with such Stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, October 30, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, October 30, 2020.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 873.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How To Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk** or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who can apply for Hong Kong Offer Shares

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk** or the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 20, 2020 until 12:00 noon on Friday, October 23, 2020 from:

(1) the following address of the following Hong Kong Underwriters:

(in alphabetical order)

China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

(in alphabetical order)

Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	HSBC Main Building 1 Queen's Road Central Hong Kong

(2) or any of the following branches of the receiving banks:

(i) Industrial and Commercial Bank of China (Asia) Limited

District	**Branch Name**	**Address**
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
	Fortress Hill Branch	Shop A-C, G/F, Kwong Chiu Terrace, 272-276 King's Road, Hong Kong

District	Branch Name	Address
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Wong Tai Sin Branch	Shop 128, Level One, Wong Tai Sin Plaza, 103 Ching Tak Street, Wong Tai Sin, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

(ii) The Bank of East Asia, Limited

District	Branch Name	Address
Hong Kong	Main Branch	10 Des Voeux Road Central, Central
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	133 Wai Yip Street Branch	G/F, 133 Wai Yip Street, Kwun Tong, Kowloon
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo

You can collect a **YELLOW** Application Form and a copy of this Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 20, 2020 until 12:00 noon on Friday, October 23, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited — Shimao Services Holdings Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, October 20, 2020 — 9:00 a.m. to 5:00 p.m.
- Wednesday, October 21, 2020 — 9:00 a.m. to 5:00 p.m.
- Thursday, October 22, 2020 — 9:00 a.m. to 5:00 p.m.
- Friday, October 23, 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, October 23, 2020, the last application day or such later time as described in "E. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** Service Provider, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering except in respect of Reserved Shares applied for under the Preferential Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying except in respect of Reserved Shares applied under the Preferential Offering, if applicable;

(xvii) understand that our Company, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. Applying through HK eIPO White Form Service

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply for Hong Kong Offer Shares" above, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, October 20, 2020 until 11:30 a.m. on Friday, October 23, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, October 23, 2020 or such later time under the "E. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means (except where you applied as or for a Qualifying Shimao Group Holdings Shareholder under the Preferential Offering), all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying by giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a copy of this Prospectus from this address.

If you **are not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, October 20, 2020 — 9:00 a.m. to 8:30 p.m.
- Wednesday, October 21, 2020 — 8:00 a.m. to 8:30 p.m.
- Thursday, October 22, 2020 — 8:00 a.m. to 8:30 p.m.
- Friday, October 23, 2020 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, October 20, 2020 until 12:00 noon on Friday, October 23, 2020 (24 hours daily, except on Friday, October 23, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, October 23, 2020, the last application day or such later time as described in "E. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. How many applications can you make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Shimao Group Holdings Shareholder applying for Reserved Shares under the Preferential Offering either through the **HK eIPO Blue Form** Service Provider via the **HK eIPO Blue Form** service or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service. However, in respect of any application for Hong Kong Offer Shares using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "Structure of the Global Offering — The Preferential Offering." If you submit applications both through the **HK eIPO Blue Form** service and by using a **BLUE** Application Form, only the application submitted via **HK eIPO Blue Form** will be accepted and the other will be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. Who can apply for Reserved Shares

Only Qualifying Shimao Group Holdings Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Qualifying Shimao Group Holdings Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 61 Shimao Group Holdings Shares held by them as of 4:30 p.m. on the Record Date. Any Qualifying Shimao Group Holdings Shareholder holding less than 61 Shimao Group Holdings Shares as of 4:30 p.m. on the Record Date will not be entitled to apply for Reserved Shares but will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including requiring evidence of the attorney's authority.

2. Channel for applying for the Reserved Shares

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Shimao Group Holdings Shareholders either through the **HK eIPO Blue Form** service via **www.hkeipo.hk** or using **BLUE** Application Forms which have been despatched to Qualifying Shimao Group Holdings Shareholders. In addition, Qualifying Shimao Group Holdings Shareholders will receive a copy of this Prospectus in the manner in which they have elected to receive corporate communications under Shimao Group Holdings's corporate communications policy.

If a Qualifying Shimao Group Holdings Shareholder has elected to receive corporate communications from Shimao Group Holdings in printed form, or has not been asked to elect the means of receiving Shimao Group Holdings's corporate communications, a printed copy of this Prospectus in the elected language version(s) will be despatched to such Qualifying Shimao Group Holdings Shareholder.

If a Qualifying Shimao Group Holdings Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Shimao Group Holdings, and an electronic version of this Prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com**.

A Qualifying Shimao Group Holdings Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this Prospectus may at any time request for a printed copy of this Prospectus by sending a request in writing to the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Hong Kong Share Registrar will promptly upon request send by ordinary post a printed copy of this Prospectus to such Qualifying Shimao Group Holdings Shareholder, free of charge, although such Qualifying Shimao Group Holdings Shareholder may not be able to receive such printed copy of this Prospectus before the close of the Hong Kong Public Offering.

Qualifying Shimao Group Holdings Shareholders may also obtain a printed copy of this Prospectus during normal business hours from any of the designated branches of the banks and the designated offices of each of those Hong Kong Underwriters as set out in "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms" in this Prospectus.

Where a Qualifying Shimao Group Holdings Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Shimao Group Holdings Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions of an application mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares resulting from other Qualifying Shimao Group Holdings Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Shimao Group Holdings Shareholders who intend to apply for excess Reserved Shares must apply for a number of Shares which is one of the numbers set out in the table of numbers (other than HKSCC Nominees Limited) and payments in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

(i) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Shimao Group Holdings Shareholders who have applied for Reserved Shares under the Preferential Offering either through the **HK eIPO Blue Form** service via **www.hkeipo.hk** or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **HK eIPO White Form** service for the Hong Kong Offer Shares in the Hong Kong Public Offering, subject to eligibility mentioned in the paragraph headed "2. Who can apply for Hong Kong Offer Shares" above. However, Qualifying Shimao Group Holdings Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service under the Hong Kong Public Offering.

3. Despatch of this Prospectus and the BLUE Application Forms

The **BLUE** Application Form has been despatched, if you are a Qualifying Shimao Group Holdings Shareholder, to your address recorded on the register of members of Shimao Group Holdings, at 4:30 p.m. on the Record Date. In addition, Qualifying Shimao Group Holdings Shareholders will receive a printed copy of this Prospectus if a Qualifying Shimao Group Holdings Shareholder has elected to receive corporate communications from Shimao Group Holdings in a printed form or has not been asked to elect the means of receiving Shimao Group Holdings's corporate communications. An electronic copy of this Prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com**.

Persons who held their Shimao Group Holdings Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Shimao Group Holdings Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees.

Qualifying Shimao Group Holdings Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or on its hotline at 2980 1333.

Distribution of this Prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this Prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

4. Applying through the HK eIPO BLUE Form Service

If you apply for Reserved Shares online through the **HK eIPO Blue Form** service:

(a) detailed instructions for application through the **HK eIPO Blue Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO Blue Form** Service Provider and may not be submitted to our Company;

(b) you must also be willing to provide a valid e-mail address; and

(c) once payment is completed via **electronic application instructions** given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **HK eIPO Blue Form** service and by using a **BLUE** Application Form, only the application submitted via the **HK eIPO Blue Form** service will be accepted and the other will be rejected.

5. Applying by using BLUE Application Form

(a) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Shares:

(i) Option 1: apply for a number of Reserved Shares that is equal to your Assured Entitlement.

(ii) Option 2: apply for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares.

(iii) Option 3: apply for a number of Reserved Shares that is less than your Assured Entitlement.

(iv) Option 4: Apply for Excess Reserved Shares only (e.g. if you hold less than 61 Shimao Group Holdings Shares on the Record Date and therefore do not have an Assured Entitlement but are still entitled to participate in the Preferential Offering by applying for excess Reserved Shares).

(b) The **BLUE** Application Form will be rejected by our Company if:

(i) the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;

(ii) the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);

(iii) in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;

(iv) the cheque/banker's cashier order/**BLUE** Application Form is defective;

(v) the **BLUE** Application Form is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;

(vi) the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;

(vii) the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;

(viii) the name of the payee indicated on the cheque/banker's cashier order is not "**ICBC (Asia) Nominee Ltd — Shimao Services Holdings Preferential Offer**";

(ix) the cheque has not been crossed "Account payee only";

(x) the cheque was post-dated;

(xi) the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;

(xii) the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;

(xiii) alteration(s) to the application details on the **BLUE** Application Form has not been authorized by the signature(s) of the applicant(s);

(xiv) the application is completed by pencil;

(xv) the applicant does not fill in all the boxes in the option he/she/it chooses;

(xvi) the applicant chooses more than one of the options on the **BLUE** Application Form;

(xvii) applying for more than 58,823,000 Reserved Shares;

(xviii) our Company or our Directors believe that by accepting the application, our Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or

(xix) our Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If you are applying for a number of Reserved Shares which is equal to your Assured Entitlement ("**Option 1**"):

- Your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the amount payable in Box B set out in the **BLUE** Application Form.

(d) If you are applying for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares ("**Option 2**"):

- Your application will be rejected if the amount on the cheque/banker's cashier order does not match and is less than the amount payable in relation to your Assured Entitlement applied for in your **BLUE** Application Form.

- Your application for your Assured Entitlement (if any) will be accepted in full but your application for excess Reserved Shares will be rejected if the amount on the cheque/banker's cashier order does not match and is more than the amount payable in relation to your Assured Entitlement applied for but is less than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.

- Your application will be accepted in full if the amount on the cheque/banker's cashier order does not match and is more than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.

(e) If you are applying for a number of Reserved Shares which is less than your Assured Entitlement ("**Option 3**"):

- You are recommended to apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by our Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set out in the **BLUE** Application Form.

(f) If you are applying for Excess Reserved Shares only **("Option 4")**:

- You are recommended to apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the corresponding amount payable as set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula and is less than the amount payable.

(g) Instead of using the **BLUE** Application Form, you may apply for Reserved Shares through the **HK eIPO Blue Form** service at **www.hkeipo.hk**.

6. When may applications be made

Application through the HK eIPO Blue Form service

You may submit your application via the **HK eIPO Blue Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, October 20, 2020 until 11:30 a.m., Friday, October 23, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Friday, October 23, 2020 or such later time under the "E. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with a cheque/banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Ltd — Shimao Services Holdings Preferential Offer**", should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms" or at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at the specified times on the following dates:

- Tuesday, October 20, 2020 — 9:00 a.m. to 4:30 p.m.
- Wednesday, October 21, 2020 — 9:00 a.m. to 4:30 p.m.
- Thursday, October 22, 2020 — 9:00 a.m. to 4:30 p.m.
- Friday, October 23, 2020 — 9:00 a.m. to 12:00 noon

If you submit applications both through the **HK eIPO Blue Form** service and by **BLUE** Application Form, only the application submitted via the **HK eIPO Blue Form** service will be accepted and the other will be rejected.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, October 23, 2020, the last application day or such later time as described in "— E. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

7. How many applications may be made

You should refer to "— B. Applications for Reserved Shares — 7. How many applications may be made" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

8. Terms, Conditions and Instructions

You may refer to the **BLUE** Application Form for details of the terms, conditions and instructions which apply to applications for Reserved Shares.

C. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service, or for the Reserved Shares through the **HK eIPO Blue Form** service, is also only a facility provided to public investors and Qualifying Shimao Group Holdings Shareholders. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service and the **HK eIPO Blue Form** service will be allotted any Hong Kong Offer Shares and the Reserved Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Friday, October 23, 2020.

D. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The **WHITE**, **YELLOW** and **BLUE** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** or **YELLOW** Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or the **IPO App**.

For applicants on the **BLUE** Application Form, if the number of Reserved Shares applied for is not one of the numbers set out in the table, you must calculate the correct amount payable on application by using the formula set out in the **BLUE** Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation" in this Prospectus.

E. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning, in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 23, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, October 23, 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this Prospectus, an announcement will be made in such event.

F. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares on Thursday, October 29, 2020 on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.shimaofuwu.com** by no later than 8:00 a.m. on Thursday, October 29, 2020;
- from the designated results of allocations website at **http://www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult** or from the "Allotment Result" function in the **IPO App**) with a "search by ID/Business Registration Number" function on a 24-hour basis from 8:00 a.m. on Thursday, October 29, 2020 to 12:00 midnight on Wednesday, November 4, 2020;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, October 29, 2020, Friday, October 30, 2020, Monday, November 2, 2020 and Tuesday, November 3, 2020;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, October 29, 2020, Friday, October 30, 2020 and Monday, November 2, 2020.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and the Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

G. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or via the **HK eIPO White Form** Service Provider or the **HK eIPO Blue Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise our/their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and the Reserved Shares is void:

The allotment of Hong Kong Offer Shares and Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying Shimao Group Holdings Shareholder);
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** or **HK eIPO Blue Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations;

- your application is for more than 50% of the Offer Shares initially available under the Hong Kong Public Offering; or

- your application under the Preferential Offering is for more than 58,823,000 Reserved Shares.

H. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$17.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or around Thursday, October 29, 2020.

1. Despatch/Collection of Share Certificates and Refund Monies

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all Reserved Shares allotted to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, October 29, 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, October 30, 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

*(i) If you apply using a **WHITE** or **BLUE** Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or for 1,000,000 or more Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 29, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or 1,000,000 Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, October 29, 2020, by ordinary post and at your own risk.

*(ii) If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, October 29, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, October 29, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "F. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 29, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply through the **HK eIPO White Form** service or the **HK eIPO Blue Form** service*

If you apply for 1,000,000 Hong Kong Offer Shares or more, or for 1,000,000 Reserved Shares or more, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 29, 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or 1,000,000 Reserved Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, October 29, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via **electronic application instructions** to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, October 29, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— F. Publication of Results" above on Thursday, October 29, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 29, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, October 29, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, October 29, 2020.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHIMAO SERVICES HOLDINGS LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Shimao Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-120, which comprises the consolidated balance sheets as at December 31, 2017, 2018, and 2019 and June 30, 2020, the balance sheets of the company as at December 31, 2019 and June 30, 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 (the "Track Record Period") 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-4 to I-120 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 20, 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's 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, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019 and June 30, 2020 and the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and June 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 34 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
October 20, 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	6	1,042,528	1,329,323	2,489,086	845,377	1,564,636
Cost of sales	6, 7	(755,627)	(939,033)	(1,651,005)	(563,046)	(1,032,841)
Gross profit		286,901	390,290	838,081	282,331	531,795
Selling and marketing expenses	7	(3,189)	(6,416)	(17,823)	(5,107)	(19,774)
Administrative expenses	7	(125,978)	(192,601)	(303,907)	(127,616)	(202,956)
Provision of impairment losses on financial assets – net	3.1	(19,541)	(8,611)	(3,372)	(6,470)	(7,269)
Other income	9	2,412	4,008	17,478	3,834	20,976
Other gains/(losses) – net	10	97	132	(2,606)	306	(5,648)
Other operating expenses	11	(470)	(784)	(6,694)	(3,442)	(2,979)
Operating profit		140,232	186,018	521,157	143,836	314,145
Finance income		97,744	76,070	37,935	22,070	2,626
Finance costs		(92,098)	(66,901)	(51,833)	(20,415)	(13,259)
Finance income/(costs) – net	12	5,646	9,169	(13,898)	1,655	(10,633)
Share of results of associates accounted for using the equity method	13	–	–	(1,208)	(116)	117
Profit before income tax		145,878	195,187	506,051	145,375	303,629
Income tax expense	15	(37,097)	(48,991)	(121,520)	(36,493)	(48,958)
Profit for the year/period		108,781	146,196	384,531	108,882	254,671
Profit attributable to:						
– Equity owners of the Company		108,781	146,196	384,531	108,882	245,420
– Non-controlling interests		–	–	–	–	9,251
Total comprehensive income for the year/period attributable to equity owners of the Company		108,781	146,196	384,531	108,882	245,420
Earnings per share (Note)						
Basic and diluted earnings per share (RMB per share)	16	1,145	1,539	4,048	1,146	2,544

Note: The earnings per share presented above has not been taken into account the proposed capitalization issue pursued to the resolutions in writing of the shareholders passed on October 13, 2020 because the proposed capitalization issue has not become effective as at the date of this report (Note 42).

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Financial assets at fair value through other comprehensive income		–	–	–	356
Property, plant and equipment	18	5,145	10,219	14,029	29,240
Investment properties	17	7,506	7,091	103,003	100,532
Right-of-use assets	19	1,129	7,026	15,858	12,673
Intangible assets	20	2,260	4,513	283,294	571,069
Deferred tax assets	33	32,148	27,322	24,619	36,748
Investment in associates accounted for using the equity method	13	–	–	3,692	6,137
Total non-current assets		48,188	56,171	444,495	756,755
Current assets					
Financial assets at fair value through profit or loss	21	–	–	–	69,868
Inventories	22	–	–	276,775	311,247
Trade receivables	23	453,295	477,030	747,305	767,831
Receivables arising from debt restructuring	23	93,153	–	–	–
Prepayments, deposits and other receivables	24	930,009	2,124,005	1,256,765	364,092
Cash and cash equivalents	25	596,921	537,714	849,591	1,753,581
Total current assets		2,073,378	3,138,749	3,130,436	3,266,619
Total assets		2,121,566	3,194,920	3,574,931	4,023,374

	Note	As at December 31,			As at June 30,
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity attributable to owners of the Company					
Share capital	26	–	–	–	1
Convertible redeemable preferred shares	28	–	–	–	1,729,000
Share premium		–	–	–	212,275
Reserves	27	125,359	839,682	44,631	(1,042,296)
Retained earnings		275,956	407,829	189,164	424,119
		401,315	1,247,511	233,795	1,323,099
Non-controlling interests		–	–	–	(44,612)
Total equity		401,315	1,247,511	233,795	1,278,487
Liabilities					
Non-current liabilities					
Borrowings	30	504,567	218,458	–	–
Lease liabilities	32	756	4,488	8,622	4,770
Deferred tax liabilities	33	–	–	14,354	27,418
Provisions for other liabilities and charges	29	–	–	2,998	5,120
Total non-current liabilities		505,323	222,946	25,974	37,308
Current liabilities					
Trade and other payables	31	642,270	1,051,513	1,913,052	1,931,307
Contract liabilities	6	193,780	270,300	445,602	482,812
Dividends payables	34	–	–	559,247	13,061
Income tax liabilities		43,017	64,417	150,576	192,253
Borrowings	30	335,318	335,378	239,789	80,437
Lease liabilities	32	543	2,855	6,896	7,709
Total current liabilities		1,214,928	1,724,463	3,315,162	2,707,579
Total liabilities		1,720,251	1,947,409	3,341,136	2,744,887
Total equity and liabilities		2,121,566	3,194,920	3,574,931	4,023,374

BALANCE SHEETS OF THE COMPANY

	Note	As at December 31, 2019	As at June 30, 2020
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Prepayments, deposits and other receivables	24	–	1,963
Amount due from a subsidiary	24	–	858,284
Investment in subsidiaries	14	212,275	212,275
Total non-current assets		212,275	1,072,522
Total assets		212,275	1,072,522
Equity attributable to owners of the Company			
Share capital	26	–	1
Convertible redeemable preferred shares	28	–	1,729,000
Share premium		212,275	212,275
Reserves	27	–	(864,500)
Accumulated deficit		(29)	(9,421)
		212,246	1,067,355
Total equity		212,246	1,067,355
Liabilities			
Current liabilities			
Trade and other payables		29	5,167
Total current liabilities		29	5,167
Total liabilities		29	5,167
Total equity and liabilities		212,275	1,072,522

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity owners of the Company							
		Share Capital	Share Premium	Statutory Reserves	Other Reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000 (Note 27)	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017		–	–	3,901	110,500	178,133	292,534	–	292,534
Comprehensive income									
Profit for the year		–	–	–	–	108,781	108,781	–	108,781
Transactions with owners in their capacity as owners									
Appropriation to statutory reserves		–	–	10,958	–	(10,958)	–	–	–
Balance at December 31, 2017		–	–	14,859	110,500	275,956	401,315	–	401,315
Balance at January 1, 2018		–	–	14,859	110,500	275,956	401,315	–	401,315
Comprehensive income									
Profit for the year		–	–	–	–	146,196	146,196	–	146,196
Transactions with owners in their capacity as owners									
Capital injection	27	–	–	–	700,000	–	700,000	–	700,000
Appropriation to statutory reserves		–	–	14,323	–	(14,323)	–	–	–
Balance at December 31, 2018		–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Balance at January 1, 2019		–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Comprehensive income									
Profit for the year		–	–	–	–	384,531	384,531	–	384,531
Transactions with owners in their capacity as owners									
Dividends declared by Shimao Tiancheng Property Service Group Co., Ltd.	34	–	–	–	–	(559,247)	(559,247)	–	(559,247)
Capital injection	27	–	–	–	1,000	–	1,000	–	1,000
Deemed distribution arising from reorganization	27	–	–	–	(840,000)	–	(840,000)	–	(840,000)
Appropriation to statutory reserves		–	–	43,949	–	(43,949)	–	–	–
Balance at December 31, 2019		–	–	73,131	(28,500)	189,164	233,795	–	233,795

	Note	Attributable to equity owners of the Company								
		Share Capital	Share Premium	Statutory Reserves	Other Reserves	Retained earnings	Convertible redeemable preferred shares	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000 (Note 27)	RMB'000 (Note 27)	RMB'000	RMB'000 (Note 28)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020		–	–	73,131	(28,500)	189,164	–	233,795	–	233,795
Comprehensive income										
Profit for the period		–	–	–	–	245,420	–	245,420	9,251	254,671
Transactions with owners in their capacity as owners										
Deemed distribution arising from reorganization	27	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization		–	212,275	–	(212,275)	–	–	–	–	–
Waive of payable to related party		–	–	–	1,358	–	–	1,358	–	1,358
Issuance of ordinary shares	26	1	–	–	–	–	–	1	–	1
Issuance of and re-designation into convertible redeemable preferred shares	28	–	–	–	(864,500)	–	1,729,000	864,500	–	864,500
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	34	–	–	–	–	(720)	–	(720)	–	(720)
Dividends declared by Super Rocket Limited	34	–	–	–	–	(9,745)	–	(9,745)	–	(9,745)
Acquisition of subsidiaries	37	–	–	–	–	–	–	–	(53,863)	(53,863)
Balance at June 30, 2020		1	212,275	73,131	(1,115,427)	424,119	1,729,000	1,323,099	(44,612)	1,278,487
Balance at January 1, 2019		–	–	29,182	810,500	407,829	–	1,247,511	–	1,247,511
Comprehensive income										
Profit for the period		–	–	–	–	108,882	–	108,882	–	108,882
Transactions with owners in their capacity as owners										
Capital injection	27	–	–	–	1,000	–	–	1,000	–	1,000
Balance at June 30, 2019 (Unaudited)		–	–	29,182	811,500	516,711	–	1,357,393	–	1,357,393

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	35(a)	280,165	339,649	569,682	98,984	432,999
Interest received on bank deposits		5,734	9,412	4,366	1,838	2,626
Income tax paid		(17,780)	(22,765)	(36,992)	(19,988)	(20,114)
Net cash generated from operating activities		268,119	326,296	537,056	80,834	415,511
Cash flows from investing activities						
Proceeds from/(payment for) acquisition of subsidiaries, net of cash acquired	37(a)(b)	–	–	(144,971)	282	(107,484)
Payment for acquisition of an associate		–	–	(4,900)	(490)	–
Payment for financial assets through P&L		–	–	–	–	(68,789)
Payments for property, plant and equipment		(2,763)	(8,862)	(6,517)	(2,933)	(7,001)
Payments for investment properties		–	–	(99,000)	(99,000)	–
Payments of software development costs		(2,644)	(3,138)	(15,416)	(22)	(9,632)
Advance to related parties	39(b)	(376,673)	(1,549,811)	(859,700)	(216,721)	(362,140)
Repayment of advance to related parties	39(b)	503,162	374,411	1,717,239	336,565	1,251,547
Interest received on advance to related parties	39(b)	95,467	69,007	41,241	21,383	–
Net cash outflow from disposal of a subsidiary	38	–	–	–	–	(71)
Net cash generated from/(used in) investing activities		216,549	(1,118,393)	627,976	39,064	696,430
Cash flows from financing activities						
Capital injection from owners		–	700,000	1,000	1,000	1
Repayments of borrowings	35(b)	(257,931)	(286,049)	(314,047)	(158,220)	(159,352)
Cash advance from related parties	35(b)	40,000	419,897	315,000	–	–
Repayment of cash advance from related parties	35(b)	(20,000)	(30,000)	(793,571)	(72,718)	(97,172)
Payment for consideration of reorganization	27	–	–	–	–	(221,510)
Interest paid on borrowings		(95,467)	(69,007)	(56,081)	(21,383)	(12,746)
Interest paid on leased liabilities	35(b)	(88)	(243)	(374)	(183)	(513)
Payments for leased liabilities	35(b)	(228)	(1,708)	(5,082)	(1,490)	(3,625)
Dividends paid to the then shareholders of Shimao Tiancheng		–	–	–	–	(569,712)
Proceeds from issuance of convertible redeemable preferred shares	28	–	–	–	–	864,500
Listing expense paid		–	–	–	–	(1,546)
Net cash (used in)/generated from financing activities		(333,714)	732,890	(853,155)	(252,994)	(201,675)
Net increase/(decrease) in cash and cash equivalents		150,954	(59,207)	311,877	(133,096)	910,266
Cash and cash equivalents at beginning of year/period		445,967	596,921	537,714	537,714	849,591
Effects of exchange rate changes on cash and cash equivalents		–	–	–	–	(6,276)
Cash and cash equivalents at end of year/period		596,921	537,714	849,591	404,618	1,753,581

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Shimao Services Holdings Limited (the "Company") was incorporated on December 3, 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services and value-added services in the People's Republic of China (the "PRC") (the "Listing Business").

The Company's ultimate holding company is Shimao Group Holdings Limited ("Shimao Group Holdings") (formerly known as "Shimao Property Holdings Limited") whose shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since July 5, 2006. The ultimate controlling shareholder of the Group is Mr. Hui Wing Mau ("Mr. Hui Wing Mau" or the "Ultimate Controlling Shareholder").

The initial listing of the Company's Shares on the Main Board of the Stock Exchange ("Listing") will constitute a spin-off from Shimao Group Holdings ("Spin-Off"). After completion of the Spin-Off, Shimao Group Holdings and its subsidiaries excluding the Group are collectively referred to as the Remaining Group.

This Historical Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Listing Business was primarily operated through Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") and its subsidiaries, including among others, Nanjing Haixia Property Management Co., Ltd. ("Nanjing Haixia"), Xianghe Wantong Property Services, Co., Ltd. ("Xianghe Wantong") and the Home Services Entities (as defined below) (collectively, the "operating entities") in the PRC during the whole Track Record Period. Before the completion of the Reorganization, the operating companies were ultimately held by and controlled by Shimao Group Holdings.

In preparation for the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganization was undertaken to transfer the Listing Business to the Company principally through the following steps:

(a) On December 3, 2019, the Company was incorporated under the laws of the Cayman Islands with limited liability by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of Shimao Group Holdings;

(b) On December 4, 2019, Shimao Services (BVI) Limited ("Shimao Services BVI") was incorporated in the British Virgin Islands with limited liability by the Company as its wholly-owned subsidiary;

(c) On December 6, 2019, Shimao Services BVI acquired the entire interest of Origin Prime Property Services Limited ("Origin Prime"), which is the sole shareholder of Shanghai Aoling Enterprise Management Co., Ltd.("Shanghai Aoling"), from Shanghai Shiying Investment Co., Ltd ("Shanghai Shiying"), a wholly-owned subsidiary of Shimao Group Holdings;

(d) On December 24, 2019, Shanghai Aoling acquired the entire equity interest of Shimao Tiancheng and its subsidiaries from Shanghai Shiying;

(e) For the purpose of transferring the operating entities of the Listing Business from the Remaining Group into the Group, the following steps were involved:

(i) Shimao Tiancheng acquired the entire equity interest of Mudanjiang Feixia Management Services Co., Ltd. ("Mudanjiang Feixia"), Nanjing Haixia and Xianghe Wantong, on December 27, 2019, January 14, 2020 and April 29, 2020, respectively, from the Remaining Group. Nanjing Haixia and Xianghe Wantong are principally engaged in residential property management business and Mudanjiang Feixia is principally engaged in community value-added services; and

(ii) Shimao Tiancheng and Shanghai Jiashu Construction Engineering Co., Ltd.("Shimao Jiashu"), a wholly-owned subsidiary of Shanghai Aoling, acquired 90% and 10% equity interest of each Shanghai Huiguan Garden Landscape Engineering Co., Ltd. ("Shanghai Huiguan") and Mudanjiang Maoju Household Products Co., Ltd. ("Mudanjiang Maoju") respectively on March 13, 2020 and March 30, 2020. Shimao Services BVI acquired 100% equity interest of Super Rocket Limited and its wholly-owned subsidiary, Suifenhe Shifu Home Supplies Co., Ltd.("Suifenhe Shifu") on March 23, 2020. Shanghai Huiguan, Mudanjiang Maoju and Suifenhe Shifu are principally engaged in the home improvement business (collectively, the "Home Service Entities").

(f) Shimao Tiancheng transferred 42.71% equity interest, being the entire interest held by Shimao Tiancheng thereof, in Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd., a company principally engaged in the provision of micro-financing, to the Remaining Group on April 8, 2020 (the "Excluded Business").

Upon the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group. The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in Note 14.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Listing Business were under common control of Mr. Hui Wing Mau, the Ultimate Controlling Shareholder, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Mr. Hui Wing Mau immediately before and after the Reorganization and new comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Hui Wing Mau, whichever is a shorter period. The historical financial information relating to the Excluded Business were not combined in the Historical Financial Information.

The net assets of the combining companies were combined using the existing book values from Mr Hui Wing Mau's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from a third party or disposed during each of the years ended December 31, 2017, 2018, 2019 and six months ended June 30, 2020, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

For the Track Record Period, the Group has consistently adopted all the standards and interpretations effective for the financial reporting period commencing on January 1, 2020.

The following standards and interpretations had been issued but were not mandatory for the financial year beginning on January 1, 2020 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2022
HKFRS 3 (Amendment)	Update reference to the Conceptual framework	January 1, 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
HKAS 37 (Amendments)	Onerous Contracts Cost of Fulfilling a Contract	January 1, 2022
HKFRS 17	Insurance Contracts	January 1, 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project	Annual Improvement 2018-2020	January 1, 2022
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions	June 1, 2020

The directors of the Company were of the view that the above new and revised standards and amendments and interpretations to existing standards have been issued and are not expected to have any significant impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2.2.2 Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive and non-executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other gains/(losses) – net" in the consolidated statements of comprehensive income.

(c) Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over the shorter of their estimated useful lives or, in case of leasehold improvements, as follows:

	Estimated useful lives	Estimated net residual value
Office equipment	5 years	5%
Machinery and equipment	5 years	5%
Vehicles	5 years	5%
Leasehold improvements	Over the shorter of their estimated useful lives or lease term	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other gains/(losses) – net' in the consolidated statements of comprehensive income.

2.6 Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in 20 years.

2.7 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

(c) Research and development cost

Costs associated with research and development software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria in above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) ***Customer relationship***

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 96 months for the customer relationship. The useful life of 96 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

2.8 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

Debt instruments

i) to be measured subsequently at fair value through other comprehensive income ("OCI");

ii) to be measured subsequently at fair value through profit or loss; and

iii) to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

i) to be measured subsequently at fair value through other comprehensive income; and

ii) to be measured subsequently at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statements of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognized in 'other gains/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other gains/(losses) – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other gains/(losses) – net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

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

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

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

2.12 Inventories

Costs of purchased carparks are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and banks, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders.

The Group recognized the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognized at proceeds received. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

Given the Croup has no qualifying assets during the Track Record Period, all borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

2.21 Employee benefits

(i) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22 Provisions

Provisions for legal claims are recognized when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

The Group provides property management services, community value-added services, and value-added services to non-property owners. Revenue from providing services is recognized in the accounting period in which the services are rendered.

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

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

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

Property Management Services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added services

Community value-added services mainly include commission for carpark sales/public facility and space leasing services, home improvement services, carpark sales agency services and carpark sales business, smart community services resident services and online retail services.

The Group leases public facilities and area owned by property owners, mainly including advertisement display area, public parking areas owned by property owners to third parties. The Group provides agency services for property owners and recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

The Group provides home improvement services, including marketing and promotion services to third party service providers who provides renovation services to property owners and one-stop renovation services to property owners. The Group charges a fixed upfront fee and recognizes such fee as revenue over the period that the service providers are entitled to use the platform provided by the Group. When the gross sales amount of the renovation services exceed certain threshold and the Group is entitled to charge a variable fee based on the certain pre-determined percentage of the excessive gross sales amount of the services to property owners and the revenue thereon is recognized when condition is met. One-stop renovation services are recognized on a gross basis when such services are rendered.

The Group provides carpark sales agency service to property owners and property developers. The Group acts as an agent in the carpark sales agency service as the Group is not the primary obligor to provide the carpark to property owners and the Group has no inventories risk and pricing discretion in sales of carparks. The Group recognizes the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners.

The Group engages in carpark sales business. The Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognized when or as the control of the carparks is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the carpark is transferred at a point in time.

The Group provides smart community solutions and sells intelligent hardware devices and software to property owners, property developers and property management companies, and provides software maintenance services to other property management companies. The Group recognizes revenue on a gross basis when the smart devices are delivered and the services are rendered.

The Group provides resident services to property owners, such as house cleaning, home electronic repair and maintenance, The Group recognizes revenue on a gross basis when the services are rendered.

The Group offers a wide range of product categories to customers through online retail services. The Group recognizes the product revenues from the online retail on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods.

Value-added services to non-property owners

Value-added services to non-property owners mainly include display units and property sales venue management services and preliminary planning and design consultancy services to property developers at the pre-delivery stage, repair and maintenance management services to property developers during the warrant period of the residential units. The Group agrees the price for each service with the property developers upfront and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2.24 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes and loans to related parties. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Leases

(a) The Group as a lessee

The Group leases commercial properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Leases are recognized as right-of-use assets (Note 19) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the lease term on a straight-line basis in a range of 2 to 7 years with no residual value.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost, and;

(d) restoration costs.

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the consolidated statements of comprehensive income when the event or conditions that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as "other receivable" in the consolidated balance sheets.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Fair value interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents and interest-bearing cash advance ("the interest-bearing assets") from related party, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables, and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks and wealth management products recognized as financial assets at fair value through profit or loss since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms, and related party customers with credit terms of usually 60 days. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit loss also incorporates forward looking information.

(iii) Receivables arising from debt restructuring and other receivables due from related parties

The Group expects that the credit risk associated with receivables arising from debt restructuring and other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses, which was 0.5% allowance rate considering forwarding-looking risk for receivables arising from debt restructuring and other receivables due from related parties.

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As there was no significant change of the characteristic of the customer base, historical credit loss rate of customers and forward-looking information during the Track Record Period, the Group adopted the same expected credit loss throughout the Track Record Period. As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow.

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Trade receivables										
Related parties	0.5%	240,212	1,201	363,539	1,818	512,004	2,560	0.5%	494,457	2,472
Third party aging										
Within 1 year	5%	173,803	8,690	66,053	3,303	208,538	10,427	5%	232,833	11,642
1 to 2 years	17%	38,716	6,582	35,659	6,062	27,074	4,603	16%	36,767	5,883
2 to 3 years	31%	17,628	5,465	22,613	7,010	15,377	4,766	31%	20,203	6,263
3 to 4 years	50%	7,477	3,738	12,066	6,033	10,509	5,254	51%	15,154	7,728
4 to 5 years	77%	4,936	3,801	5,764	4,438	6,143	4,730	77%	10,457	8,052
Over 5 years	100%	3,374	3,374	6,816	6,816	9,003	9,003	100%	10,608	10,608
		486,146	32,851	512,510	35,480	788,648	41,343		820,479	52,648

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Receivables arising from debt restructuring	0.5%	93,621	468	–	–	–	–	–	–	–

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Other receivables										
– Loans to related parties	0.5%	898,484	4,493	2,004,877	10,025	1,106,098	5,531	0.5%	216,691	1,083
– Cash advance to employees	6%	2,595	156	4,561	274	8,196	492	6%	3,040	182
– Payments on behalf of property owners	2%	10,123	202	40,355	807	77,966	1,559	3%	60,742	1,822
– Interest receivables	0.5%	10,021	50	7,672	38	–	–	–	–	–
– Other	5%	359	18	900	45	22,329	1,116	5%	31,484	1,575
		921,582	4,919	2,058,365	11,189	1,214,589	8,698		311,957	4,662

As at December 31, 2017, 2018, 2019 and June 30, 2019, 2020, the loss allowance provision for trade and other receivables (excluding prepayments, receivables from payment platform) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables and receivables arising from debt restructuring	Other receivables (excluding prepayments, receivables from payment platform)	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017	15,608	3,089	18,697
Provision for loss allowance recognized in profit or loss	17,711	1,830	19,541
At December 31, 2017	33,319	4,919	38,238
At January 1, 2018	33,319	4,919	38,238
Provision for loss allowance recognized in profit or loss	2,161	6,450	8,611
Write-off	–	(180)	(180)
At December 31, 2018	35,480	11,189	46,669
At January 1, 2019	35,480	11,189	46,669
Provision for loss allowance recognized in profit or loss	5,863	(2,491)	3,372
At December 31, 2019	41,343	8,698	50,041
At January 1, 2019	35,480	11,189	46,669
Provision for loss allowance recognised in profit or loss	7,210	(740)	6,470
At June 30, 2019(Unaudited)	42,690	10,449	53,139
At January 1, 2020	41,343	8,698	50,041
Provision for loss allowance recognised in profit or loss	11,305	(4,036)	7,269
At June 30, 2020	52,648	4,662	57,310

As at December 31, 2017, 2018, 2019 and June 30, 2020, the gross carrying amount of trade and other receivables (excluding prepayments, receivables from payment platform) was RMB1,501,349,000, RMB2,570,875,000, RMB2,003,237,000 and RMB1,132,436,000 respectively and thus the maximum exposure to loss was RMB1,501,349,000, RMB2,570,875,000, RMB2,003,237,000 and RMB1,132,436,000 respectively.

3.1.3 *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain payables are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and other payables denominated in Hong Kong dollar ("HK dollar", or "HK$") and the United States dollar ("US dollar", or "US$").

As at June 30, 2020, if RMB had strengthened/weakened by 5% against US$ and HK$ with all other variables held constant, the profit before income tax for the six months ended June 30, 2020 would have been approximately RMB42,423,454 higher/lower (For the years ended December 31, 2017, 2018, 2019: nil), mainly as a result of net foreign exchange gains/losses on translation of US$ and HK$ denominated bank deposits and trade and other payables.

3.1.4 *Liquidity risk*

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of balance sheet, as the impact of discount is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2020				
Trade and other payables*	1,803,069	–	–	1,803,069
Borrowing and interest payments	83,596	–	–	83,596
Lease liabilities	8,168	4,891	102	13,161
Dividend payables	13,061	–	–	13,061
	1,907,894	4,891	102	1,912,887
As at December 31, 2019				
Trade and other payables*	1,693,036	–	–	1,693,036
Borrowing and interest payments	249,230	–	–	249,230
Lease liabilities	7,487	7,020	3,562	18,069
Dividend payables	559,247	–	–	559,247
	2,509,000	7,020	3,562	2,519,582
As at December 31, 2018				
Trade and other payables*	943,492	–	–	943,492
Borrowing and interest payments	350,665	249,230	–	599,895
Lease liabilities	3,169	3,101	1,725	7,995
	1,297,326	252,331	1,725	1,551,382
As at December 31, 2017				
Trade and other payables*	505,573	–	–	505,573
Borrowing and interest payments	352,707	350,665	249,230	952,602
Lease liabilities	609	383	766	1,758
	858,889	351,048	249,996	1,459,933

* *Excluding non-financial liabilities of accrued payroll and other taxes payable*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

The gearing ratios during the track record period are as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(Note 30)*	839,885	553,836	239,789	80,437
Lease liabilities *(Note 32)*	1,299	7,343	15,518	12,479
Cash advance from related parties *(Note 39(e))*	185,846	575,743	97,172	–
Less: Cash and cash equivalents *(Note 25)*	(596,921)	(537,714)	(849,591)	(1,753,581)
Net debt/(cash) *(Note 35(b))*	430,109	599,208	(497,112)	(1,660,665)
Total equity	401,315	1,247,511	233,795	1,278,487
Gearing ratio	107%	48%	N/A	N/A

The Group's gearing ratio decreased from 107% as of December 31, 2017 to 48% as of December 31, 2018, primarily due to the repayment of borrowings, the capital injection from Shimao Group Holdings and the increase in retained earnings. The Group's gearing ratio was not available as of December 31, 2019 and June 30, 2020, which is primarily due to the Group is at a net cash position.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets measured at fair value at June 30, 2020.

As at June 30, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	–	69,868	69,868
Financial assets at fair value through other comprehensive income	–	–	356	356

Financial assets at fair values through profit or loss included in Level 3 as at June 30, 2020 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Financial assets at fair value through other comprehensive income included in Level 3 as at June 30, 2020 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
	RMB'000	*RMB'000*
As of January 1, 2020	–	–
Additions	68,789	–
Additions from acquisition of a subsidiary	–	356
Change in fair value	1,079	–
As of June 30, 2020	69,868	356
Net gains for the period	1,079	–

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Unobservable input	Valuation technique	Financial assets at fair value through profit or loss	Range of unobservable inputs As at June 30, 2020
Expected interest rate per annum	Discounted cash flow	Wealth management products	1%-2%

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 5% higher/lower, the profit before income tax for the six months ended June 30, 2020 would have been approximately RMB3,493,000 higher/lower respectively.

There were no changes in Level 3 instruments for the six months ended June 30, 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

(b) Current and deferred income tax

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

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

(c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. For a listed cash-generating unit ("CGU"), the fair value less cost to sell is determined by the value in use. These valuations and calculations require the use of estimates.

(d) Provision for inventories

The Group assesses the carrying amounts of inventories according to their net realisable value. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

During the Track Record Period, the Group is principally engaged in the provision of property management services, community value-added services, and value-added services to non-property owners. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

As at December 31, 2017, 2018, 2019 and June 30, 2020, all of the non-current assets of the Group were located in the PRC.

6 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales by category for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 is as follows:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (*unaudited*)		*RMB'000*	
Revenue from customer and recognized over time:										
Property management services	733,774	549,871	848,583	618,562	1,199,398	851,071	438,132	307,439	819,707	596,882
Community value-added services	33,225	20,280	47,196	27,460	171,918	82,475	27,916	13,570	66,798	33,527
Value-added services to non-property owners	246,202	169,758	386,075	269,211	641,130	459,456	288,888	192,233	327,637	224,919
	1,013,201	739,909	1,281,854	915,233	2,012,446	1,393,002	754,936	513,242	1,214,142	855,328
Revenue from customer and recognized at point in time:										
Community value-added services	29,327	15,718	47,469	23,800	476,640	258,003	90,441	49,804	350,494	177,513
	1,042,528	755,627	1,329,323	939,033	2,489,086	1,651,005	845,377	563,046	1,564,636	1,032,841
Revenue recognized on gross basis/net basis:										
Revenue recognized on gross basis	991,547	728,874	1,246,489	896,718	2,112,299	1,461,974	741,505	516,710	1,427,031	982,331
Revenue recognized on net basis	50,981	26,753	82,834	42,315	376,787	189,031	103,872	46,336	137,605	50,510
	1,042,528	755,627	1,329,323	939,033	2,489,086	1,651,005	845,377	563,046	1,564,636	1,032,841

For the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2019 and 2020 revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 28.54%, 35.59%, 32.41%, 39.36% and 29.54% of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the Track Record Period.

(a) Contract liabilities

The Group had recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property management services	193,780	263,545	393,709	388,565
Community value-added services	–	6,755	50,170	68,732
Value-added services to non-property owners	–	–	1,723	25,515
	193,780	270,300	445,602	482,812

(b) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(c) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year					
Property management services	206,702	193,780	263,545	184,299	219,867
Community value-added services	–	–	6,755	6,755	50,170
Value-added services to non-property owners	–	–	–	–	1,723
	206,702	193,780	270,300	191,054	271,760

(d) Unsatisfied performance obligations

For property management services, community value-added services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(e) Assets recognized from incremental costs to obtain a contract

During the Track Record Period, there were no significant incremental costs to obtain or fulfil a contract, and accordingly no asset was recognized.

7 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses *(Note 8)*	545,273	732,011	1,013,210	418,951	600,813
Cleaning costs	106,339	115,037	228,458	92,976	134,971
Office expenses	45,923	64,816	125,220	50,416	71,177
Security costs	61,060	65,250	123,623	33,774	89,764
Utilities	33,493	35,862	129,498	27,735	50,254
Greening and gardening costs	17,187	30,354	44,587	19,683	25,309
Maintenance costs	39,984	53,260	150,952	27,587	148,682
Cost of selling parking lots	–	–	61,527	–	60,008
Community activities expenses	9,737	11,603	23,050	4,008	4,293
Taxes and surcharges	10,028	8,629	14,107	4,240	10,006
Depreciation and amortization charges	2,335	4,423	14,010	3,990	21,735
Lease payments not included in the measurement of lease liabilities	1,050	5,601	4,327	2,672	840
Listing expenses	–	–	–	–	15,605
Auditors remuneration					
– Audit services	391	416	823	248	644
Others	11,994	10,788	39,343	9,489	21,470
	884,794	1,138,050	1,972,735	695,769	1,255,571

Cost of sales includes mainly employee benefit expenses, maintenance costs, security costs, cleaning costs, costs of selling parking lots and utilities.

8 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries and bonuses	446,551	579,503	816,970	337,796	487,412
Pension costs	35,102	55,954	75,380	31,168	44,746
Housing funds, medical insurances and other social insurances *(Note (a))*	35,231	58,085	79,292	32,785	46,100
Other employment benefits	28,389	38,469	41,568	17,202	22,555
	545,273	732,011	1,013,210	418,951	600,813

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, two, two, two, and two directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 respectively, whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four, three, three, three, three individuals for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries, bonuses, housing funds and other employees' benefits	2,681	2,888	3,818	1,615	1,790

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Emolument bands (in RMB)					
Nil – RMB500,000	–	–	–	1	–
RMB500,001 – RMB1,000,000	4	2	–	2	3
RMB1,000,001 – RMB2,000,000	–	1	3	–	–
	4	3	3	3	3

9 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants *(Note 1)*	1,412	3,008	4,958	2,053	11,305
Value-added tax deductibles *(Note 2)*	–	–	6,092	1,281	4,077
Rental income	1,000	1,000	4,667	500	5,594
Others	–	–	1,761	–	–
	2,412	4,008	17,478	3,834	20,976

Note1: Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

Note2: Value-added tax deductibles mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

10 OTHER GAINS/(LOSSES) — NET

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Other gains	419	254	625	461	896
Net gain on disposal of a subsidiary	–	–	–	–	511
Net loss on disposal of property, plant and equipment	(8)	(20)	(70)	(2)	(20)
Penalty	(314)	(102)	(146)	(58)	(545)
Claim provisions	–	–	(2,998)	(73)	(2,122)
Net foreign exchange (losses)/gain	–	–	(17)	(22)	1,745
Gain on financial assets at FVPL	–	–	–	–	1,079
Fair value changes of put option *(Note(a))* *(Note 37)*	–	–	–	–	(7,192)
	97	132	(2,606)	306	(5,648)

(a) The fair value evaluation is resulted from purchase consideration of Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. which occurred during the year ended December 31, 2019 (Note 37(a)).

11 OTHER OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Depreciation of investment properties	422	415	3,088	206	2,471
Compensation expenses	36	342	3,094	3,000	14
Others	12	27	512	236	494
	470	784	6,694	3,442	2,979

12 FINANCE INCOME/(COSTS) — NET

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	5,734	9,412	4,366	1,838	2,626
Interest income on loans to related parties *(Note 39(b))*	92,010	66,658	33,569	20,232	–
Finance income	97,744	76,070	37,935	22,070	2,626
Interest expense on Asset-Backed Securities ("ABS")	(92,010)	(66,658)	(36,619)	(20,232)	(12,746)
Interest expense on loans from related parties *(Note 39(b))*	–	–	(14,840)	–	–
Interest and finance charges paid/payable for lease liabilities and others *(Note 32(b))*	(88)	(243)	(374)	(183)	(513)
Finance costs	(92,098)	(66,901)	(51,833)	(20,415)	(13,259)
Financial income/(costs) – net	5,646	9,169	(13,898)	1,655	(10,633)

13 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Set out below is the associates of the Group as at December 31, 2017, 2018, 2019 and June 30, 2020:

Name of entity	Place of business/ establishment	% of ownership interest				Nature of relationship	Carrying amount As at December 31,			Carrying amount As at June 30,
		2019	2018	2019	2020		2017	2018	2019	2020
		%	%	%	%		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd ("Yunmao Interconnect")	The PRC	–	–	49	49	Associate	–	–	3,692	3,809
Kunming Ruixin Urban Operation Management Co., Ltd	The PRC	–	–	–	33	Associate	–	–	–	2,328
Shanghai Maoyuan Property Management Co., Ltd. ("Shanghai Maoyuan")	The PRC	–	–	–	49	Associate	–	–	–	–

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	–	3,692
Additions	–	–	4,900	–
Addition from acquisition of Chengdu Xinyi Property Co., Ltd. ("Chengdu Xinyi") *(Note 37)*	–	–	–	2,328
Share of profits/(losses)	–	–	(1,208)	117
At the end of the year/period	–	–	3,692	6,137

In May 2019, the Group established Yunmao Interconnect with a wholly-owned subsidiary of Unisound (Shanghai) Information Technology Co., Ltd., a 49% shareholder of Shanghai Maosheng. The Group contributed RMB4,900,000 and became a 49% shareholder of Yunmao Interconnect. Investment in Yunmao Interconnect is accounted for as an associate as the Group has significant influence in Yunmao Interconnect. The share of results of Yunmao Interconnect accounted for using the equity method in 2019 is RMB1,208,000.

In June 2020, the Group acquired 67% equity interest in Chengdu Xinyi. Following this business combination, Kunming Ruixin Urban Operation Management Co., Ltd., an associate of Chengdu Xinyi, became an associate of the Group.

In May 2020, the Group established Shanghai Maoyuan with Shanghai Shimao Co., Ltd., a non wholly-owned subsidiary of Shimao Group Holdings. The Group subscribed 49% of the share capital and accounted this investment as an associate as the Group has significant influence in Shanghai Maoyuan.

14 SUBSIDIARIES

The subsidiaries of which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out below:

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31,			June 30,	Attributable equity interest of the Group as at the date of this report	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
			2017	2018	2019	2020	%			
Shimao Services (BVI) Limited	the British Virgin Islands 2019-12-04	US$1	Not Applicable	Not Applicable	100%	100%	100%	Direct	Investment holding, the British Virgin Island	Note 3
Origin Prime Property Services Limited	Hong Kong 2019-04-18	US$10,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Investment holding, Hong Kong	Note 3
Super Rocket Limited	Hong Kong 2017-05-16	HK$1	100%	100%	100%	100%	100%	Indirect	Investment holding, Hong Kong	Note 1
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 2019-06-17	RMB5,000,000	100%	100%	100%	100%	100%	Indirect	Investment holding, the PRC	Note 1

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
			December 31,			June 30,				
			2017	2018	2019	2020	%			
Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng")	The PRC 2005-09-16	RMB800,000,000	100%	100%	100%	100%	100%	Indirect	Property management services in Shanghai	Jiangsu Tianjie Certified Public Accountants Co., Ltd. for the years ended December 31, 2017 and 2018. Shanghai Huiya United Certified Public Accountants GP for the year ended December 31, 2019
Quanzhou Shimao Sanyuan Property Management Co., Ltd. (Note i)	The PRC 2003-06-26	RMB5,000,000	Not Applicable	Not Applicable	Note (i)	Note (i)	Note (i)	Indirect	Property management services in Quanzhou	Ruihua Certified Public Accountants Co., Ltd. for the year ended December 31, 2019.
Shanghai Runshang Real Estate Agency Co., Ltd.	The PRC 2012-08-09	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Real estate agent services in Shanghai	Note 1
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 2014-12-30	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Gardening and greening services in Shanghai	Note 1
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 2014-12-24	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Wholesales in Shanghai	Note 1
Shanghai Shimao IoT Technology Co., Ltd.	The PRC 2018-12-29	RMB100,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Science and technology promotion and application service in Shanghai	Zhong Lei Certified Public Accountants Co., Ltd. for the year ended December 31, 2019
Shanghai Maoyi Management Consulting Co., Ltd.	The PRC 2014-03-19	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Business Services in Shanghai	Note 1
Shanghai Shibei Intelligent Engineering Co., Ltd.	The PRC 2014-12-30	RMB8,000,000	100%	100%	100%	100%	100%	Indirect	Construction decoration and other construction in Shanghai	Note 1
Shanghai Guanghe Education Technology Co., Ltd.	The PRC 2019-04-09	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Education in Shanghai	Note 3
Hailiang Property Management Co., Ltd.	The PRC 2014-07-07	RMB50,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Lhasa	Note 3
Zhuji Haijing Property Management Co., Ltd.	The PRC 2013-01-31	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhuji	Note 3
Zhuji Hailiang Property Management Co., Ltd.	The PRC 2012-03-27	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhuji	Note 3
Suzhou Hailiang Property Management Co., Ltd. (Note ii)	The PRC 2013-04-16	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Suzhou	Note 3
Anhui Hailiang Property Management Co., Ltd.	The PRC 2012-02-15	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Anhui	Note 3
Shandong Hailiang Property Management Co., Ltd.	The PRC 2013-09-10	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Shandong	Note 3

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
			December 31,			June 30,				
			2017	2018	2019	2020	%			
Jiangxi Hailiang Property Management Co., Ltd.	The PRC 2012-12-21	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Jiangxi	Note 3
Sichuan Hailiang Property Management Co., Ltd.	The PRC 2013-12-31	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Sichuan	Note 3
Chongqing Haixuan Hailiang Property Management Co., Ltd.	The PRC 2013-12-19	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Chongqing	Note 3
Inner Mongolia Hailiang Property Management Co., Ltd.	The PRC 2009-05-14	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Inner-Mongolia	Note 3
Ningxia Hailiang Property Management Co., Ltd.	The PRC 2010-12-23	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Ningxia	Note 3
Gansu Hailiang Property Management Co., Ltd.	The PRC 2013-07-10	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Gansu	Note 3
Gansu Haijuyi Real Estate Agency Co., Ltd	The PRC 2018-03-09	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Real estate agent services in Gansu	Note 3
Qinghai Hailiang Property Management Co., Ltd.	The PRC 2014-01-21	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Qinghai	Note 3
Xi'an Haixuan Property Management Co., Ltd.	The PRC 2014-01-21	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Xi'an	Note 3
Nanjing Haixia Property Management Co., Ltd.	The PRC 2011-10-11	RMB500,000	100%	100%	100%	100%	100%	Indirect	Property management services in Nanjing	Note 1
Xuancheng Shimao Tiancheng Property Management Co., Ltd.	The PRC 2019-10-17	RMB1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Anhui	Note 3
Minhouxian Shimao Tiancheng Property Management Co., Ltd.	The PRC 2018-12-06	RMB10,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Property management services in Fujian	Note 2
Wenzhou Shimao Property Management Co., Ltd.	The PRC 2019-11-27	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhejiang	Note 3
Mudanjiang Feixia Management Service Co., Ltd. ("Mudanjiang Feixia")	The PRC 2019-10-25	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Mudanjiang	Note 3

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
			December 31,			June 30,				
			2017	2018	2019	2020	%			
Shanghai Maosheng Intelligent Technology Co., Ltd.	The PRC 2019-12-30	RMB10,000,000	Applicable	Not Applicable	51%	51%	51%	Indirect	Science and technology promotion and application service in Shanghai	Note 3
Mianyang Shimao Tiancheng Property Management Co., Ltd.	The PRC 2019-07-24	RMB1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Mianyang	Note 3
Xianghe Wantong Property Management Co., Ltd. ("Xianghe Wantong") (Note iii)	The PRC 2011-07-27	RMB1,000,000	Not Applicable	Not Applicable	Note (iii)	Note (iii)	Note (iii)	Indirect	Property management services in Hebei	Note 3
Mudanjiang Maoju Houseware Co., Ltd. ("Mudanjiang Maoju")	The PRC 2018-04-17	RMB1,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Wholesale and retail trading in Mudanjiang	Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2018 and 2019
Shanghai Huiguan Landscape Engineering Co., Ltd. ("Shanghai Huiguan")	The PRC 2011-05-06	RMB10,000,000	100%	100%	100%	100%	100%	Indirect	Wholesale and retail trading in Shanghai	Shanghai Tripod Certified Public Accountants GP for the year ended December 31, 2017 Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2018 and 2019
Suifenhe Shifu Houseware Co., Ltd. ("Suifenhe Shifu")	The PRC 2018-12-10	HK$1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Wholesale and retail trading in Suifenhe	Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2019
Shanghai Jiashu Enterprise Management Co., Ltd.	The PRC 2019-07-17	RMB5,000,000	100%	100%	100%	100%	100%	Indirect	Enterprises management consulting in Shanghai	Note 1
Chengdu Xinyi Property Co., Ltd.	The PRC 2000-12-14	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	Note (iv)	Note (iv)	Indirect	Property management services in Sichuan	Note 1
Fusheng Life Services Group Co., Ltd.	The PRC 2018-07-27	RMB100,000,000	Not Applicable	Not Applicable	Not Applicable	Note (v)	Note (v)	Indirect	Property management services in Fujian	Note 1
Shanghai Shijihui Commercial Management Co., Ltd	The PRC 2020-03-18	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	100%	100%	Indirect	Commercial management services in Shanghai	Note 1

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31, 2017	2018	2019	June 30, 2020	Attributable equity interest of the Group as at the date of this report %	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
Shanghai Shimao Macalline Home Technology Co., Ltd.	The PRC 2017-04-14	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	51%	51%	Indirect	Home furnishing services in Shanghai	Note 1
Suzhou Chongtian Intelligent Engineering Co., Ltd	The PRC 2020-04-03	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	100%	100%	Indirect	Engineering services in Shanghai	Note 1
Guangzhou Yuetai Property Management Co., Ltd.	The PRC 1999-06-02	RMB5,000,000	Not Applicable	Not Applicable	Not Applicable	Note (vi)	Note (vi)	Indirect	Property management services in Guangzhou	Note 1
Beijing Guancheng Hotel Management Co., Ltd.	The PRC 1998-09-22	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	Note (vii)	Note (vii)	Indirect	Property management services in Beijing	Note 1
Zhejiang Xiangyu Investment Co., Ltd.	The PRC 2009-05-15	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	Note (viii)	Note (viii)	Indirect	Investment holding, the PRC	Note 1
Zhejiang Zheda Sinew Property Services Group Co., Ltd.	The PRC 2000-01-21	RMB50,000,000	Not Applicable	Not Applicable	Not Applicable	Note (ix)	Note (ix)	Indirect	Property management services in Zhejiang	Note 1

(i) In 2019, the Group entered into an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the non-controlling shareholder will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting.

(ii) In 2019, the Group completed its acquisition of 100% equity interest in Hailiang Property Management Co., Ltd. and its subsidiaries ("Hailiang subgroup") from a third party (Note 37).

(iii) In 2019, the Group completed its acquisition of Xianghe Wantong (Note 37).

(iv) In 2020, the Group completed its acquisition of 67% equity interest in Chengdu Xinyi Property Co., Ltd. (Note 37).

(v) In 2020, the Group completed its acquisition of 51% equity interest in Fusheng Life Service Group Co., Ltd. (Note 37).

(vi) In 2020, the Group completed its acquisition of 100% equity interest in Guangzhou Yuetai Property Management Co., Ltd. (Note 37).

(vii) In 2020, the Group completed its acquisition of 100% equity interest in Beijing Guancheng Hotel Management Co., Ltd. (Note 42).

(viii) In 2020, the Group completed its acquisition of 62.5% equity interest in Zhejiang Xiangyu Investment Co., Ltd. (Note 42).

(ix) In 2020, the Group completed its acquisition of 51% equity interest in Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Note 42).

Note 1: No statutory audited financial statements have been issued for the years ended December 31, 2017, 2018 and 2019.

Note 2: No statutory audited financial statements have been issued for the years ended December 31, 2018 and 2019.

Note 3: No statutory audited financial statements have been issued for the year ended December 31, 2019.

15 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
– PRC corporate income tax	45,559	44,165	123,151	35,096	61,791
Deferred income tax (credit)/charge *(Note 33)*					
– PRC corporate income tax	(8,462)	4,826	(1,631)	1,397	(12,833)
	37,097	48,991	121,520	36,493	48,958

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.

(c) PRC corporate income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

Hailiang Property Management Co., Ltd. applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on December 19, 2017.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2020 after utilizing all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Corporate Income Tax Law of the PRC.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

As at June 30, 2020, the PRC subsidiaries of the Group has undistributed earnings of approximately RMB616,008,000 (2019: RMB157,661,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

(e) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended December 31,			**Six months ended June 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax.	145,878	195,187	506,051	145,375	303,629
Tax calculated at applicable corporate income tax rate of 25%.	36,470	48,797	126,513	36,344	75,907
Tax effects of:					
– Expenses not deductible for taxation purposes.	627	194	498	149	426
– Income not subject to tax	–	–	–	–	(2,607)
– Change in tax rate	–	–	–	–	(16,415)
– Withholding income tax on profits distributed.	–	–	–	–	1,031
– Temporary differences utilized (for which no deferred income tax assets was recognized), net	–	–	–	–	(3,832)
– Different tax rate applied	–	–	(5,491)	–	(5,552)
	37,097	48,991	121,520	36,493	48,958

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible redeemable preferred shares ("CPS") outstanding for each of the years/periods presented.

Each CPS is entitled to any non-cumulative dividend in preference to the holders of the ordinary shares when declared. In addition, the holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

	Year ended December 31,			**Six months ended June 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Profit attributable to equity owners of the Company *(RMB'000)*	108,781	146,196	384,531	108,882	245,420
Weighted average number of equity shares in issue	95,000	95,000	95,000	95,000	96,484
Basic earnings per share for profit attributable to equity owners of the Company during the year/period (expressed in RMB per share)	1,145	1,539	4,048	1,146	2,544

(b) Diluted earnings per share

There being no other dilutive instruments of the Company, diluted earnings per share is equal to basic earnings per share for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

17 INVESTMENT PROPERTIES

	Buildings
	RMB'000
As at January 1, 2017	
Cost	9,005
Accumulated depreciation	(1,077)
Net book amount	7,928
Year ended December 31, 2017	
Opening net book amount	7,928
Depreciation charge	(422)
Closing net book amount	7,506
As at December 31, 2017	
Cost	9,005
Accumulated depreciation	(1,499)
Net book amount	7,506
Year ended December 31, 2018	
Opening net book amount	7,506
Depreciation charge	(415)
Closing net book amount	7,091
As at December 31, 2018	
Cost	9,005
Accumulated depreciation	(1,914)
Net book amount	7,091

	Buildings
	RMB'000
Year ended December 31, 2019	
Opening net book amount	7,091
Additions	99,000
Depreciation charge	(3,088)
Closing net book amount	103,003
As at December 31, 2019	
Cost	108,005
Accumulated depreciation	(5,002)
Net book amount	103,003
Six months ended June 30, 2019 (Unaudited)	
Opening net book amount	7,091
Addition	99,000
Depreciation charge	(206)
Closing net book amount	105,885
As at June 30, 2019 (Unaudited)	
Cost	108,005
Accumulated depreciation	(2,120)
Net book amount	105,885
Six months ended June 30, 2020	
Opening net book amount	103,003
Depreciation charge	(2,471)
Closing net book amount	100,532
As at June 30, 2020	
Cost	108,005
Accumulated depreciation	(7,473)
Net book amount	100,532

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other operating expenses *(Note 11)*	422	415	3,088	206	2,471

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the rental income arising from the investment properties are RMB1,000,000, RMB1,000,000, RMB4,667,000, RMB500,000 and RMB5,594,000 respectively which are included in other income (Note 9). There are no direct operating expenses from investment properties.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of the investment properties is approximately RMB11,656,000, RMB12,260,000, RMB160,780,000 and RMB149,670,000 respectively.

As at December 31, 2019 and June 30, 2020, investment properties with a carrying amount of RMB96,323,000 and RMB94,014,000 respectively were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd. a joint venture of the Shimao Group Holdings.

18 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Machinery and equipment	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017					
Cost	4,784	4,659	1,616	59	11,118
Accumulated depreciation	(2,900)	(2,799)	(736)	–	(6,435)
Net book amount	1,884	1,860	880	59	4,683
Year ended December 31, 2017					
Opening net book amount	1,884	1,860	880	59	4,683
Additions	1,146	1,021	194	–	2,361
Disposals	(7)	(69)	–	–	(76)
Depreciation charge	(705)	(748)	(311)	(59)	(1,823)
Closing net book amount	2,318	2,064	763	–	5,145
As at December 31, 2017					
Cost	5,861	5,563	1,810	59	13,293
Accumulated depreciation	(3,543)	(3,499)	(1,047)	(59)	(8,148)
Net book amount	2,318	2,064	763	–	5,145
Year ended December 31, 2018					
Opening net book amount	2,318	2,064	763	–	5,145
Additions	1,878	4,910	176	676	7,640
Disposals	(131)	(147)	(3)	–	(281)
Depreciation charge	(902)	(1,018)	(283)	(82)	(2,285)
Closing net book amount	3,163	5,809	653	594	10,219
As at December 31, 2018					
Cost	7,298	10,061	1,982	735	20,076
Accumulated depreciation	(4,135)	(4,252)	(1,329)	(141)	(9,857)
Net book amount	3,163	5,809	653	594	10,219
Year ended December 31, 2019					
Opening net book amount	3,163	5,809	653	594	10,219
Additions from acquisition of subsidiaries *(Note 37)*	1,483	265	238	–	1,986
Additions	1,315	3,843	156	453	5,767
Disposals	(255)	(116)	(86)	–	(457)
Depreciation charge	(1,242)	(1,457)	(269)	(518)	(3,486)
Closing net book amount	4,464	8,344	692	529	14,029
As at December 31, 2019					
Cost	13,083	13,882	2,416	1,188	30,569
Accumulated depreciation	(8,619)	(5,538)	(1,724)	(659)	(16,540)
Net book amount	4,464	8,344	692	529	14,029

	Building	Office equipment	Machinery and equipment	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019						
Cost	–	7,298	10,061	1,982	735	20,076
Accumulated depreciation	–	(4,135)	(4,252)	(1,329)	(141)	(9,857)
Net book amount	–	3,163	5,809	653	594	10,219
Six months ended June 30, 2019 (Unaudited)						
Opening net book amount	–	3,163	5,809	653	594	10,219
Additions from acquisition of subsidiaries *(Note 37)*	–	71	–	30	–	101
Additions	–	771	1,558	71	305	2,705
Disposals	–	(75)	–	(121)	–	(196)
Depreciation charge	–	(712)	(895)	(195)	(219)	(2,021)
Closing net book amount	–	3,218	6,472	438	680	10,808
As at June 30, 2019 (Unaudited)						
Cost	–	8,010	11,848	1,910	1,040	22,808
Accumulated depreciation	–	(4,792)	(5,376)	(1,472)	(360)	(12,000)
Net book amount	–	3,218	6,472	438	680	10,808
As at January 1, 2020						
Cost	–	13,083	13,882	2,416	1,188	30,569
Accumulated depreciation	–	(8,619)	(5,538)	(1,724)	(659)	(16,540)
Net book amount	–	4,464	8,344	692	529	14,029
Six months ended June 30, 2020						
Opening net book amount	–	4,464	8,344	692	529	14,029
Additions from acquisition of subsidiaries *(Note 37)* *(Note i)*	7,469	1,742	649	909	2,304	13,073
Additions	–	1,040	3,516	82	1,558	6,196
Disposals	–	(42)	(38)	(28)	–	(108)
Depreciation charge	–	(1,309)	(1,669)	(206)	(758)	(3,942)
Disposal of subsidiaries with loss of control *(Note 38)*	–	(8)	–	–	–	(8)
Closing net book amount	7,469	5,887	10,802	1,449	3,633	29,240
As at June 30, 2020						
Cost	8,591	17,224	22,624	4,168	5,050	57,657
Accumulated depreciation	(1,122)	(11,337)	(11,822)	(2,719)	(1,417)	(28,417)
Net book amount	7,469	5,887	10,802	1,449	3,633	29,240

Note i: As at June 30, 2020, the ownership certificate of the building has not been obtained.

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	803	976	1,400	863	1,650
Administrative expenses	1,020	1,309	2,086	1,158	2,292
	1,823	2,285	3,486	2,021	3,942

19 RIGHT-OF-USE ASSETS

	Right-of-use assets
	RMB'000
As at January 1, 2017	
Cost	841
Accumulated depreciation	(324)
Net book amount	517
Year ended December 31, 2017	
Opening net book amount	517
Additions	1,120
Depreciation charge	(508)
Closing net book amount	1,129
As at December 31, 2017	
Cost	1,961
Accumulated depreciation	(832)
Net book amount	1,129
Year ended December 31, 2018	
Opening net book amount	1,129
Additions	7,583
Depreciation charge	(1,686)
Closing net book amount	7,026
As at December 31, 2018	
Cost	9,544
Accumulated depreciation	(2,518)
Net book amount	7,026

	Right-of-use assets
	RMB'000
Year ended December 31, 2019	
Opening net book amount	7,026
Additions	12,240
Depreciation charge	(3,408)
Closing net book amount	15,858
As at December 31, 2019	
Cost	21,784
Accumulated depreciation	(5,926)
Net book amount	15,858
As at January 1, 2019	
Cost	9,544
Accumulated depreciation	(2,518)
Net book amount	7,026
Six months ended June 30, 2019(Unaudited)	
Opening net book amount	7,026
Additions	723
Depreciation charge	(1,451)
Closing net book amount	6,298
As at June 30, 2019(Unaudited)	
Cost	10,267
Accumulated depreciation	(3,969)
Net book amount	6,298
As at January 1, 2020	
Cost	21,784
Accumulated depreciation	(5,926)
Net book amount	15,858
Six months ended June 30, 2020	
Opening net book amount	15,858
Additions	1,718
Depreciation charge	(4,903)
Closing net book amount	12,673
As at June 30, 2020	
Cost	23,502
Accumulated depreciation	(10,829)
Net book amount	12,673

Depreciation charges were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	508	1,686	3,408	1,451	4,903

20 INTANGIBLE ASSETS

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017				
Cost	238	–	–	238
Accumulated amortization	(235)	–	–	(235)
Net book amount	3	–	–	3
Year ended December 31, 2017				
Opening net book amount	3	–	–	3
Additions	2,261	–	–	2,261
Amortization charge	(4)	–	–	(4)
Closing net book amount	2,260	–	–	2,260
As at December 31, 2017				
Cost	2,499	–	–	2,499
Accumulated amortization	(239)	–	–	(239)
Net book amount	2,260	–	–	2,260

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018				
Opening net book amount	2,260	–	–	2,260
Additions	2,705	–	–	2,705
Amortization charge	(452)	–	–	(452)
Closing net book amount	4,513	–	–	4,513
As at December 31, 2018				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Year ended December 31, 2019				
Opening net book amount	4,513	–	–	4,513
Additions	13,643	–	–	13,643
Additions from acquisition of subsidiaries *(Note 37)*	136	176,318	95,800	272,254
Amortization charge	(1,128)	–	(5,988)	(7,116)
Closing net book amount	17,164	176,318	89,812	283,294
As at December 31, 2019				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
As at January 1, 2019				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Six months ended June 30, 2019 (Unaudited)				
Opening net book amount	4,513	–	–	4,513
Additions from acquisition of subsidiaries *(Note 37)*	22	–	–	22
Additions	17	–	–	17
Amortization	(518)	–	–	(518)
Closing net book amount	4,034	–	–	4,034

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2019 (Unaudited)				
Cost	5,262	–	–	5,262
Accumulated amortization	(1,228)	–	–	(1,228)
Net book amount	4,034	–	–	4,034
As at January 1, 2020				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Six months ended June 30, 2020				
Opening net book amount	17,164	176,318	89,812	283,294
Additions from acquisition of subsidiaries *(Note 37)*	2,400	175,754	114,000	292,154
Additions	8,525	–	–	8,525
Disposals	(14)	–	–	(14)
Amortization	(3,590)	–	(9,300)	(12,890)
Closing net book amount	24,485	352,072	194,512	571,069
As at June 30, 2020				
Cost	29,965	352,072	209,800	591,837
Accumulated amortization	(5,480)	–	(15,288)	(20,768)
Net book amount	24,485	352,072	194,512	571,069

Amortization of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	As at December 31,			As at June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	4	452	7,116	518	12,890

Goodwill arose from acquisition of subsidiaries:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hailiang Subgroup	–	–	155,871	155,871
Quanzhou Sanyuan	–	–	12,817	12,817
Xianghe Wantong	–	–	7,630	7,630
Yuetai Subgroup	–	–	–	64,794
Fusheng Subgroup	–	–	–	67,085
Chengdu Xinyi	–	–	–	43,875
	–	–	176,318	352,072

As at December 31, 2019, Goodwill of RMB176,318,000 has been allocated to Quanzhou Sanyuan, Hailiang Subgroup and Xianghe Wantong separately for impairment testing. As at December 31, 2019, management performed an impairment assessment on the goodwill. The recoverable amount of the property management business operated by Xianghe Wangtong has been assessed by the management, and those operated by Quanzhou Sanyuan, Hailiang Subgroup have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
Revenue 2020 (% annual growth rate)	11%	4%	81%
Revenue 2021 (% annual growth rate)	6%	5%	8%
Revenue 2022 to 2024 (% annual growth rate)	6%	3%	3%-5%
Gross margin (% of revenue)	24%	25%	30%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	20%	22%	29%

As at December 31, 2019, the recoverable amount of RMB27,397,000, RMB336,022,000 and RMB8,725,000 of Quanzhou Sanyuan, Hailiang Subgroup and Xianghe Wantong calculated based on VIU calculation exceeded their carrying value of RMB22,907,000, RMB235,801,000 and RMB7,712,000 by RMB4,490,000, RMB100,221,000 and RMB1,013,000 respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
As at December 31, 2019			
Annual revenue growth rate	-5%	-5%	-5%
Discount rate	+2%	+5%	+4%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as at December 31, 2019, the directors of the Company determined that no impairment provision on goodwill for the year ended December 31, 2019.

As at June 30, 2020, Goodwill of RMB352,072,000 has been allocated to Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong, Yuetai Subgroup, Fusheng Subgroup and Chengdu Xinyi separately for impairment testing. As at June 30, 2020, management performed an impairment assessment on the goodwill arising from the acquisitions except for the goodwill in relation to the acquisition of Chengdu Xinyi, which was completed in June 2020. The recoverable amounts of the property management business operated by Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong, Yuetai Subgroup and Fusheng Subgroup have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at June 30, 2020:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong	Yuetai Subgroup	Fusheng Subgroup
Revenue 2020 (% annual growth rate)	12%	16%	85%	-14%	11%
Revenue 2021 (% annual growth rate)	6%	7%	7%	10%	10%
Revenue 2022 to 2023 (% annual growth rate)	6%	3%	5%	8%	8%
Revenue 2024 (% annual growth rate)	6%	3%	4%	8%	5%
Revenue 2025 (% annual growth rate)	3%	3%	3%	7%	4%
Gross margin (% of revenue)	21%	20%	28%	11%	21%
Long-term growth rate	3%	3%	3%	3%	3%
Pre-tax discount rate	22%	20%	23%	21%	22%

As at June 30, 2020, the recoverable amount of RMB24,994,000, RMB315,212,000, RMB8,639,000, RMB98,820,000 and RMB238,526,000 of Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong,Yuetai and Fusheng calculated based on VIU calculation exceeded their carrying value of RMB18,826,000, RMB235,929,000, RMB7,683,000, RMB91,708,000 and RMB186,631,000 by RMB6,168,000, RMB79,283,000, RMB956,000, RMB7,112,000 and RMB51,895,000 respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at June 30, 2020:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong	Yuetai Subgroup	Fusheng Subgroup
As at June 30, 2020					
Annual revenue growth rate	-6%	-5%	-4%	-1%	-4%
Discount rate	+5%	+4%	+3%	+1%	+4%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as at June 30, 2020, the directors of the Company determined that no impairment provision on goodwill for the six months ended June 30, 2020.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL included in current assets				
Wealth management products *(Note (a))*	–	–	–	69,868

(a) Wealth management products represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3).

22 INVENTORIES

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carparks purchased from third parties	–	–	276,775	311,247

23 TRADE RECEIVABLES AND RECEIVABLES ARISING FROM DEBT RESTRUCTURING

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note (a))*				
– Related parties *(Note 39(d))*	240,123	342,584	406,687	276,718
– Third parties	245,934	148,971	275,871	323,233
	486,057	491,555	682,558	599,951
Note receivables				
– Related parties *(Note 39(d))*	89	20,955	105,317	217,739
– Third parties	–	–	773	2,789
	89	20,955	106,090	220,528
Less: allowance for impairment of trade receivables	(32,851)	(35,480)	(41,343)	(52,648)
	453,295	477,030	747,305	767,831
Receivables arising from debt restructuring *(Note (b))*	93,621	–	–	–
Less: allowance for impairment of receivables arising from debt restructuring	(468)	–	–	–
	93,153	–	–	–

(a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services income under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

(b) Shimao Group Holdings and the Group underwent an inter-company debt restructuring exercise during the year ended December 31, 2017 to consolidate certain trade receivables due by Shimao Group Holdings to the Group. As a result, the related outstanding trade receivables of RMB93,621,000 were reclassified as receivables arising from debt restructuring on the date of restructuring.

As at December 31, 2017, 2018, 2019 and June 30, 2020, the ageing analysis of the trade receivables and receivables arising from debt restructuring based on invoice date was as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	502,204	400,832	607,738	489,088
1 to 2 years	43,622	41,076	32,144	51,995
2 to 3 years	17,882	24,800	16,859	22,278
3 to 4 years	7,631	12,214	10,620	15,459
4 to 5 years	4,962	5,811	6,171	10,485
Over 5 years	3,377	6,822	9,026	10,646
	579,678	491,555	682,558	599,951

As at December 31, 2017, 2018, 2019 and June 30, 2020, the trade receivables and receivables arising from debt restructuring were denominated in RMB, and the fair value of trade receivables and receivables arising from debt restructuring approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, a provision of RMB32,815,000, RMB35,480,000 RMB41,343,000 and RMB52,648,000 was made against the gross amounts of trade receivables respectively. The provision for impairment increased during the Track Record Period due to the increase of trade receivables.

As at December 31, 2017, 2018, 2019 and June 30, 2020, no trade receivables or receivables arising from debt restructuring of the Group was pledged to secure borrowings granted to the Group.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
– Utilities	3,316	3,465	5,869	11,799
– Raw materials for value added services	–	–	10,005	2,563
– Others prepayments	10,030	73,364	35,000	42,435
Subtotal	13,346	76,829	50,874	56,797
Other receivables				
– Advance to related parties *(Note 39(e))*	908,505	2,012,549	1,106,098	216,691
– Advance to employees	2,595	4,561	8,196	3,040
– Payments on behalf of property owners *(Note i)*	10,123	40,355	77,966	60,742
– Others	359	900	22,329	31,484
Subtotal	921,582	2,058,365	1,214,589	311,957
Total	934,928	2,135,194	1,265,463	368,754
Less: allowance for impairment of other receivables	(4,919)	(11,189)	(8,698)	(4,662)
	930,009	2,124,005	1,256,765	364,092

Note i: As at December 31, 2017, 2018, 2019 and June 30, 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

As at December 31, 2017, 2018, 2019 and June 30, 2020, prepayments, deposits and other receivables were denominated in RMB.

Movements on the provision for impairment of prepayments, deposits and other receivables (excluding prepayments) are shown in Note 3.1.2.

The Company:

	As at June 30, 2020
	RMB'000
Prepayments for listing expense	1,963
Amount due from a subsidiary *(Note ii)*	858,284

Note ii: Amount due from a subsidiary is receivable from a subsidiary with no fixed term and no interest.

25 CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	531	393	264	943
Cash at bank	593,390	537,321	849,327	1,752,638
Deposit at call	3,000	–	–	–
	596,921	537,714	849,591	1,753,581

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	596,921	537,714	849,591	899,944
US$	–	–	–	852,757
HK$	–	–	–	880
	596,921	537,714	849,591	1,753,581

26 SHARE CAPITAL

On December 3, 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Best Cosmos at par value on the same day. On May 7, 2020, 94,999 Shares was allotted and issued to Best Cosmos.

On May 8, 2020, Best Cosmos re-designated an aggregate of 5,000 Shares into convertible redeemable preferred shares on a one to one basis to the Pre-IPO investors. (Note 28)

The Company

Authorized and issued share capital

	Number of ordinary shares	Share capital	
		HK$	*RMB*
Authorized			
As at June 30, 2020	37,990,000	379,900	340,306
Issued and fully paid			
As at December 31, 2019	1	–	–
Issue of shares *(Note a)*	94,999	950	869
Re-designated into convertible redeemable preferred shares *(Note b)*	(5,000)	(50)	(45)
Issued and fully paid			
As at June 30, 2020	90,000	900	824

Note a: The shares issued on May 7, 2020 rank pari passu with the then existing share in issue.

Note b: Pursuant to the Share Agreement as described in Note 28, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares.

27 RESERVES

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

On June 14, 2018 and July 26, 2018, Shimao Tiancheng received capital injections from Shanghai Shiying of RMB200,000,000 and RMB500,000,000 respectively. The amount was recorded as other reserve.

On June 18, 2019 Mudanjiang Maoju received capital injection of RMB1,000,000 from its then shareholder. The amount was recorded as other reserve.

On December 24, 2019, Shanghai Aoling acquired the entire equity interest of Shimao Tiancheng and its subsidiaries from Shanghai Shiying at a consideration of RMB840,000,000, and RMB210,000,000 has been settled during the six months ended June 30, 2020. The consideration was accounted for as a deduction of reserve.

During the six months ended June 30, 2020, the Group acquired the entire equity interest in Mudanjiang Feixia, Nanjing Haixia, Xianghe Wantong and the Home Service Entities as described in Note 1.2(e) from the Shimao Group Holdings at total considerations of RMB11,510,000. The consideration has been settled during the six months ended June 30, 2020. The amount was recorded as other reserve.

Pursuant to the Share Agreement as disclosed in Note 28, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares on a one to one basis. The consideration received by the original shareholder was regarded as a deemed distribution to owner.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On April 30, 2020, (i) SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. and (ii) Image Frame Investment (HK) Limited (together, the "Pre-IPO investors") entered into a Series A Preferred Share Purchase Agreement with the Company and certain of its subsidiaries, as well as Best Cosmos, the immediate holding company of the Company, and Shimao Group Holdings (the "Share Agreement"), pursuant to which the Pre-IPO Investors agreed to subscribe for an aggregate of 5,000 Series A convertible redeemable preferred shares ("Series A CPS") at a total consideration of RMB864,500,000 payable in U.S. dollars. Simultaneous with the subscription, the Pre-IPO investors purchased from Best Cosmos an aggregate of 5,000 Shares to be re-designated into Series A CPS on a one to one basis at a total consideration of RMB864,500,000 payable in U.S. dollars.

Each Series A CPS shall be automatically converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the closing of an initial public offering of the shares of the Company or voluntarily converted by Series A CPS holders, as stipulated by the Share Agreement.

The Series A CPS holders have redemption right against Mr. Hui Wing Mau that was exercisable if (i) an initial public offering of the shares of the Company does not take place by May 8, 2022, (ii) any material breach by the Shimao Group Holdings, Best Cosmos and the Company as stipulated by the Share Agreement; or (iii) the occurrence of a change of control event as set out in the Share Agreement. Such right exercisable under (i) above shall terminate upon Listing, whereas the rights exercisable under (ii) and (iii) above had terminated on the calendar day before the first submission of the listing application form with the Stock Exchange of Hong Kong Limited. Such redemption rights will automatically be restored in full force when the listing fails to be successfully completed.

According to the Share Agreement, in the event that the Group is unable to achieve a certain level of financial performance for the financial year ending December 31, 2021, the Pre-IPO investors shall have the right to require Shimao Group Holdings and Best Cosmos to compensate the Pre-IPO investors by either transferring additional shares of the Company at no cost or in cash.

The movements of Series A CPS are set out as below:

	RMB'000
As of January 1, 2020	–
Issuance of Series A CPS	864,500
Ordinary shares re-designated into Series A CPS (Note 26)	864,500
As of June 30, 2020	1,729,000

29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	As at December 31,						As at June 30,	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Claim provisions	–	–	–	–	–	2,998	–	5,120

As at December 31, 2019 and June 30, 2020, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB2,998,000 and RMB 5,120,000 respectively.

30 BORROWINGS

	As at December 31,						As at June 30,	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Asset-Backed Securities ("ABS")	335,318	504,567	335,378	218,458	239,789	–	80,437	–

In July 2015, the Group entered into an asset-backed special agreement with a third-party financing company in the form of asset securitization. Asset-backed securities are divided into priority level and subprime level with total principal of RMB1,400,000,000 and RMB110,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended December 31, 2015. The priority level securities were guaranteed by Shanghai Shimao Jianshe Co., Ltd ("Shimao Jianshe"), a subsidiary of Shimao Group Holdings. The ABS carries nominal interest rate ranging from 6.0% to 7.1% per annum.

Such loans were advanced to Shimao Jianshe, with terms of 1-5 years and the same nominal interest rate. Shimao Jianshe repaid the advance in December 2019 (Note 39(e)).

The maturity date of the borrowings was analyzed as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	335,318	335,378	239,789	80,437
Between 1 and 2 years	305,543	218,458	–	–
Between 2 and 5 years	199,024	–	–	–
	839,885	553,836	239,789	80,437

For years ended December 31, 2017, 2018, 2019 and six months ended June 30, 2020, the weighted average effective interest rates on borrowings were 9.76%, 9.76%, 10.32% and 9.76% respectively.

31 TRADE AND OTHER PAYABLES

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note (a))*				
– Related parties *(Note 39(d))*	–	–	27,018	27,192
– Third parties	37,771	48,402	141,131	152,301
	37,771	48,402	168,149	179,493
Other payables				
– Payable to related parties *(Note(b))* *(Note 39(d)(e))*	187,156	596,160	1,001,292	756,330
– Accrued expenses	200,593	176,392	372,867	521,507
– Amounts collected on behalf of property owners	206,729	222,887	341,738	401,337
– Consideration payable *(Note 37)*	–	–	25,956	69,590
	594,478	995,439	1,741,853	1,748,764
Interest payable	10,021	7,672	3,050	3,050
	642,270	1,051,513	1,913,052	1,931,307

(a) At December 31, 2017, 2018, 2019 and June 30, 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	30,956	35,009	148,753	147,858
1 to 2 years	5,772	9,148	13,967	25,490
2 to 3 years	19	3,202	1,965	3,761
3 to 4 years	28	19	2,422	1,017
4 to 5 years	996	28	19	1,367
Over 5 years	–	996	1,023	–
	37,771	48,402	168,149	179,493

(b) On July 10, 2019, a loan was provided by Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd.("Chongqing Huanrun"), a subsidiary of Shimao Group Holdings, amounting to RMB50,000,000 and carried a fixed interest at 12% per annum. The amount was fully settled in November 2019 (Note 39(b)).

On July 22, 2019, five loans were provided by Chongqing Huanrun and Mudanjiang Tongda Micro-finance Co., Ltd., subsidiaries of Shimao Group Holdings, amounting to RMB70,000,000, RMB80,000,000, RMB30,000,000, RMB75,000,000 and RMB10,000,000 and carried a fixed interest at 12% per annum. The amount was fully settled in December 2019 (Note 39(b)).

(c) At December 31, 2017, 2018, 2019 and June 30, 2020, trade and other payables were denominated in RMB.

32 LEASES LIABILITIES

(a) Amounts recognized in the consolidated balance sheets

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leased in properties for operation				
– Buildings	1,299	7,343	15,518	12,479
Lease liabilities				
Current	543	2,855	6,896	7,709
Non- Current	756	4,488	8,622	4,770
	1,299	7,343	15,518	12,479

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,			Six months ended June, 30
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge				
– Buildings	508	1,686	3,408	4,903
Finance costs on leases *(Note 12)*	88	243	374	513
Expenses related to short-term lease and low-value assets (included in administrative expenses)	1,050	5,601	4,327	840
	1,646	7,530	8,109	6,256

(c) Amounts recognized in the consolidated statements of cash flows

	Year ended December 31,			Six months ended June, 30
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Payments of interest element of lease liabilities	88	243	374	513
Payments of principal element of lease liabilities	228	1,708	5,082	3,625
	316	1,951	5,456	4,138

(d) A maturity analysis of lease liabilities is shown in the table below during the Track Record Period:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases are payable:				
Within one year	609	3,169	7,487	8,168
Later than one year but not later than two years	383	3,101	6,020	4,891
Later than two years but not later than five years	766	1,725	2,112	102
Minimum lease payments	1,758	7,995	15,619	13,161
Future finance charge	(459)	(652)	(101)	(682)
Total lease liabilities	1,299	7,343	15,518	12,479

33 DEFERRED INCOME TAX

The analysis of deferred tax assets in the consolidated balance sheet was as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	–	–	–	–
– Deferred tax asset to be recovered within 12 months	32,148	27,322	32,718	54,358
Net-off with deferred tax liability	–	–	(8,099)	(17,610)
	32,148	27,322	24,619	36,748
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	–	–	(19,459)	(39,024)
– Deferred tax liability to be recovered within 12 months	–	–	(2,994)	(6,004)
Net-off with deferred tax asset	–	–	8,099	17,610
	–	–	(14,354)	(27,418)

The gross movement of deferred income tax account as follows:

The net movement on the deferred income tax account is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	23,686	32,148	27,322	10,265
Additions from acquisition of subsidiaries *(Note 37)*	–	–	5,262	11,132
Additions from acquisition – Excess of value of intangible assets identified in business combination	–	–	(23,950)	(24,900)
Credited/(charged) to consolidated statements of comprehensive income *(Note 15)*	8,462	(4,826)	1,631	12,833
At end of year	32,148	27,322	10,265	9,330

The movement in deferred tax assets and liabilities during the Track Record Period, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision	Deductible tax loss	Accrued expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	4,685	–	19,001	23,686
Credited to the consolidated statements of comprehensive income	4,874	183	3,405	8,462
As at December 31, 2017	9,559	183	22,406	32,148
Credited/(charged) to the consolidated statements of comprehensive income	2,108	129	(7,063)	(4,826)
As at December 31, 2018	11,667	312	15,343	27,322
Additions from acquisition of a subsidiary	5,262	–	–	5,262
Credited/(charged) to the consolidated statements of comprehensive income	844	1,966	(2,676)	134
As at December 31, 2019	17,773	2,278	12,667	32,718
As at January 1, 2019	11,667	312	15,343	27,322
Credited/(charged) to the consolidated statements of comprehensive income	1,617	3,826	(6,840)	(1,397)
As at June 30, 2019 (Unaudited)	13,284	4,138	8,503	25,925
As at January 1, 2020	17,773	2,278	12,667	32,718
Additions from acquisition of a subsidiary	11,132	–	–	11,132
Credited/(charged) to the consolidated statements of comprehensive income	(4,469)	5,596	9,381	10,508
As at June 30, 2020	24,436	7,874	22,048	54,358

Deductible tax loss expiration date

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022	183	1	–	–
2023	–	311	2	–
2024	–	–	2,276	1,527
2025	–	–	–	6,347
	183	312	2,278	7,874

Deferred income tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries
	RMB'000
As at January 1, 2017, December 31, 2017, December 31, 2018, June 30, 2019	–
Additions from acquisition of subsidiaries	(23,950)
Credited to the consolidated statements of comprehensive income	1,497
As at December 31, 2019	(22,453)
As at January 1, 2020	(22,453)
Additions from acquisition of subsidiaries	(24,900)
Credited to the consolidated statements of comprehensive income	2,325
As at June 30, 2020	(45,028)

34 DIVIDEND PAYABLES

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend payables to the then shareholders of Shimao Tiancheng *(Note i)*	–	–	559,247	–
Dividend payables arisen from acquisition of a subsidiary *(Note ii)*	–	–	–	13,061
	–	–	559,247	13,061

Note i: During the year ended December 31, 2019, Shimao Tiancheng declared dividends of RMB559,247,000 to its then parent company, Shanghai Shiying. The balance has been settled in February 2020.

During the six months ended June 30,2020, Mudanjiang Maoju and Super Rocket declared dividends of RMB720,000 and RMB9,744,900 dividend respectively to their then parent companies Shanghai Rongcheng and Class Font Limited. The balance has been settled during this period.

Note ii: Dividend payables arisen from the acquisition of Chengdu Xinyi.

No dividends have been declared or paid by the Company since its incorporation.

35 CASH FLOW INFORMATION

(a) Net cash generated from operating activities

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	145,878	195,187	506,051	145,375	303,629
Adjustments for:					
– Depreciation and amortization	2,757	4,838	17,098	4,196	24,206
– Provision for impairment of receivables	19,541	8,611	3,372	6,470	7,269
– Net loss on sale of property, plant and equipment *(Note 10)*	8	20	70	2	20
– Fair value adjustment to financial assets through profit or loss *(Note 10)*	–	–	–	–	(1,079)
– Finance expense *(Note 12)*	92,098	66,901	51,833	20,415	13,259
– Finance income *(Note 12)*	(97,744)	(76,070)	(37,935)	(22,070)	(2,626)
– Share of results of an associate accounted for using the equity method	–	–	1,208	116	(117)
– Net gain on disposal of a subsidiary	–	–	–	–	(511)
– Fair value change on put option	–	–	–	–	7,192
– Net exchange differences	–	–	–	–	6,276
Change in operating assets and liabilities, net of effects from purchase of controlled entity					
– Increase in inventories	–	–	(276,775)	–	(31,903)
– (Increase)/decrease in trade receivables and receivables arising from debt restructuring	(405,965)	67,257	(204,228)	(118,384)	26,550
– Decrease/(increase) in other operating assets	327,731	(34,716)	23,263	20,045	329,010
– Increase/(decrease) in trade payables	115,273	10,631	134,248	(24,017)	(22,696)
– (Decrease)/increase in contract liabilities	(12,922)	76,520	102,707	140,726	(3,765)
– Increase/(decrease) in other operating liabilities	93,510	20,470	248,770	(73,890)	(221,715)
	280,165	339,649	569,682	98,984	432,999

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt:				
Cash and cash equivalents	596,921	537,714	849,591	1,753,581
Borrowings	(839,885)	(553,836)	(239,789)	(80,437)
Advance from related parties	(185,846)	(575,743)	(97,172)	–
Lease liabilities	(1,299)	(7,343)	(15,518)	(12,479)
Net (debt)/cash	(430,109)	(599,208)	497,112	1,660,665

	Cash and cash equivalents	Borrowings due after one year	Borrowings due within one year	Advance from related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2017	445,967	(765,170)	(332,646)	(165,846)	(482)	(818,177)
Reclassification	–	260,603	(260,603)	–	–	–
Addition of lease liabilities	–	–	–	–	(1,045)	(1,045)
Accrued interest expenses	–	–	–	–	(88)	(88)
Cash flows	150,954	–	257,931	(20,000)	316	389,201
Net debt as at December 31, 2017	596,921	(504,567)	(335,318)	(185,846)	(1,299)	(430,109)
Reclassification	–	286,109	(286,109)	–	–	–
Addition of lease liabilities	–	–	–	–	(7,752)	(7,752)
Accrued interest expenses	–	–	–	–	(243)	(243)
Cash flows	(59,207)	–	286,049	(389,897)	1,951	(161,104)
Net debt as at December 31, 2018	537,714	(218,458)	(335,378)	(575,743)	(7,343)	(599,208)
Reclassification	–	218,458	(218,458)	–	–	–
Addition of lease liabilities	–	–	–	–	(13,257)	(13,257)
Accrued interest expenses	–	–	–	–	(374)	(374)
Cash flows	311,877	–	314,047	478,571	5,456	1,109,951
Net debt as at December 31, 2019	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Net debt as at January 1, 2019	537,714	(218,458)	(335,378)	(575,743)	(7,343)	(599,208)
Reclassification	–	138,021	(138,021)	–	–	–
Addition of lease liabilities	–	–	–	–	(859)	(859)
Accrued interest expenses	–	–	–	–	(183)	(183)
Cash flows	(133,096)	–	158,220	72,718	1,673	99,515
Net debt as at June 30, 2019 (Unaudited)	404,618	(80,437)	(315,179)	(503,025)	(6,712)	(500,735)
Net debt as at January 1, 2020	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Addition of lease liabilities	–	–	–	–	(586)	(586)
Accrued interest expenses	–	–	–	–	(513)	(513)
Cash flows	903,990	–	159,352	97,172	4,138	1,164,652
Net debt as at June 30, 2020	1,753,581	–	(80,437)	–	(12,479)	1,660,665

36 COMMITMENTS

(a) Lease commitments

Lease commitments — as lessee

As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group did not have any material lease commitments which are not recognized as right-of-use assets.

Operating lease commitments — as lessor

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	1,000	1,000	5,906	5,906
Later than 1 year and no later than 5 years	4,000	4,000	45,617	44,613
Later than 5 years	2,000	1,000	89,959	84,557
	7,000	6,000	141,482	135,076

(b) As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group did not have any material capital commitment.

37 BUSINESS COMBINATION

Business combinations during the Track Record Period included the acquisitions of six property management companies. The acquired companies' principal activities are property management in the PRC. The financial information of the six acquired companies on the acquisition dates is listed as follows:

There were no acquisitions during the years ended December 31, 2017 and 2018.

(a) Acquisitions during the year ended December 31, 2019

(i) Acquisition of Quanzhou Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognized the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable of RMB19,997,000 (which includes the put option initially valued at RMB8,768,000) for the remaining 49% of the equity. Total identifiable net assets of Quanzhou Sanyuan were amounted to RMB10,100,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Quanzhou Sanyuan contributed total revenue of RMB10,887,000 and net profit of RMB2,295,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, consolidated pro-forma revenue and profit for the year ended December 31, 2019 would have been RMB27,085,000 and RMB7,028,000 respectively.

(ii) Acquisition of Hailiang Real Estate Management Co., Ltd and its subsidiaries (the "Hailiang Subgroup")

On July 17, 2019, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Hailiang Subgroup at a consideration of RMB281,089,000 (Note 14(ii)). Total identifiable net assets of Hailiang Subgroup amounted to RMB125,218,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Hailiang Subgroup contributed total revenue of RMB177,043,000 and net profit of RMB29,531,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, consolidated pro-forma revenue and profit for the year ended December 31, 2019 would have been RMB382,934,000 and RMB42,486,000 respectively.

(iii) Acquisition of Xianghe Wantong Property Services Co., Ltd ("Xianghe Wantong")

On April 16, 2019, Shimao Group Holdings completed its acquisition of 70% of the equity interests in Wantong Property Co., Ltd ("Wantong Property") from a third party (Note 14(iii)). Xianghe Wantong was a wholly-owned subsidiary of Wantong Property and no consideration was allocated to Xianghe Wantong due to its identifiable net liabilities at the acquisition date. On April 29, 2020, 100% equity interest of Xianghe Wantong was transferred from Shimao Group Holdings to the Group as part of the reorganization.

The acquired business of Xianghe Wantong contributed total revenue of RMB2,712,000 and net loss of RMB2,671,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, combined pro-forma revenue and loss for the year ended December 31, 2019 would have been RMB4,057,000 and RMB3,054,000 respectively.

The goodwill arisen from business combination mainly consists of human resources and other unidentifiable assets.

For the year ended 2019, the purchase consideration is as follows:

Purchase consideration	**Quanzhou Sanyuan**	**Hailiang Subgroup**	**Xianghe Wantong**
	RMB'000	*RMB'000*	*RMB'000*
Total consideration	22,917	281,089	–

The assets and liabilities recognized as a result of the acquisition are as follows:

	Acquisition Date	Acquisition Date	Acquisition Date
	Fair value	**Fair value**	**Fair value**
	Quanzhou Sanyuan	**Hailiang Subgroup**	**Xianghe Wantong**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	4,420	128,154	505
Trade receivables	7,856	64,053	–
Prepayments, deposits and other receivables	7,387	20,662	27
Property, plant and equipment	55	1,830	101
Intangible assets	–	114	22
Customer relationship	6,800	89,000	–
Deferred income tax assets	–	5,262	–
Other non-current assets	–	2,523	–
Less: Trade and other payables	(13,373)	(94,238)	(6,927)
Contract liabilities	(1,345)	(69,892)	(1,358)
Deferred income tax liabilities	(1,700)	(22,250)	–
Net identifiable assets/(liabilities) acquired	10,100	125,218	(7,630)
Add: Goodwill	12,817	155,871	7,630
Total consideration	22,917	281,089	–

Net cash flows arising on acquisition during the year ended December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
	RMB'000	*RMB'000*	*RMB'000*
Inflow/(outflow) of cash to acquire subsidiaries, net of cash acquired			
Balance acquired – Cash and cash equivalents	4,420	128,154	505
Less: Cash consideration paid	(2,550)	(275,500)	–
Total consideration transferred	1,870	(147,346)	505

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

The fixed assets of Quanzhou Sanyuan and Hailiang Subgroup mainly consist of electronic devices and the amount is not significant. The Group believes that the fair value of such assets approximates to the book value.

(b) Acquisitions during the six months ended June 30, 2020:

(i) Acquisition of Guangzhou Yuetai Property Management Co., Ltd (the "Yuetai" Subgroup)

On January 1, 2020, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Yuetai Subgroup at a cash consideration of RMB110,000,000 (Note 14(vi)). Total identifiable net assets of Yuetai Subgroup amounted to RMB45,206,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Yuetai Subgroup contributed total revenue of RMB40,659,000 and net profit of RMB1,139,000 to the Group for the period from its acquisition date to June 30, 2020.

(ii) Acquisition of Fusheng Life Services Group Co., Ltd. (the "Fusheng" Subgroup)

On March 30, 2020, Shimao Tiancheng completed its acquisition of 51% of the equity interests from Guangzhou Qianlong Investment Co., Ltd.in Fusheng Subgroup with zero consideration (Note 14(v)). Total identifiable net liabilities of Fusheng Subgroup amounted at RMB131,540,000. The excess of the consideration transferred over the fair value of the identifiable net liabilities acquired is recorded as goodwill.

The acquired business of Fusheng Subgroup contributed total revenue of RMB65,409,000 and net profit of RMB18,879,000 to the Group for the period from its acquisition date to June 30, 2020. If the acquisition had occurred on January 1, 2020, combined pro-forma revenue and profit for the period ended June 30, 2020 would have been RMB97,860,000 and RMB33,256,000 respectively.

(iii) Acquisition of Chengdu Xinyi Property Co., Ltd (Chengdu Xinyi)

On June 28, 2020, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Chengdu Xinyi at a cash consideration of 74,370,000 (Note 14(iv)). Total identifiable net assets of Chengdu Xinyi amounted to RMB45,515,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the acquisition had occurred on January 1, 2020, combined pro-forma revenue and profit for the period ended June 30, 2020 would have been RMB50,381,000 and RMB7,504,000 respectively.

The goodwill arisen from business combination mainly consists of human resources and other unidentifiable assets.

For the six months ended June 30, 2020, the purchase consideration is as follows:

Purchase consideration	**Yuetai Subgroup**	**Fusheng Subgroup**	**Chengdu Xinyi**
	RMB'000	*RMB'000*	*RMB'000*
Total consideration	110,000	–	74,370

The assets and liabilities recognized as a result of the acquisition are as follows:

	Acquisition Date	Acquisition Date	Acquisition Date
	Fair value	Fair value	Fair value
	Yuetai Subgroup	Fusheng Subgroup	Chengdu Xinyi
	RMB'000	*RMB'000*	*RMB'000*
Acquisition date fair value			
Cash and cash equivalents	8,179	13,109	19,157
Trade receivables	8,660	39,094	22,803
Prepayments, deposits and other receivables	84,649	245,214	6,796
Property, plant and equipment	530	3,753	8,790
Other intangible assets	–	2,400	–
Customer relationship	28,000	50,000	36,000
Deferred income tax assets	2,565	7,813	754
Other non-current assets	–	–	2,684
Less: Trade and other payables	(71,496)	(460,746)	(37,613)
Contract liabilities	(8,881)	(25,720)	(6,841)
Deferred income tax liabilities	(7,000)	(12,500)	(5,400)
Non-controlling interest	–	70,498	(16,635)
Net identifiable assets/(liabilities) acquired	45,206	(67,085)	30,495
Add: Goodwill	64,794	67,085	43,875
Total consideration	110,000	–	74,370

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

The fixed assets of Yuetai Subgroup, Fusheng Subgroup and Chengdu Xinyi mainly consist of electronic devices and the amount is not significant. The Group believes that the fair value of such assets approximates to the book value.

Net cash flows arising on acquisition during the six months ended June 30, 2020:

	Yuetai Subgroup	Fusheng Subgroup	Chengdu Xinyi
	RMB'000	*RMB'000*	*RMB'000*
Inflow/(outflow) of cash to acquire subsidiaries, net of cash acquired			
Balance acquired — Cash and cash equivalents	8,179	13,109	19,157
Less: Cash consideration paid	(110,000)	–	(37,929)
Total consideration transferred	(101,821)	13,109	(18,772)

38 DISPOSAL OF A SUBSIDIARY

On May 28, 2020, the Fusheng Subgroup entered into an agreement with Fusheng Liujian Industrial Group Co., Ltd. to dispose its entire equity in Fujian Guang'an Engineering Development Co., Ltd. ("Guang'an Company") at a consideration of RMB30,000,000. The disposal resulted in a net cash outflow of RMB70,778 and a net gain of RMB510,849.

Net assets disposed and reconciliation of disposal gains and cash inflow on disposal are as follow:

	RMB'000
Cash and cash equivalents	71
Property and equipment *(Note 18)*	8
Trade receivables	2,317
Prepayments, deposits and other receivables	52,171
Trade and other payables	(24,612)
Contract liabilities	(466)
Total identifiable net assets	29,489
Net assets disposed	29,489
Total consideration *(Note)*	30,000
Net assets disposed	(29,489)
Disposal gains *(Note 10)*	511
Total consideration received	–
Less: cash and cash equivalents in the entities disposed	(71)
Net cash outflow from disposal	(71)

Note: The purchase consideration of RMB30,000,000 for acquisition of Guang'an Company from the original shareholder has not been settled at the date of the disposal. On the date of disposal, Fusheng Subgroup signed a tripartite agreement with the original shareholder and the new shareholder pursuant to which the new shareholder settled the purchase consideration due to the original shareholder on behalf of Fusheng Subgroup.

39 RELATED PARTY TRANSACTIONS

(a) Names and relationship with related parties

The Ultimate Holding Company of the Company is Shimao Group Holdings and the Ultimate Controlling Shareholder of the Company is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Property management services provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	46,619	66,889	76,053	37,104	61,173
– Joint ventures and associates of Shimao Group Holdings	5,487	4,234	3,916	1,475	3,820
	52,106	71,123	79,969	38,579	64,993
Community value-added services provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	443	11,310	88,577	8,972	89,638
– Joint ventures and associates of Shimao Group Holdings	–	5,170	4,615	-	6,825
	443	16,480	93,192	8,972	96,463
Value-added services to non-property owners provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	190,993	286,798	475,480	215,065	224,766
– Joint ventures and associates of Shimao Group Holdings	54,009	98,658	158,114	70,149	76,005
	245,002	385,456	633,594	285,214	300,771
Services received from related parties					
– Entities controlled by Mr. Hui Wing Mau	–	–	27,018	–	174
Rental expenses					
– Entities controlled by Mr. Hui Wing Mau	–	371	3,042	1,917	2,608

(ii) Discontinued transactions

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Services received from related parties					
– Entities controlled by Mr. Hui Wing Mau	1,310	4,836	6,217	3,108	1,072
Carpark spaces purchased from related parties					
– Entities controlled by Mr. Hui Wing Mau	–	–	39,788	–	–
Interest expenses on loans from related parties					
– Associates of entities controlled by Mr. Hui Wing Mau	–	–	14,840	–	–
Interest income on loans to related parties					
– Entities controlled by Mr. Hui Wing Mau	92,010	66,658	33,569	20,232	–
Purchase of investment properties					
– Joint venture of entities controlled by Mr. Hui Wing Mau	–	–	99,000	–	–
Distribution and deemed distribution					
– Entities controlled by Mr. Hui Wing Mau	–	–	607,877	–	10,465
Cash advance from related parties					
– Entities controlled by Mr. Hui Wing Mau	40,000	419,897	315,000	–	–
Repayment of Cash advance from related parties					
– Entities controlled by Mr. Hui Wing Mau	20,000	30,000	793,571	72,718	97,172
Advance to related parties					
– Entities controlled by Mr. Hui Wing Mau	376,673	1,549,811	859,700	216,721	362,140
Receipt of advance to and interest from related parties					
– Entities controlled by Mr. Hui Wing Mau	598,629	443,418	1,758,480	357,948	1,251,547

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 40 is set out below.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other short-term employee benefits	804	2,180	2,468	1,073	1,681

(d) Balances with related parties — trade

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Trade and note receivables on service provided to related parties and receivables arising from debt restructuring*(Note 23)*				
– Entities controlled by Mr. Hui Wing Mau	333,321	354,658	484,341	439,777
– Joint ventures and associates of Shimao Group Holdings	512	8,881	27,663	54,680
	333,833	363,539	512,004	494,457
Contract liabilities to related parties				
– Entities controlled by Mr. Hui Wing Mau	–	–	–	51,422
– Joint ventures and associates of Shimao Group Holdings	–	–	–	18,740
	–	–	–	70,162
Payables to related parties				
Payables on management service				
– Entities controlled by Mr. Hui Wing Mau	1,310	4,836	33,235	28,264
Payables on parking space				
– Entities controlled by Mr. Hui Wing Mau	–	14,405	47,165	109,395
– Joint ventures and associates of Shimao Group Holdings	–	1,176	10,738	15,864
	–	15,581	57,903	125,259
Total payables to related parties	1,310	20,417	91,138	153,523

(e) Balances with related parties — non-trade

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Advance to related parties *(Note 24)*				
– Entities controlled by Mr. Hui Wing Mau	908,505	1,988,053	1,093,739	212,019
– Joint ventures and associates of Shimao Group Holdings	–	24,496	12,359	4,672
	908,505	2,012,549	1,106,098	216,691
Payables to related parties				
Acquisition consideration payable				
– Entities controlled by Mr. Hui Wing Mau	–	–	840,000	630,000
Cash advance from related parties				
– Entities controlled by Mr. Hui Wing Mau	184,795	569,004	96,589	–
– Joint ventures and associates of Shimao Group Holdings	1,051	6,739	583	–
	185,846	575,743	97,172	–
Dividend payables *(Note 34)*				
– Entities controlled by Mr. Hui Wing Mau	–	–	559,247	–
Total payables to related parties	185,846	575,743	1,496,419	630,000

The non-trade balances with related parties will be settled prior to listing.

(f) Pledges provided to related parties

As at December 31, 2019 and June 30, 2020, investment properties with a carrying amount of RMB96,323,000 and RMB94,014,000, respectively, were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd., a joint venture of Shimao Group Holdings.

(g) Guarantees provided by related parties

As at December 31, 2017, 2018, 2019 and June 30, 2020, the repayment of the Group's asset-backed securities was guaranteed by Shanghai Shimao Jianshe Co., Ltd., a subsidiary of Shimao Group Holdings as mentioned in Note 30. The Guarantees provided by related parties will be released before the Listing.

40 DIRECTORS' BENEFITS AND INTERESTS

As the date of the report, the following directors and senior managements were appointed:

Executive Directors
Mr. Hui Sai Tan, Jason *(Note (a)(i))*
Mr. Ye Mingjie *(Note (a)(ii))*
Mr. Cao Shiyang *(Note (a)(ii))*
Mr. Cai Wenwei *(Note (a)(ii))*

Non-executive Directors
Ms. Tang Fei *(Note (a)(i))*
Mr. Sun Yan *(Note (a)(i))*

Independent Non-executive Directors
Mr. Gu Yunchang *(Note (a)(iii))*
Ms. Kan Lai Kuen, Alice *(Note (a)(iii))*
Ms. Zhou Xinyi *(Note (a)(iii))*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2020 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie.	–	928	–	39	967
Mr. Cao Shiyang . . .	–	550	–	23	573
Mr. Cai Wenwei. . . .	–	382	–	29	411
	–	1,860	–	91	1,951

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2019 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie.	–	856	–	57	913
Mr. Cao Shiyang . . .	–	457	–	43	500
	–	1,313	–	100	1,413

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2019 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie	–	1,713	674	115	2,502
Mr. Cao Shiyang . .	–	914	249	85	1,248
	–	2,627	923	200	3,750

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2018 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie	–	1,404	398	108	1,910
Mr. Cao Shiyang . .	–	617	34	96	747
	–	2,021	432	204	2,657

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2017 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Cao Shiyang . .	–	420	34	87	541

(i) The emoluments of the executive director, Mr. Hui Sai Tan, Jason and the non-executive directors, Ms. Tang Fei and Mr. Sun Yan in relation to their services rendered for the Group for the Track Record Period were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) Mr. Ye Mingjie and Mr. Cao Shiyang were appointed as the Group's executive directors on June 1, 2020. Mr. Cai Wenwei was appointed as the Group's executive director on September 18, 2020.

(iii) Mr. Gu Yunchang, Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi were appointed as the Group's independent non-executive directors on October 13, 2020. During the years ended December 31, 2017, 2018, 2019 and for the six months ended June 30, 2020, the independent non-executive directors did not receive any remuneration.

(b) Retirement benefits of directors

During the years ended December 31, 2017, 2018, 2019 and for the six months ended June 30, 2020, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, there were no termination benefits received by the directors.

(d) Consideration provided to third parties for making available the services of directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, no consideration was paid for making available the services of the directors or senior management of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

41 CONTINGENCIES

As at December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

42 EVENTS AFTER THE BALANCE SHEET DATE

(a) In July 2020, Shimao Tiancheng signed an acquisition agreement of 100% equity interests of Beijing Guancheng Hotel Management Co., Ltd. at a cash consideration of RMB130,000,000.

(b) In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP("NTEIPs"), which are the original shareholders of Zhejiang Zheda Sinew Property Services Group Co., Ltd. (the "Sinew Group"), to acquire 25% (through the acquisition of 62.5% of equity interests in Zhejiang Xiangyu, which holds 40% of equity interests in Sinew Group) and 26% of equity interests in Sinew Group, respectively. The consideration is approximately RMB614,700,000 subject to adjustment.

Upon the completion of the acquisition on August 5, 2020, the Group through its control of Zhejiang Xiangyu and the direct ownership of equity interests in the Sinew Group, controls 51% of the equity interests in the Sinew Group.

In addition, the acquisition agreement also stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after December 31, 2022. The consideration of such acquisition is based on Sinew Group's financial performance for the year ending December 31, 2022 and its financial position as at December 31, 2022. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 66% of equity interests in Sinew Group.

Further details of the financial information of the Sinew Group is set out in part IV of the accountant's report.

(c) Pursuant to a written resolution of the shareholder passed on October 13, 2020, subject to the share premium account of the Company being credited as a result of the global offering, the Directors are authorized to allot and issue a total of 1,999,900,000 shares credited as fully paid at par to the existing shareholders of the Company by way of capitalization of the sum of HK$19,999,000 standing to the credit of the share premium account of the Company.

(d) In August 2020, the Group entered into agreements to dispose all of its investment properties at a total consideration of RMB130,600,000.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to June 30, 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2020.

IV ADDITIONAL FINANCIAL INFORMATION OF ZHEJIANG ZHEDA SINEW PROPERTY SERVICES GROUP CO., LTD. FOR THE TRACK RECORD PERIOD

As described in 42(b), 51% of the equity interests of Zhejiang Zheda Sinew Property Services Group Co., Ltd. was acquired by the Group on August 5, 2020 (Zhejiang Zheda Sinew Property Services Group Co., Ltd. and its subsidiaries are hereafter referred to as Sinew Group). The following is the financial information of Sinew Group for the three years ended December 31, 2017,2018 and 2019 and the periods ended June 30, 2019 and 2020:

(1) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
		2017	**2018**	**2019**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	ii	747,280	811,406	914,925	421,032	316,413
Cost of sales	iii	(641,071)	(709,845)	(808,962)	(374,539)	(278,619)
Gross profit		106,209	101,561	105,963	46,493	37,794
Administrative expenses	iii	(48,956)	(53,013)	(51,782)	(26,789)	(20,772)
(Provision)/reversal of impairment losses on financial assets – net		(2,151)	4,787	(493)	(138)	(498)
Other income	v	856	984	2,457	454	3,579
Other gains – net	vi	5,867	4,893	15,078	3,788	2,111
Other operating expenses		(38)	(458)	(457)	(229)	(229)
Operating profit		61,787	58,754	70,766	23,579	21,985
Finance income		354	433	517	288	214
Finance costs		(1,611)	(1,564)	(1,093)	(427)	(817)
Finance costs – net	vii	(1,257)	(1,131)	(576)	(139)	(603)
Share of results of associates accounted for using the equity method	viii	4,702	5,165	6,616	1,365	(3,388)
Profit before income tax		65,232	62,788	76,806	24,805	17,994
Income tax expense	ix	(15,828)	(15,071)	(17,323)	(5,864)	(5,096)
Profit for the year/period		49,404	47,717	59,483	18,941	12,898
Profit/(loss) is attributable to:						
Owners of Sinew Group		48,020	45,205	58,007	19,220	13,484
Non-controlling interests		1,384	2,512	1,476	(279)	(586)
Total comprehensive income for the year/period attributable to owners of Sinew Group		49,404	47,717	59,483	18,941	12,898

(2) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	xi	90,688	139,107	119,933	117,167
Right-of-use assets	xii	24,058	16,229	20,791	21,687
Investment properties	x	19,229	18,771	18,314	18,085
Intangible assets	xiii	276	276	595	521
Deferred tax assets	xxi	16,742	15,140	16,080	17,650
Prepayments	xv	58,272	55,192	50,235	48,775
Long term receivables		11,228	1,993	11,152	8,925
Investment in associates accounted for using the equity method	viii	14,302	16,207	22,323	16,935
Financial assets at fair value through profit or loss	xvi	33,722	1,307	–	–
Total non-current assets		268,517	264,222	259,423	249,745
Current assets					
Inventories		3,901	3,825	3,185	3,152
Prepayments, deposits and other receivables	xv	34,568	43,770	44,881	46,781
Trade receivables	xiv	60,326	64,022	87,359	163,657
Financial assets at fair value through profit or loss	xvi	113,700	160,020	180,000	144,000
Restricted cash	xvii	–	–	700	700
Cash and cash equivalents	xvii	127,504	118,722	136,338	81,689
Total current assets		339,999	390,359	452,463	439,979
Total assets		608,516	654,581	711,886	689,724

		As at December 31,			As at June 30,
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity attributable to owners of Sinew Group					
Share capital		50,000	50,000	50,000	50,000
Statutory reserves		31,198	32,947	34,562	34,562
Other reserves		459	834	834	834
Retained earnings		264,785	297,741	229,133	242,617
Capital and reserves attributable to owners of Sinew Group		346,442	381,522	314,529	328,013
Non-controlling interests		19,594	21,369	13,608	4,388
Total equity		366,036	402,891	328,137	332,401
Liabilities					
Non-current liabilities					
Lease liabilities	xx	8,753	1,814	18,690	16,150
Total non-current liabilities		8,753	1,814	18,690	16,150
Current liabilities					
Trade and other payables	xix	163,571	177,980	296,369	281,763
Contract liabilities	ii	31,441	34,285	35,383	32,167
Income tax liabilities		11,434	20,330	22,283	14,379
Borrowings	xviii	15,000	10,000	–	–
Lease liabilities	xx	12,281	7,281	11,024	12,864
Total current liabilities		233,727	249,876	365,059	341,173
Total liabilities		242,480	251,690	383,749	357,323
Total equity and liabilities		608,516	654,581	711,886	689,724

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory reserves	Other reserve	Retained earnings	Total equity	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017	50,000	30,405	459	227,558	308,422	18,540	326,962
Comprehensive income							
Profit for the year	–	–	–	48,020	48,020	1,384	49,404
Transactions with owners in their capacity as owners							
Appropriation to statutory reserves	–	793	–	(793)	–	–	–
Dividend distributed to the owners and non-controlling interests	–	–	–	(10,000)	(10,000)	(330)	(10,330)
Balance at December 31, 2017	50,000	31,198	459	264,785	346,442	19,594	366,036
Balance at January 1, 2018	50,000	31,198	459	264,785	346,442	19,594	366,036
Comprehensive income							
Profit for the year	–	–	–	45,205	45,205	2,512	47,717
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	375	(500)	(125)	–	(125)
Transactions with owners in their capacity as owners							
Acquisition of non-controlling interests	–	–	–	–	–	(25)	(25)
Appropriation to statutory reserves	–	1,749	–	(1,749)	–	–	–
Dividend distributed to the owners and non-controlling interests	–	–	–	(10,000)	(10,000)	(712)	(10,712)
Balance at December 31, 2018	50,000	32,947	834	297,741	381,522	21,369	402,891

	Share capital	Statutory reserves	Other reserve	Retained earnings	Total equity	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	50,000	32,947	834	297,741	381,522	21,369	402,891
Comprehensive income							
Profit for the year	–	–	–	58,007	58,007	1,476	59,483
Transactions with owners in their capacity as owners							
Dividend distributed to the owners	–	–	–	(125,000)	(125,000)	(6,000)	(131,000)
Appropriation to statutory reserves	–	1,615	–	(1,615)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(3,237)	(3,237)
Balance at December 31, 2019	50,000	34,562	834	229,133	314,529	13,608	328,137
Balance at January 1, 2020	50,000	34,562	834	229,133	314,529	13,608	328,137
Comprehensive income							
Profit/(loss) for the period	–	–	–	13,484	13,484	(586)	12,898
Transactions with owners in their capacity as owners							
Acquisition of non-controlling interests	–	–	–	–	–	(1,770)	(1,770)
Dividend distributed to non-controlling interests	–	–	–	–	–	(6,864)	(6,864)
Balance at June 30, 2020	50,000	34,562	834	242,617	328,013	4,388	332,401
Balance at January 1, 2019	50,000	32,947	834	297,741	381,522	21,369	402,891
Comprehensive income							
Profit/(loss) for the period (Unaudited)	–	–	–	19,220	19,220	(279)	18,941
Transactions with owners in their capacity as owners (Unaudited)							
Dividend distributed to non-controlling interests	–	–	–	–	–	(6,000)	(6,000)
Disposal of subsidiaries	–	–	–	–	–	(3,237)	(3,237)
Balance at June 30, 2019 (Unaudited)	50,000	32,947	834	316,961	400,742	11,853	412,595

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from/(used in) operations	xxii	75,382	87,206	76,316	(52,096)	(64,013)
Interest received on bank deposits		354	433	517	288	214
Interest paid		(902)	(879)	(476)	(303)	–
Income tax paid		(25,864)	(4,698)	(16,310)	(12,113)	(14,570)
Net cash generated from/(used in) operating activities		48,970	82,062	60,047	(64,224)	(78,369)
Cash flows from investing activities						
Investment in an associate	viii	–	(4,000)	(1,500)	(1,500)	(4,000)
Payments for property, plant and equipment		(11,117)	(13,452)	(6,407)	(2,261)	(1,497)
Payments for intangible assets		(51)	(31)	(599)	–	–
Payments for construction in progress		(3,490)	(52,840)	(4,366)	(2,898)	(579)
Received from finance lease		7,043	5,390	9,449	2,353	2,162
Disposal of subsidiaries		–	–	12,586	3,798	–
Proceeds from disposal of property, plant and equipment		388	481	665	144	25
Dividends from associates	viii	2,574	7,260	2,000	2,000	6,000
Gain on wealth management products		2,665	2,933	4,451	1,945	1,919
Payment for purchase of financial assets at FVPL		(35,515)	(12,957)	(18,612)	–	–
Redemption of financial assets at FVPL		–	–	–	45,388	36,000
Net cash (used in)/generated from investing activities		(37,503)	(67,216)	(2,333)	48,969	40,030
Cash flows from financing activities						
Repayment of Borrowings		–	(5,000)	(10,000)	–	–
Acquisition of non-controlling interests		–	(25)	–	–	(1,770)
Distribution to the shareholders		(10,330)	(10,712)	(21,000)	(6,000)	(10,000)
Payments for leasing liabilities		(6,076)	(7,891)	(9,098)	(3,995)	(4,540)
Net cash used in financing activities		(16,406)	(23,628)	(40,098)	(9,995)	(16,310)
Net (decrease)/increase in cash and cash equivalents		(4,939)	(8,782)	17,616	(25,250)	(54,649)
Cash and cash equivalents at beginning of year/period		132,443	127,504	118,722	118,722	136,338
Cash and cash equivalents at end of year/period		127,504	118,722	136,338	93,472	81,689

(i) General information of Sinew Group

Sinew Group was formerly known as Zhejiang University Xinyu Property Development Co., Ltd., a wholly state-owned limited company invested and established by Zhejiang University. It was approved and registered by Zhejiang Administration of Industry and Commerce on January 21, 2000.

The registered address for Sinew Group is Room 1001, Building 2, No. 99 Xiangyuan Road, Gongshu District, Hangzhou City, Zhejiang Province. According to the <Approval of the Ministry of Education on Approving the Establishment of Zhejiang University Investment Holding Co., Ltd.> on September 23, 2005. Zhejiang University established a wholly state-owned investment company, and authorized the operation of state-owned assets by it. The share of Sinew Group had been transferred to the investment company.

After several shareholding changes, by the end of June 2020, Sinew Group was owned as to 34% by Zhejiang University Holding Group Co., Ltd., 40% by Zhejiang Xiangyu Investment Co., Ltd., and 26% by Tianquan Equity Investment Partnership (Limited Partnership) as at June 30, 2020.

The principal activities of Sinew Group are the provision of property management services and lifestyle services which include catering services, accommodation services and business trading services.

(ii) Revenue

Revenue mainly comprises of proceeds from property management services and lifestyle services. An analysis of Sinew Group's revenue by category for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Property management services	311,209	367,540	459,461	210,006	224,862
Lifestyle services *(a)*	436,071	443,866	455,464	211,026	91,551
Total revenue	747,280	811,406	914,925	421,032	316,413
Revenue recognized at a point in time	269,481	288,848	300,108	139,550	52,704
Revenue recognized over time	477,799	522,558	614,817	281,482	263,709
Total revenue	747,280	811,406	914,925	421,032	316,413
Revenue recognized on gross basis:					
– Property management services	311,209	367,540	459,461	210,006	224,862
– Lifestyle services *(a)*	436,071	443,866	455,464	211,026	91,551
Total revenue	747,280	811,406	914,925	421,032	316,413

(a) Lifestyle services mainly include catering services, accommodation services and business trading services:

(i) Catering services

Sinew Group provides catering services to teachers, students and staff who dine on campus. Sinew Group recognizes the fee received or receivable from payment by customers as its revenue and all related catering services costs as its cost of service. Sinew Group recognizes its presentation of its catering services revenue on a gross basis when the services are rendered.

(ii) Accommodation services

Sinew Group provides accommodation services to students and people participating in summer camp projects or other short-term programs. Control of the accommodation service is transferred over time as the customer simultaneously receives and consumes the benefits provided by Sinew Group as Sinew Group performs. Therefore, the accommodation fees are recognized proportionately over the school year or the duration of customers' stay. Sinew Group made payments to certain schools to obtain the operation right of the students' apartments. The payments are considered as payment to customers and deducted from the revenue on a straight-line basis within 31 to 42 years based on such operation periods.

Sinew Group recognizes accommodation services revenue on a gross basis when the services are rendered.

(iii) Business trading services

Sinew Group sells a wide range of products to customers on campus. Sinew Group recognizes revenues from the sale of products on a gross basis as Sinew Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified foods to customers.

Sinew Group recognizes revenue at the point when the goods are delivered to customers and all the related costs of purchased goods as the costs of revenue.

Contract liabilities

Sinew Group had recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accommodation services	18,315	19,086	20,614	10,928
Property management services	7,785	11,861	11,431	16,647
Catering services	5,341	3,338	3,338	4,592
Total	31,441	34,285	35,383	32,167

(iii) Expenses by nature

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses *(iv)*	306,142	355,369	424,936	194,717	183,848
Raw materials	155,601	160,841	167,202	76,042	33,527
Subcontracting labour cost	83,626	86,074	100,889	52,459	25,984
Maintenances cost	46,202	49,973	51,511	22,083	17,774
Depreciation and amortization charges	20,387	22,959	21,332	10,026	9,017
Office expenses	16,340	18,560	20,623	9,261	7,187
Utilities	21,305	23,195	25,155	12,865	9,057
Greening and gardening costs	2,482	4,303	4,441	2,033	1,859
Taxes and surcharges	3,984	4,588	4,676	1,818	1,494
Cost of goods sold	7,908	14,522	17,126	8,909	796
Others	26,050	22,474	22,853	11,115	8,848
	690,027	762,858	860,744	401,328	299,391

(iv) Employee benefit expense

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries and bonuses	255,719	288,744	346,766	155,749	152,284
Pension costs	19,083	25,426	28,198	14,881	12,045
Housing funds, medical insurances and other social insurances *(a)*	12,353	15,448	17,582	8,095	7,407
Other employment benefits	18,987	25,751	32,390	15,992	12,112
Wages, salaries and bonuses	306,142	355,369	424,936	194,717	183,848

(a) Employees in Sinew Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. Sinew Group's PRC subsidiaries contribute funds that are calculated on a certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(v) Other income

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants	636	581	1,040	200	2,572
Value-added tax deductibles	–	–	1,173	254	700
Interest income on finance lease	220	403	240	–	301
Rental income	–	–	4	–	6
	856	984	2,457	454	3,579

(vi) Other gains — net

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Gain on disposal of right-of-use assets	–	–	6,375	–	–
Gain on disposal of subsidiaries	–	–	3,425	1,745	–
Gains on unclaimed deposits	1,250	391	209	69	43
Gain on financial assets at FVPL	3,628	3,881	4,512	2,006	1,919
Other gains	1,162	1,054	715	73	158
Net loss on disposal of property, plant and equipment	(173)	(433)	(158)	(105)	(9)
	5,867	4,893	15,078	3,788	2,111

(vii) Finance costs — net

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	354	433	517	288	214
Finance income	354	433	517	288	214
Interest expense on bank borrowings	(902)	(879)	(476)	(303)	–
Interest expense on lease liabilities	(709)	(685)	(617)	(124)	(817)
Finance costs	(1,611)	(1,564)	(1,093)	(427)	(817)
Net finance costs — net	(1,257)	(1,131)	(576)	(139)	(603)

(viii) Investment in associates accounted for using the equity method

Set out below is the associates of Sinew Group as at December 31, 2017, 2018 and 2019 and June 30, 2020:

Name of entity	Date of incorporation	Percentage of ownership interest attributable to Sinew Group — As at December 31, 2017	2018	2019	As at June 30, 2020	Principal activities and place of operation
		%	%	%	%	
Zhejiang Xinyu Trade Co., Ltd. (Xinyu Trade)	Dec 19, 2006	40	40	40	40	The PRC; Retail
Zhejiang Xinyu Education Logistics Management Co., Ltd. (Xinyu Education)	April 19, 2005	30	30	30	30	The PRC; Logistics Management and Retail

	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	12,174	14,302	16,207	16,207	22,323
Additions	–	4,000	1,500	1,500	4,000
Dividends	(2,574)	(7,260)	(2,000)	(2,000)	(6,000)
Share of profits/(losses)	4,702	5,165	6,616	1,365	(3,388)
At the end of the year/period	14,302	16,207	22,323	17,072	16,935

(ix) Income tax expense

	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
– PRC corporate income tax	17,268	13,594	18,263	8,680	6,666
Deferred income tax (credit)/charge *(xxi)*					
– PRC corporate income tax	(1,440)	1,477	(940)	(2,816)	(1,570)
	15,828	15,071	17,323	5,864	5,096

(a) PRC corporate income Tax

Income tax provision of Sinew Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

(b) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	65,232	62,788	76,806	24,805	17,994
Tax calculated at applicable corporate income tax rate of 25%	16,308	15,697	19,202	6,201	4,499
Tax effects of:					
– Expenses not deductible for taxation purposes	381	183	539	414	360
– Share of (profits)/losses of investments accounted for using the equity method	(1,176)	(1,291)	(1,654)	(341)	847
– Income tax relief for small and low-profit enterprises	(34)	(42)	(857)	(480)	(671)
– Unrecognized loss	349	524	93	70	61
	15,828	15,071	17,323	5,864	5,096

(x) **Investment properties**

	Buildings
	RMB'000
As at January 1, 2017	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended December 31, 2017	
Opening net book amount	–
Additions	19,267
Depreciation charge	(38)
Closing net book amount	19,229
As at December 31, 2017	
Cost	19,267
Accumulated depreciation	(38)
Net book amount	19,229

	Buildings
	RMB'000
Year ended December 31, 2018	
Opening net book amount	19,229
Depreciation charge	(458)
Closing net book amount	18,771
As at December 31, 2018	
Cost	19,267
Accumulated depreciation	(496)
Net book amount	18,771
Year ended December 31, 2019	
Opening net book amount	18,771
Depreciation charge	(457)
Closing net book amount	18,314
As at December 31, 2019	
Cost	19,267
Accumulated depreciation	(953)
Net book amount	18,314
Six Months ended June 30, 2019 (Unaudited)	
Opening net book amount	18,771
Depreciation charge	(229)
Closing net book amount	18,542
As at June 30, 2019 (Unaudited)	
Cost	19,267
Accumulated depreciation	(725)
Net book amount	18,542
Period ended June 30, 2020	
Opening net book amount	18,314
Depreciation charge	(229)
Closing net book amount	18,085
As at June 30, 2020	
Cost	19,267
Accumulated depreciation	(1,182)
Net book amount	18,085

As at June 30, 2020, the ownership certificates of the investment properties have not been obtained.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of the investment properties is approximately RMB19,320,000, RMB19,750,000, RMB20,610,000 and RMB20,160,000, respectively.

(xi) Property, plant and equipment

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017						
Cost	52,378	34,596	45,148	22,460	3,036	157,618
Accumulated depreciation	(16,341)	(13,451)	(35,895)	–	–	(65,687)
Net book amount	36,037	21,145	9,253	22,460	3,036	91,931
Year ended December 31, 2017						
Opening net book amount	36,037	21,145	9,253	22,460	3,036	91,931
Additions	56	3,094	3,606	3,371	3,489	13,616
Disposals	–	(321)	(240)	–	–	(561)
Depreciation charge	(1,271)	(3,497)	(4,041)	(5,489)	–	(14,298)
Closing net book amount	34,822	20,421	8,578	20,342	6,525	90,688
As at December 31, 2017						
Cost	52,434	36,320	46,795	25,831	6,525	167,905
Accumulated depreciation	(17,612)	(15,899)	(38,217)	(5,489)	–	(77,217)
Net book amount	34,822	20,421	8,578	20,342	6,525	90,688

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018						
Opening net book amount	34,822	20,421	8,578	20,342	6,525	90,688
Additions	158	2,570	2,828	6,041	52,840	64,437
Transfer	8,047	–	–	–	(8,047)	–
Disposals	–	(626)	(288)	–	–	(914)
Depreciation charge	(1,369)	(3,610)	(3,293)	(6,832)	–	(15,104)
Closing net book amount	41,658	18,755	7,825	19,551	51,318	139,107
As at December 31, 2018						
Cost	60,639	37,327	46,472	31,872	51,318	227,628
Accumulated depreciation	(18,981)	(18,572)	(38,647)	(12,321)	–	(88,521)
Net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Year ended December 31, 2019						
Opening net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Additions	215	1,339	2,258	1,858	4,366	10,036
Disposals	(64)	(221)	(538)	–	–	(823)
Disposals of subsidiaries	–	(3)	(1,102)	(13,082)	(738)	(14,925)
Depreciation charge	(1,473)	(3,761)	(2,740)	(5,488)	–	(13,462)
Closing net book amount	40,336	16,109	5,703	2,839	54,946	119,933
As at December 31, 2019						
Cost	60,749	37,451	41,365	16,732	54,946	211,243
Accumulated depreciation	(20,413)	(21,342)	(35,662)	(13,893)	–	(91,310)
Net book amount	40,336	16,109	5,703	2,839	54,946	119,933
As at January 1, 2019						
Cost	60,639	37,327	46,472	31,872	51,318	227,628
Accumulated depreciation	(18,981)	(18,572)	(38,647)	(12,321)	–	(88,521)
Net book amount	41,658	18,755	7,825	19,551	51,318	139,107

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2019 (Unaudited)						
Opening net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Additions	215	498	727	561	2,898	4,899
Disposals	(64)	(4)	(181)	–	–	(249)
Disposals of subsidiaries	–	(3)	(1,102)	(13,082)	(738)	(14,925)
Depreciation charge	(736)	(1,823)	(1,268)	(2,175)	–	(6,002)
Closing net book amount	41,073	17,423	6,001	4,855	53,478	122,830
As at June 30, 2019 (Unaudited)						
Cost	60,749	37,685	41,432	15,435	53,478	208,779
Accumulated depreciation	(19,676)	(20,262)	(35,431)	(10,580)	–	(85,949)
Net book amount	41,073	17,423	6,001	4,855	53,478	122,830
As at January 1, 2020						
Cost	60,749	37,451	41,365	16,732	54,946	211,243
Accumulated depreciation	(20,413)	(21,342)	(35,662)	(13,893)	–	(91,310)
Net book amount	40,336	16,109	5,703	2,839	54,946	119,933
Six months ended June 30, 2020						
Opening net book amount	40,336	16,109	5,703	2,839	54,946	119,933
Additions	–	656	643	26	579	1,904
Disposals	–	(9)	(25)	–	–	(34)
Depreciation charge	(736)	(1,897)	(997)	(1,006)	–	(4,636)
Closing net book amount	39,600	14,859	5,324	1,859	55,525	117,167
As at June 30, 2020						
Cost	60,749	37,774	41,779	16,758	55,525	212,585
Accumulated depreciation	(21,149)	(22,915)	(36,455)	(14,899)	–	(95,418)
Net book amount	39,600	14,859	5,324	1,859	55,525	117,167

(a) The buildings are located in Huzhou, Zhejiang. The depreciation of the buildings is calculated using the straight-line method, and the depreciation period is 40 years.

(b) Construction in progress represents the land under construction of an office building in Hangzhou, which started in 2017.

(xii) Right-of-use assets

	Buildings	Land-use-right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2017			
Cost	–	12,789	12,789
Accumulated depreciation	–	(1,362)	(1,362)
Net book amount	–	11,427	11,427
Year ended December 31, 2017			
Opening net book amount	–	11,427	11,427
Additions	18,714	–	18,714
Depreciation charge	(5,780)	(303)	(6,083)
Closing net book amount	12,934	11,124	24,058
As at December 31, 2017			
Cost	18,714	12,789	31,503
Accumulated depreciation	(5,780)	(1,665)	(7,445)
Net book amount	12,934	11,124	24,058
Year ended December 31, 2018			
Opening net book amount	12,934	11,124	24,058
Additions	–	–	–
Depreciation charge	(7,526)	(303)	(7,829)
Closing net book amount	5,408	10,821	16,229
As at December 31, 2018			
Cost	18,714	12,789	31,503
Accumulated depreciation	(13,306)	(1,968)	(15,274)
Net book amount	5,408	10,821	16,229
Year ended December 31, 2019			
Opening net book amount	5,408	10,821	16,229
Additions	23,703	–	23,703
Sublease	(3,043)	–	(3,043)
Disposals of subsidiaries	–	(8,440)	(8,440)
Depreciation charge	(7,532)	(126)	(7,658)
Closing net book amount	18,536	2,255	20,791

	Buildings	Land-use-right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019			
Cost	39,374	3,389	42,763
Accumulated depreciation	(20,838)	(1,134)	(21,972)
Net book amount	18,536	2,255	20,791
As at January 1, 2019			
Cost	18,714	12,789	31,503
Accumulated depreciation	(13,306)	(1,968)	(15,274)
Net book amount	5,408	10,821	16,229
Six months ended June 30, 2019 (Unaudited)			
Opening net book amount	5,408	10,821	16,229
Additions	195	–	195
Disposals of subsidiaries	–	(8,440)	(8,440)
Depreciation charge	(3,811)	(92)	(3,903)
Closing net book amount	1,792	2,289	4,081
As at June 30, 2019 (Unaudited)			
Cost	18,909	3,389	22,298
Accumulated amortization	(17,117)	(1,100)	(18,217)
Net book amount	1,792	2,289	4,081
As at January 1, 2020			
Cost	39,374	3,389	42,763
Accumulated depreciation	(20,838)	(1,134)	(21,972)
Net book amount	18,536	2,255	20,791
Period ended June 30, 2020			
Opening net book amount	18,536	2,255	20,791
Additions	5,203	–	5,203
Depreciation charge	(4,273)	(34)	(4,307)
Closing net book amount	19,466	2,221	21,687
As at June 30, 2020			
Cost	44,577	3,389	47,966
Accumulated depreciation	(25,111)	(1,168)	(26,279)
Net book amount	19,466	2,221	21,687

(xiii) Intangible assets

	Computer software	Goodwill (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2017			
Cost	348	305	653
Accumulated amortization	(110)	–	(110)
Impairment	–	(305)	(305)
Net book amount	238	–	238
Year ended December 31, 2017			
Opening net book amount	238	–	238
Additions	44	–	44
Amortization charge	(6)	–	(6)
Closing net book amount	276	–	276
As at December 31, 2017			
Cost	392	305	697
Accumulated amortization	(116)	–	(116)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Year ended December 31, 2018			
Opening net book amount	276	–	276
Additions	26	–	26
Amortization charge	(26)	–	(26)
Closing net book amount	276	–	276
As at December 31, 2018			
Cost	418	305	723
Accumulated amortization	(142)	–	(142)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Year ended December 31, 2019			
Opening net book amount	276	–	276
Additions	531	–	531
Amortization charge	(212)	–	(212)
Closing net book amount	595	–	595
As at December 31, 2019			
Cost	949	305	1,254
Accumulated amortization	(354)	–	(354)
Impairment	–	(305)	(305)
Net book amount	595	–	595

	Computer software	Goodwill (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2019			
Cost	418	305	723
Accumulated amortization	(142)	–	(142)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Six months ended June 30, 2019 (Unaudited)			
Opening net book amount	276	–	276
Amortization	(121)	–	(121)
Closing net book amount	155	–	155
As at June 30, 2019 (Unaudited)			
Cost	418	305	723
Accumulated amortization	(263)	–	(263)
Impairment	–	(305)	(305)
Net book amount	155	–	155
As at January 1, 2020			
Cost	949	305	1,254
Accumulated amortization	(354)	–	(354)
Impairment	–	(305)	(305)
Net book amount	595	–	595
Six months ended June 30, 2020			
Opening net book amount	595	–	595
Amortization charge	(74)	–	(74)
Closing net book amount	521	–	521
As at June 30, 2020			
Cost	949	305	1,254
Accumulated amortization	(428)	–	(428)
Impairment	–	(305)	(305)
Net book amount	521	–	521

(a) Goodwill of RMB304,970 has been allocated to Tianjin Deyu Education Logistics Service Co., Ltd. ("Tianjin Deyu") when it was acquired by Sinew Group in 2013. Tianjin Deyu has been loss-making in the past years and an impairment provision on goodwill has been made.

(xiv) Trade receivables

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Related parties *(xxiii(b))*	593	208	280	425
– Third parties	62,943	66,887	90,039	166,677
	63,536	67,095	90,319	167,102
Less: allowance for impairment of trade receivables *(a)*	(3,210)	(3,073)	(2,960)	(3,445)
	60,326	64,022	87,359	163,657

As at December 31, 2017, 2018, 2019 and June 30, 2020, the aging analysis of the trade receivables based on invoice date was as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	62,686	64,102	87,536	164,314
1 to 2 years	376	2,674	289	158
2 to 3 years	25	6	2,437	1,752
Over 3 years	449	313	57	878
	63,536	67,095	90,319	167,102

As at December 31, 2017, 2018, 2019 and June 30, 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management service is received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of the invoice. Catering service is due for payment while rendering service.

Sinew Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, a provision of RMB3,210,000, RMB3,073,000, RMB2,960,000 and RMB3,445,000 was made against the gross amounts of trade receivables respectively.

(a) As there was no significant change of the characteristic of the customer base, historical credit loss rate of customers and forward-looking information during the Track Record Period, Sinew Group adopted the same expected credit loss throughout the Track Record Period. As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow:

	As at December 31,							As at June 30,		
	2017			2018		2019		2020		
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
	Expected Loss Rate	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Expected Loss Rate*	*Gross Carrying Amount*	*Loss allowance provision*
Trade receivables										
By individual basis	100%	2,400	2,400	2,400	2,400	2,400	2,400	100%	2,400	2,400
By aging										
Within 1 year	0.52%	60,286	312	64,102	333	87,536	453	0.52%	164,314	852
1 to 2 years	8.50%	376	32	274	23	289	25	8.50%	158	13
2 to 3 years	66.67%	25	17	6	4	37	25	66.67%	152	102
Over 3 years	100%	449	449	313	313	57	57	100%	78	78
		63,536	3,210	67,095	3,073	90,319	2,960		167,102	3,445

(xv) Prepayments, deposits and other receivables

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
Non-current prepayments				
– Prepayments to customers *(a)*	58,272	55,192	50,235	48,775
Current prepayments				
– Prepayments to customers *(a)*	3,080	3,080	2,920	2,920
– Others	4,557	7,607	6,536	5,953
Subtotal	65,909	65,879	59,691	57,648
Other receivables				
– Deposits	26,289	32,908	36,210	36,336
– Advance to employees	783	846	924	1,648
– Advance to Jiande Wanxin Real Estate Development Co., Ltd. *(b)*	25,416	20,928	20,928	20,928
– Advance to related parties	–	–	45	–
– Others	1,276	1,071	111	1,920
Subtotal	53,764	55,753	58,218	60,832
Total	119,673	121,632	117,909	118,480
Less: allowance for impairment of other receivables *(c)*	(26,833)	(22,670)	(22,793)	(22,924)
	92,840	98,962	95,116	95,556

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortization period is 31 to 42 years based on such operation periods.

(b) 100% of impairment provision has been made on the advance to Jiande Wanxin Real Estate Development Co., Ltd. ("Jiande Wanxin") as Jiande Wanxin declared bankruptcy in 2016.

(c) As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow:

	As at December 31,							As at June 30,		
	2017			2018		2019		2020		
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
	Expected Loss Rate	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Expected Loss Rate*	*Gross Carrying Amount*	*Loss allowance provision*
Other receivables										
– Deposits	5%	26,289	1,314	32,908	1,646	36,210	1,811	5%	36,336	1,818
– Advance to employees	5%	783	39	846	42	924	46	5%	1,648	82
– Advance to related parties	5%	–	–	–	–	45	2	5%	–	–
– Advance to Jiande Wanxin	100%	25,416	25,416	20,928	20,928	20,928	20,928	100%	20,928	20,928
– Others	5%	1,276	64	1,071	54	111	6	5%	1,920	96
		53,764	26,833	55,753	22,670	58,218	22,793		60,832	22,924

(xvi) Financial assets at fair value through profit or loss

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL included in non-current assets				
Unlisted Investments *(a)*	33,722	1,307	–	–
Financial assets at FVPL included in current assets				
Wealth management products	113,700	160,020	180,000	144,000
	147,422	161,327	180,000	144,000

(a) Sinew Group's financial assets at fair value through profit or loss include investments in 2 private companies.

(xvii) Cash and cash equivalents

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	9,039	10,597	10,792	10,776
Cash at bank	118,465	108,125	125,546	70,913
	127,504	118,722	136,338	81,689
Restricted cash *(a)*	–	–	700	700
	127,504	118,722	137,038	82,389

(a) As at December 31, 2019 and June 30, 2020, restricted cash is the deposits for issuing letters of guarantee.

(xviii) Borrowings

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	15,000	10,000	–	–

For the years ended December 31, 2017 and 2018, the weighted average effective interest rates on borrowings were 6.00% and 6.00% respectively.

(xix) Trade and other payables

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*				
– Related parties	8	33	4	58
– Third parties	42,489	42,547	42,392	48,830
	42,497	42,580	42,396	48,888
Other payables				
– Payable to related parties *(xxiii(b))*	1,924	3,877	3,477	3,626
– Accrued expenses	15,593	12,737	11,775	10,501
– Dividend payable	–	–	110,000	106,864
– Payroll and welfare payables	70,179	75,940	87,423	69,553
– Deposits	17,286	19,968	18,114	18,391
– Receipts on behalf of third parties	3,567	7,012	8,396	7,865
– Other tax liabilities	4,099	6,830	5,429	6,454
– Other payables	8,426	9,036	9,359	9,621
	121,074	135,400	253,973	232,875
	163,571	177,980	296,369	281,763

(a) At December 31, 2017, 2018, 2019 and June 30, 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	38,424	38,873	39,120	47,415
1 to 2 years	921	479	1,488	983
2 to 3 years	741	774	159	21
Over 3 years	2,411	2,454	1,629	469
	42,497	42,580	42,396	48,888

(xx) Leases liabilities

(a) Amounts recognized in the consolidated statements of financial position

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
Current	12,281	7,281	11,024	12,864
Non-Current	8,753	1,814	18,690	16,150
	21,034	9,095	29,714	29,014

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Finance costs on leases	709	685	617	124	817

(c) Amounts recognized in the consolidated statements of cashflows

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cashflow from financing activities					
Payments of principal element of lease liabilities	5,367	7,206	8,481	3,871	3,723
Payments of interest element of lease liabilities	709	685	617	124	817
	6,076	7,891	9,098	3,995	4,540

(d) A maturity analysis of lease liabilities is shown in the table below during the Track Record Period:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases are payable:				
Within one year	14,384	9,031	16,465	15,189
Later than one year but not later than two years	7,419	202	15,173	14,632
Later than two years but not later than five years	54	–	–	682
Minimum lease payments	21,857	9,233	31,638	30,503
Future finance charge	(823)	(138)	(1,924)	(1,489)
Total lease liabilities	21,034	9,095	29,714	29,014

(xxi) Deferred income tax

The analysis of deferred tax assets in the consolidated statements of financial position was as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– Deferred tax asset to be recovered after 12 months	3,825	3,632	3,625	4,589
– Deferred tax asset to be recovered within 12 months	15,810	13,144	14,697	14,641
Net-off with deferred tax liability	(2,893)	(1,636)	(2,242)	(1,580)
	16,742	15,140	16,080	17,650
Deferred tax liabilities:				
– Deferred tax liability to be recovered after 12 months	(2,893)	(1,636)	(2,242)	(1,580)
– Deferred tax liability to be recovered within 12 months	–	–	–	–
Net-off with deferred tax asset	2,893	1,636	2,242	1,580
	–	–	–	–

The net movement on the deferred income tax account is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	15,302	16,742	15,140	16,080
Credited/(charged) to consolidated statements of comprehensive income	1,440	(1,477)	940	1,570
Disposal of financial assets at FVOCI	–	(125)	–	–
At end of year/period	16,742	15,140	16,080	17,650

Deferred income tax assets

	Accrued expense	Impairment	Tax loss	Fair value change	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	7,914	7,121	3,217	125	18,377
Credited to the consolidated statements of comprehensive income	273	538	447	–	1,258
At December 31, 2017	8,187	7,659	3,664	125	19,635
Credited/(charged) to the consolidated statements of comprehensive income	645	(1,197)	(2,182)	–	(2,734)
Disposal of financial assets at FVOCI	–	–	–	(125)	(125)
At December 31, 2018	8,832	6,462	1,482	–	16,776
Credited/(charged) to the consolidated statements of comprehensive income	1,444	123	(21)	–	1,546
At December 31, 2019	10,276	6,585	1,461	–	18,322
As at January 1, 2019	8,832	6,462	1,482	–	16,776
Credited to the consolidated statements of comprehensive income	1,992	35	29	–	2,056
At June 30, 2019 (Unaudited)	10,824	6,497	1,511	–	18,832
As at January 1, 2020	10,276	6,585	1,461	–	18,322
(Charged)/credited to the consolidated statements of comprehensive income	(198)	124	982	–	908
At June 30, 2020	10,078	6,709	2,443	–	19,230

Deferred income tax liabilities

	Fair value change	Depreciation	Finance lease	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	(698)	–	(2,377)	(3,075)
(Charged)/credited to the consolidated statements of comprehensive income	(241)	–	423	182
At December 31, 2017	(939)	–	(1,954)	(2,893)
Credited/(charged) to the consolidated statements of comprehensive income	791	(832)	1,298	1,257
At December 31, 2018	(148)	(832)	(656)	(1,636)
Credited/(charged) to the consolidated statements of comprehensive income	148	(302)	(452)	(606)
At December 31, 2019	–	(1,134)	(1,108)	(2,242)
As at January 1, 2019	(148)	(832)	(656)	(1,636)
Credited/(Charged) to the consolidated statements of comprehensive income	148	(41)	653	760
At June 30, 2019 (Unaudited)	–	(873)	(3)	(876)
As at January 1, 2020	–	(1,134)	(1,108)	(2,242)
Credited to the consolidated statements of comprehensive income	–	130	532	662
At June 30, 2020	–	(1,004)	(576)	(1,580)

(xxii) Cash flow information

(a) Net cash generated from operating activities

	Notes	**Year ended December 31,**			**Six months ended June 30,**	
		2017	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before income tax		65,232	62,788	76,806	24,805	17,994
Adjustments for:						
– Depreciation and amortization	iii	20,387	22,959	21,332	10,026	9,017
– Depreciation of investment properties		38	458	457	229	229
– Provision/(reversal) for impairment of receivables		2,151	(4,787)	493	138	498
– Gain on disposal of subsidiaries	vi	–	–	(3,425)	(1,745)	–
– Net Loss on disposal of property, plant and equipment	vi	173	433	158	105	9
– Fair value change on financial assets at FVPL	vi	(3,628)	(3,881)	(4,512)	(2,006)	(1,919)
– Finance expense	vii	1,611	1,564	1,093	427	817
– Finance income	vii	(354)	(433)	(517)	(288)	(214)
– Share of results of associates accounted for using the equity method		(4,702)	(5,165)	(6,616)	(1,365)	3,388
– Gain on disposal of right-of-use assets	vi	–	–	(6,375)	–	–
– Gain on finance lease	v	(220)	(403)	(240)	–	(301)
Change in operating assets and liabilities, net of effects from purchase of controlled entity						
– (Increase)/decrease in inventories		(538)	76	478	326	33
– Increase in restricted cash		–	–	(700)	–	–
– Increase in trade receivables		(9,617)	(3,559)	(23,755)	(74,293)	(76,784)
– Decrease/(increase) in other operating assets		4,485	(1,960)	(2,941)	1,408	(2,271)
– (Decrease)/increase in trade payables		(3,355)	83	256	2,864	6,491
– (Decrease)/increase in contract liabilities		(4,106)	2,844	1,274	(13,393)	(3,217)
– Increase/(decrease) in other operating liabilities		7,825	16,189	23,050	666	(17,783)
Cash generated from/(used in) operations		75,382	87,206	76,316	(52,096)	(64,013)

(xxiii) Related party transactions

The following are significant transactions between Sinew Group and related parties.

(a) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Services provided to related parties					
– Associates of Sinew Group	1,666	765	1,097	576	122

(b) Balances with related parties-trade

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Trade Receivables on service provided to related parties *(xiv)*				
– Associates of Sinew Group	593	208	280	425
Payables to related parties				
Other payables *(xix)*				
– Associates of Sinew Group	1,924	3,877	3,477	3,626
Contract Liabilities to related parties				
– Associates of Sinew Group	–	954	944	103

All balances with related parties are in trade nature.

The information sets out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Shimao Services Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and Zhejiang Zheda Sinew Property Services Group Co., Ltd. and its subsidiaries (collectively, the "Sinew Group"), (together with the Group, hereinafter referred to as the "Enlarged Group") which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of acquisition by the Group of 51% equity interests in Sinew Group (the "Target Acquisition") as if it had taken place on June 30, 2020. The unaudited pro forma consolidated statement of assets and liabilities has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Target Acquisition been completed as June 30, 2020 or any future dates. The Unaudited Pro Forma Financial Information had been prepared using the accounting policies consistent with those of the Group as set out in the accountant's report of the Group set out in Appendix I to the prospectus.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as at June 30, 2020

		Pro forma adjustments		
	The Group as at June 30, 2020	Sinew Group as at June 30, 2020	Other adjustments	The Enlarged Group as at June 30, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
Assets				
Non-current assets				
Financial assets at fair value through other comprehensive income	356	–		356
Property, plant and equipment	29,240	117,167	2,580	148,987
Investment properties	100,532	18,085	2,075	120,692
Right-of-use assets	12,673	21,687		34,360
Intangible assets	571,069	521	555,837	1,127,427
Deferred tax assets	36,748	17,650		54,398
Investment in associates accounted for using the equity method	6,137	16,935		23,072
Prepayments	–	48,775	26,688	75,463
Amounts due from related companies	–	8,925		8,925
	756,755	249,745		1,593,680

	The Group as at June 30, 2020	Pro forma adjustments: Sinew Group as at June 30, 2020	Pro forma adjustments: Other adjustments	The Enlarged Group as at June 30, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
Current assets				
Financial assets at fair value through profit or loss	69,868	–		69,868
Inventories	311,247	3,152		314,399
Trade receivables	767,831	163,657		931,488
Prepayments, deposits and other receivables	364,092	46,781		410,873
Financial assets at fair value through profit or loss	–	144,000		144,000
Restricted cash	–	700		700
Cash and cash equivalents	1,753,581	81,689	(614,700)	1,220,570
	3,266,619	439,979		3,091,898
Total assets	4,023,374	689,724		4,685,578
Liabilities				
Non-current liabilities				
Lease liabilities	4,770	16,150		20,920
Deferred tax liabilities	27,418	–	56,586	84,004
Provisions for other liabilities and charges	5,120	–		5,120
Other payables	–	–	199,616	199,616
	37,308	16,150		309,660
Current liabilities				
Trade and other payables	1,931,307	281,763		2,213,070
Contract liabilities	482,812	32,167		514,979
Dividend payable	13,061	–		13,061
Income tax liabilities	192,253	14,379		206,632
Borrowings	80,437	–		80,437
Lease liabilities	7,709	12,864		20,573
	2,707,579	341,173		3,048,752
Total liabilities	2,744,887	357,323		3,358,412
Net assets	**1,278,487**	**332,401**		**1,327,166**

Notes:

1. The balances were extracted from the consolidated statement of financial position of the Group as at June 30, 2020, as set out in Appendix I to this prospectus.
2. The balances were extracted from the consolidated statement of financial position of Sinew Group as at June 30, 2020, as set out in Part IV of Appendix I to this prospectus.

3. Upon the completion of the Target Acquisition, Sinew Group will become an indirectly held non-wholly-owned subsidiary of the Company, and the identifiable assets of Sinew Group will be accounted for by the Group at their fair values in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combination".

For the purpose of preparing the unaudited pro forma financial information, the Directors have estimated the fair values of the identifiable assets and liabilities of Sinew Group as at June 30, 2020 based on the draft valuation reports prepared by an independent valuer (the "Valuation Reports") in respect of the purchase price allocation of the Target Acquisition occurred at August 5, 2020. Except for customer relationships, trademarks, property, plant and equipment, investment properties and prepayments, the Directors consider that the fair values of the identifiable assets and liabilities of Sinew Group as at August 5, 2020 approximate their respective carrying amounts as at June 30, 2020. In addition, the Directors consider that the fair values of customer relationships, trademarks, property, plant and equipment, investment properties and prepayments of Sinew Group as at August 5, 2020 approximate their fair values as at June 30, 2020. Accordingly, no separate valuation report as at June 30, 2020 was prepared.

The fair value adjustments have been calculated as follows:

	Sinew Group
	RMB'000
Carrying amount of identifiable net assets attributable to the owners of the company acquired	328,013
Fair value adjustments:	
– Property, plant and equipment	2,580
– Investment properties	2,075
– Customer relationship (included in intangible assets)	160,000
– Trademarks (included in intangible assets)	35,000
– Prepayments *(note ii)*	26,688
– Deferred tax liabilities arising from the fair value adjustments	(56,586)
Total fair values of identifiable net assets acquired *(note i)*	497,770
Total consideration	614,700
Less: total fair values of identifiable net assets acquired	(497,770)
Add: Non-controlling interests	243,907
Goodwill arising from the Target Acquisition (included in intangible assets)	360,837

Note i: Since the fair value of assets and liabilities of Sinew Group as at the date of completion of the Target Acquisition may be substantially different from their respective fair values used in the preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group presented above, the final amounts of the identifiable net assets and goodwill arising from the Target Acquisition, if any, to be recognised in connection with the Target Acquisition may be different from the estimated amount as presented above and the differences may be significant.

Note ii: Sinew Group made payments to certain schools to obtain the operation rights of the students' apartments. The payments were deducted from the revenue and considered as payments to customers, amortized on a straight-line basis within 31 to 42 years based on such operation periods.

According to the acquisition agreement, the original shareholders of Zhejiang Xiangyu Investment Co., Ltd ("Zhejiang Xiangyu") were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after December 31, 2022. The consideration of such acquisition is based on Sinew Group's financial performance for the year ending December 31, 2022 and its financial position as at December 31, 2022. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 66% of equity interests in Sinew Group. The Group believes that it is possible that the seller will exercise the put option. A financial liability of RMB199,616,000, being the present value of the redemption amount for the acquisition of the remaining 37.5% equity interest in Zhejiang Xiangyu upon the exercise of the put option is recognised and included in other payables.

4. Apart from the adjustments in respect of the Target Acquisition, no adjustment has been made to reflect any trading results or other transactions of the Group and Sinew Group entered into subsequent to June 30, 2020, including the acquisition of 100% equity interest in Beijing Guancheng Hotel Management Co., Ltd by the Group on July 21, 2020, which is considered as immaterial to the Group.

5. For the purpose of the Unaudited Pro Forma Financial Information, the management has made an assessment on whether there is any impairment in respect of the goodwill arising from the Target Acquisition with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

   For the purpose of impairment assessment, goodwill arising from the Target Acquisition is allocated to cash generating units ("CGU") under Sinew Group. The recoverable amount of the property management business operated by Sinew Group has been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

   The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as June 30, 2020.

	Sinew Group
Revenue 2021 (% annual growth rate)	15%
Revenue 2022 (% annual growth rate)	12%
Revenue 2023 (% annual growth rate)	12%
Revenue 2024 (% annual growth rate)	10%
Revenue 2025 (% annual growth rate)	9%
Gross margin (% of revenue)	15%
Long-term growth rate	3%
Pre-tax discount rate	19%

   As at June 30, 2020, the recoverable amount of RMB1,097,750,000 of Sinew Group calculated based on VIU calculation exceeded its carrying value of RMB966,906,000 by RMB130,844,000.

   Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculation that would remove the remaining headroom as at June 30, 2020:

	Sinew Group
As at June 30, 2020	
Annual revenue growth rate	–2%
Discount rate	+2%

   The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

   By reference to the recoverable amount assessed by the independent valuer as at June 30, 2020, the directors of the Company determined that there is no impairment in the value of goodwill.

B. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 as if the Global Offering had taken place on June 30, 2020, assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at June 30, 2020 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2020 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2020 *(Note 1)*	Estimated net proceeds from the Global Offering *(Note 2)*	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at June 30,2020	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB* *(Note 3)*	*HK$* *(Note 4)*
Based on an Offer Price of HK$14.8 per Share	788,820	4,379,106	5,167,926	2.20	2.54
Based on an Offer Price of HK$17.2 per Share	788,820	5,092,912	5,881,732	2.50	2.89

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at June 30, 2020 of RMB1,323,099,000 with an adjustment for the intangible assets attributable to owners of the Company as at June 30, 2020 of RMB534,279,000.

(2) The estimated net proceeds from the Global Offering are based on 352,942,000 new shares at the indicative Offer Price of HK$14.8 and HK$17.2 per Share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses (excluding the listing expenses of approximately RMB15,605,000 which have been accounted for in the Group's consolidated statement of comprehensive income prior to June 30, 2020) payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,352,942,000 Shares were in issue assuming that the Series A convertible redeemable preferred shares were fully converted into ordinary shares, the Capitalization Issue and the Global Offering have been completed on June 30, 2020 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.86614. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2020.

(6) The unaudited pro forma adjusted net tangible assets does not take into account the acquisition of Sinew Group by the Group subsequent to June 30, 2020. Had such acquisition been taken into account, the unaudited pro forma adjusted net tangible asset per Share would be as follows:

	Unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company as at June 30, 2020 *(Note i)*	**Estimated net proceeds from the Global Offering** *(Note ii)*	**Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to owners of the Company as at June 30, 2020**	**Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to owners of the Company per Share as at June 30, 2020** *(Note iii)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$14.8 per Share	128,651	4,379,106	4,507,757	1.92	2.21
Based on an Offer Price of HK$17.2 per Share	128,651	5,092,912	5,221,563	2.22	2.56

Notes:

(i) The unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company as at June 30, 2020 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the owners of the Company as at June 30, 2020 of approximately RMB1,123,483,000, after deduction of the pro forma fair value adjustment of intangible assets attributable to the owners of the Company and goodwill amounting to RMB633,995,000 and RMB360,837,000, respectively.

(ii) The estimated net proceeds from the Global Offering are based on 352,942,000 new shares at the indicative Offer Price of HK$14.8 and HK$17.2 per Share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses (excluding the listing expenses of approximately RMB15,605,000 which have been accounted for in the Group's consolidated statement of comprehensive income prior to June 30, 2020) payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

(iii) The unaudited pro forma net tangible assets of the Enlarged Group attributable to owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,352,942,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering have been completed on June 30, 2020 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

C. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shimao Services Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shimao Services Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group and Zhejiang Zheda Sinew Property Services Group Co., Ltd. and its subsidiaries (together, "Sinew Group") (the Group and Sinew Group are collectively referred to as the "Enlarged Group") as at June 30, 2020, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-6 of the Company's prospectus dated October 20, 2020, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-6 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the acquisition of Sinew Group on the Group's financial position as at June 30, 2020 as if the acquisition had taken place at June 30, 2020 and (ii) the proposed initial public offering on the Group's financial position as at June 30, 2020 as if the proposed initial public offering had taken place at June 30, 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline *7, Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the acquisition of Sinew Group at June 30, 2020 or the proposed initial public offering at June 30, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, October 20, 2020

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 Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 3, 2019 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and Articles of Association.

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 conditionally adopted on October 14, 2020. 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 Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Law 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 (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent 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 cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as 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 cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(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.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory 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, provided 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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(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.

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 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.

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: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws 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 members

(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 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 Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent 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.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings shall be convened on the requisition of one or more members holding, as 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. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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 Cayman Companies Law (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, 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 summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend 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 cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided 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 Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on December 3, 2019 subject to the Cayman Companies Law. Certain provisions of the Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

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 of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(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 Cayman Companies Law;

(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 by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws 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 Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. 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: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2020 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from August 10, 2020.

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 in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2020 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent 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 (that is, 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 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do 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 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on December 3, 2019. Our Company has established its principal place of business in Hong Kong at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 19, 2019. Ms. Chan Ka Yan has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution, which comprises of the Memorandum and Articles of Association. A summary of certain provisions of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Law is set out in "Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law" to this Prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. Upon its incorporation, one Share of par value HK$0.01 was allotted and issued to an independent third party on December 3, 2019, which was then transferred to Best Cosmos on the same date. On May 7, 2020, 94,999 Shares was allotted and issued to Best Cosmos.

As of May 8, 2020, the authorized share capital of our Company was HK$380,000 divided into (i) 37,990,000 Shares of par value HK$0.01 each and (ii) 10,000 Series A Preferred Shares of HK$0.01 each, of which (i) 90,000 Shares were issued and outstanding and held by Best Cosmos; and (ii) 10,000 Series A Preferred Shares of HK$0.01 each were issued and outstanding, of which 3,282, 2,050 and 4,668 Series A Preferred Shares were held by SCC Growth V 2020-B, L.P., SCC Growth IV Holdco A, Ltd. and Image Frame Investment (HK) Limited, respectively, being the Pre-IPO Investors.

On October 14, 2020, the authorized share capital of our Company was increased from HK$380,000 divided into 37,990,000 ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each to HK$35,000,000 divided into 3,499,990,000 ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each, by the creation additional 3,462,000,000 ordinary Shares of HK$0.01 each, such Shares shall rank *pari passu* in all respects with the existing ordinary Shares.

Immediately following the completion of the Spin-off, the authorized share capital of our Company will be changed from HK$35,000,000 divided into 3,499,990,000 ordinary shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each, to HK$35,000,000 divided into 3,500,000,000 ordinary shares of HK$0.01 each; and the issued share capital of our Company will be HK$23,529,420 divided into 2,352,942,000 Shares, all fully paid or credited as fully paid, and 1,147,058,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "— 3. Written resolutions of our Shareholders passed on October 14, 2020" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on October 14, 2020

Pursuant to written resolutions of our Shareholders passed on October 14, 2020:

(i) our Company approved and conditionally adopted the Memorandum of Association and the Articles of Association which will become effective from the Listing Date;

(ii) the authorized share capital of our Company be increased from HK$380,000 divided into 37,990,000 ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each to HK$35,000,000 divided into 3,499,990,000 ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each, by the creation additional 3,462,000,000 ordinary Shares of HK$0.01 each, such Shares shall rank *pari passu* in all respects with the existing ordinary shares

(iii) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Spin-off and Shares to be issued as mentioned in this Prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(1) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;

(2) the Over-allotment Option was approved; and

(3) conditional on the Underwriting Agreements becoming unconditional:

a. the 4,668 Series A Preferred Shares held by Image Frame Investment (HK) Limited be repurchased and cancelled by our Company in consideration for the issuance by our Company of 4,668 ordinary Shares of HK$0.01 each in the capital of our Company to Image Frame Investment (HK) Limited (the "**Image Frame Repurchase Shares**");

b. the 2,050 Series A Preferred Shares held by SCC Growth IV Holdco A, Ltd. be repurchased and cancelled by our Company in consideration for the issuance by our Company of 2,050 ordinary Shares of HK$0.01 each in the capital of our Company to SCC Growth IV Holdco A, Ltd. (the "**SCC Repurchase Shares**");

c. the 3,282 Series A Preferred Shares held by SCC Growth V 2020-B, L.P. be repurchased and cancelled by our Company in consideration for the issuance by our Company of 3,282 ordinary shares of HK$0.01 each in the capital of our Company to SCC Growth V 2020-B, L.P. (together with the Image Frame Repurchase Shares and the SCC Repurchase Shares, the "**Repurchase Shares**") (the repurchases under paragraphs (a) to (c) are referred to as the "**Share Repurchases**"); and

d. the authorized share capital of our Company be changed from HK$35,000,000 divided into 3,499,990,000 ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each, to HK$35,000,000 divided into 3,500,000,000 ordinary Shares of HK$0.01 each; and

(4) conditional on the share premium account of our Company being credited as a result of the Shares by our Company pursuant to the Global Offering, our Directors were authorized to capitalize an amount of HK$19,999,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,999,900,000 Shares.

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (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 other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Spin-off (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(v) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Spin-off (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of

Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vi) the general unconditional mandate mentioned in paragraph (iv) 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 mandate to repurchase Shares referred to in paragraph (v) above.

4. Corporate Reorganization

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For information with regard to the Reorganization, please see the section entitled "History, Reorganization and Corporate Structure" in this Prospectus.

5. Changes in Share Capital of Our Subsidiaries

Our Company's subsidiaries are referred to in the Accountant's Report in Appendix I to this Prospectus. Save for the subsidiaries mentioned in the Accountant's Report and "History, Reorganization and Corporate Structure," our Company has no other subsidiaries.

The following alteration in the registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Name of Subsidiary	Date of Change	Registered Capital before Change	Registered Capital after Change
浙江新宇高校後勤服務有限公司 (Zhejiang Sinew College Logistics Services Co., Ltd.)	January 11, 2019	RMB10,000,000	RMB20,080,000
Chengdu Xinyi	March 14, 2019	RMB10,000,000	RMB15,000,000
Beijing Guancheng	April 3, 2019	RMB5,000,000	RMB20,000,000
Shimao Macalline	April 19, 2019	RMB1,000,000	RMB10,000,000
福建福晟物業有限公司 (Fujian Fusheng Property Management Co., Ltd.)	September 6, 2019	RMB5,000,000	RMB50,000,000
長沙福晟物業管理有限公司 (Changsha Property Management Co., Ltd.)	September 11, 2019	RMB5,000,000	RMB20,000,000
Guangzhou Yuetai	October 17, 2019	RMB50,000,000	RMB5,000,000
Shanghai Maoyi	December 5, 2019	RMB1,000,000	RMB10,000,000
Shanghai Shibei	March 3, 2020	RMB5,000,000	RMB8,000,000
Chengdu Xinyi	April 28, 2020	RMB15,000,000	RMB10,000,000
南京杭宇高校後勤服務有限公司 (Nanjing Hangyu College Logistics Services Co., Ltd.)	May 18, 2020	RMB500,000	RMB5,000,000
Shanghai Aoling	June 11, 2020	RMB5,000,000	RMB405,000,000
Shanghai Aoling	July 20, 2020	RMB405,000,000	RMB805,000,000

Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure", there are no other changes in registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders of our Company on October 14, 2020, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules, the laws of Cayman Islands and other applicable laws and regulations. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(iii) Connected persons

A listed company is prohibited from knowingly repurchasing its securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Memorandum and Articles of Association and subject to the applicable laws of the Cayman Islands, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Prospectus in the event that the Buyback Mandate is exercised in full.

(d) Share Capital

Exercise in full of the Buyback Mandate, on the basis of 2,352,942,000 Shares in issue immediately after the Listing (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 235,294,200 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their close associates, currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save for the foregoing, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Buyback Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules) could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he/she/it has any present intention to sell Shares to our Company, or has undertaken not to do so if the Buyback Mandate is exercised.

B. 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 our Company or any of its subsidiaries within the two years preceding the date of this Prospectus that are or may be material:

(a) an equity transfer agreement dated December 9, 2019 entered into between Mudanjiang Ruizhi Marketing Planning Co., Ltd. (牡丹江睿智營銷企劃有限公司) and Shimao Tiancheng pursuant to which Mudanjiang Ruizhi Marketing Planning Co., Ltd. agreed to transfer the entire equity interest in Mudanjiang Feixia to Shimao Tiancheng at a consideration of RMB500,000;

(b) an equity transfer agreement dated August 2, 2019 entered into among He Guoying (何國英), He Yanyan (何燕燕), Wang Herong (王禾蓉), Shimao Tiancheng and Quanzhou Sanyuan pursuant to which He Guoying, He Yanyan and Wang Herong agreed to transfer 25.5%, 20.4% and 5.1% of equity interest in Quanzhou Sanyuan to Shimao Tiancheng at a consideration of RMB1,275,000, RMB1,020,000 and RMB255,000, respectively;

(c) an equity transfer agreement dated December 23, 2019 entered into between Xizang Chengxu Venture Capital Management Co., Ltd. (西藏誠旭創業投資管理有限公司), Shimao Tiancheng, Guangzhou Yuetai and Guangzhou Yuetai Holdings Group Co,. Ltd. (廣州粵泰控股集團有限公司), pursuant to which Xizang Chengxu Venture Capital Management Co., Ltd. agreed to transfer the entire equity interest in Guangzhou Yuetai to Shimao Tiancheng at a consideration of RMB110,000,000;

(d) an equity transfer agreement dated December 24, 2019 and a supplemental agreement dated January 5, 2020 entered into between Shanghai Shiying Investment Management Co., Ltd. (上海世盈投資管理有限公司) and Shanghai Aoling pursuant to which Shanghai Shiying Investment Management Co., Ltd. agreed to transfer the entire equity interest of RMB800,000,000 in Shimao Tiancheng to Shanghai Aoling at a consideration of RMB840,000,000;

(e) an equity transfer agreement dated January 13, 2020 entered into between Straits Construction Investment Management Consulting (Shanghai) Co., Ltd. (海峽建設投資管理諮詢(上海)有限公司) and Shimao Tiancheng pursuant to which Straits Construction Investment Management Consulting (Shanghai) Co., Ltd. agreed to transfer its equity interest of RMB500,000 in Nanjing Haixia to Shimao Tiancheng at a consideration of RMB500,000.

(f) an equity transfer agreement dated February 13, 2020 entered into between Shimao Tiancheng and Shanghai Rongcheng Enterprise Management Co., Ltd. (上海容承企業管理有限公司) pursuant to which Shimao Tiancheng agreed to transfer its equity interest of US$54,770,000 in Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd. (重慶兩江新區寰潤小額貸款有限公司) at a consideration of the RMB equivalent of US$54,770,000;

(g) an equity transfer agreement dated March 2, 2020 entered into between Shanghai Shiying Investment Management Co., Ltd. (上海世盈投資管理有限公司) and Shimao Tiancheng pursuant to which Shanghai Shiying Investment Management Co., Ltd. agreed to transfer 90% of the equity interest in Shanghai Huiguan to Shimao Tiancheng at a consideration of RMB9,000,000;

(h) an equity transfer agreement dated March 2, 2020 entered into between Shanghai Guantai Investment Management Co., Ltd. (上海冠臺投資管理有限公司) and Shanghai Jiashu pursuant to which Shanghai Guantai Investment Management Co., Ltd. agreed to transfer 10% of the equity interest in Shanghai Huiguan to Shanghai Jiashu at a consideration of RMB1,000,000;

(i) an equity transfer agreement dated March 12, 2020 entered into between Shanghai Rongcheng Enterprise Management Co., Ltd. (上海容承企業管理有限公司) and Shimao Tiancheng pursuant to which Shanghai Rongcheng Enterprise Management Co., Ltd. agreed to transfer 90% of the equity interest in Mudanjiang Maoju to Shimao Tiancheng at a consideration of RMB900,000;

(j) an equity transfer agreement dated March 12, 2020 entered into between Shanghai Rongcheng Enterprise Management Co., Ltd. (上海容承企業管理有限公司) and Shanghai Jiashu pursuant to which Shanghai Rongcheng Enterprise Management Co., Ltd. agreed to transfer 10% of the equity interest in Mudanjiang Maoju to Shanghai Jiashu at a consideration of RMB100,000;

(k) an equity transfer agreement dated March 30, 2020 entered into between Guangzhou Qianlong Investment Co., Ltd. (廣州錢隆投資有限公司) and Shimao Tiancheng pursuant to which Guangzhou Qianlong Investment Co., Ltd. agreed to transfer 51% of the equity interest in Fusheng Life Services to Shimao Tiancheng at nil consideration;

(l) an equity transfer agreement dated April 29, 2020 entered into between Xianghe Wantong Property Development Co., Ltd. (香河萬通房地產開發有限公司) and Shimao Tiancheng pursuant to which Xianghe Wantong Property Development Co., Ltd. agreed to transfer the entire equity interest in Xianghe Wantong to Shimao Tiancheng at a consideration of RMB10,000;

(m) the Series A Preferred Share Purchase Agreement dated April 30, 2020 entered into among the Company, Shimao Services BVI, Origin Prime, Super Rocket, Shanghai Aoling, Shanghai Jiashu, Shimao Tiancheng, Suifenhe Shifu, Best Cosmos, Shimao Group Holdings and the Pre-IPO Investors pursuant to which, among others, the Pre-IPO Investors agreed to (i) subscribe for and purchase from the Company 5,000 Series A Preferred Shares, and (ii) purchase from Best Cosmos 5,000 Shares held by Best Cosmos to be re-designated into Series A Preferred Shares on an one to one basis, as further disclosed in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments";

(n) the shareholders agreement dated May 8, 2020 entered into among the Company, Shimao Services BVI, Origin Prime, Super Rocket, Shanghai Aoling, Shanghai Jiashu, Shimao Tiancheng, Suifenhe Shifu, Shimao Group Holdings, Best Cosmos and the Pre-IPO Investors and a deed of amendment to the shareholders agreement dated September 11, 2020 entered into among the Company, Shimao Services BVI, Origin Prime, Super Rocket, Shanghai Aoling, Shanghai Jiashu, Shimao Tiancheng, Suifenhe Shifu, Shimao Group Holdings, Best Cosmos, the Pre-IPO Investors and Mr. Hui, in respect of, among others, the rights of shareholders in our Company;

(o) an equity transfer agreement dated May 12, 2020 entered into between Gong Tingting (龔婷婷), Shanghai Jiashu and Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司) pursuant to which Gong Tingting agreed to transfer 51% and 49% of the equity interest in Shimao Macalline to Shanghai Jiashu and Betterhome Construction Technology Co., Ltd., respectively, at nil consideration;

(p) an equity transfer agreement dated May 13, 2020 entered into between Suzhou Miaoyuchen Construction Engineering Co., Ltd. (蘇州妙裕辰建築工程有限公司) and Shimao IoT pursuant to which Suzhou Miaoyuchen Construction Engineering Co., Ltd. agreed to transfer the entire equity interest of RMB20,000,000 in Suzhou Chongtian to Shimao IoT at nil consideration;

(q) an equity transfer agreement dated June 24, 2020 entered into among Wenzhou Xiedeshang Electric Trade Partnership Enterprise (Limited Partnership) (溫州協德商電子商貿合夥企業(有限合夥)), Shimao Tiancheng, Chengdu Xinyi, Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司), Chengdu Junxinhe Corporate Management Centre (Limited Partnership) (成都君信合企業管理中心(有限合夥)) and Chengdu Chengxinming Corporate Management Centre (Limited Partnership) (成都誠信明企業管理中心(有限合夥)), pursuant to which, among others, Wenzhou XiedeShang Electric Trade Partnership Enterprise (Limited Partnership) agreed to transfer 67% of the equity interest in Chengdu Xinyi to Shimao Tiancheng at a consideration of RMB74,370,000;

(r) an equity transfer agreement dated July 14, 2020 entered into among Beijing Guanhai Real Estate Development Co., Ltd. (北京冠海房地產有限公司), Ye Yan (葉彥), Cao Liling (曹莉玲), Shimao Tiancheng and Beijing Guancheng, pursuant to which Shimao Tiancheng agreed to acquire 75%, 17.5% and 7.5% of the equity interest in Beijing Guancheng from Beijing Guanhai Real Estate Development Co., Ltd., Ye Yan and Cao Liling respectively at a consideration of RMB97,500,000, RMB22,750,000 and RMB9,750,000, respectively;

(s) an equity transfer agreement dated July 30, 2020 entered into among Luo Shuming (羅樹明), Xu Ying (徐瀛), Xu Haiming (許海明), Xi Yunchao (郗蘊超), Chen Yinhua (陳銀華), Zhang Xuemin (張學民), Lou Tianmin (樓天敏), Wu Ruwei (吳汝瑋), Fang Jianmin (方建民), Tao Tiemin (陶鐵民), Si Yanhua (姒燕華), Cai Xinyao (蔡新堯), Qiu Junya (裘軍亞), Lin Ganfu (林干富), Wang Bin (汪斌), Yang Chunhua (楊春華), Ding Qiusheng (丁秋生), Ma Dan (馬丹), Ma Zhonghua (馬仲華), Lu Gaofeng (陸高峰) and Wang Guihua (王桂華) (collectively, "**Vendor 1**"), Ningbo Tianquan Equity Investment Partnership Enterprise (Limited Partnership) (寧波天權股權投資合夥企業(有限合夥)) ("**Vendor 2**"), Shimao Tiancheng, Zhejiang Xiangyu and Zheda Sinew, pursuant to which Shimao Tiancheng agreed to acquire 62.5% of the equity interest in Zhejiang Xiangyu from Vendor 1, and 26% of the equity interest in Zheda Sinew from Vendor 2, at a consideration of RMB277,323,500 and RMB337,376,440, respectively;

(t) a consulting agreement dated October 15, 2020 entered into among the Company and Sequoia Capital China, in respect of, among others, the appointment by the Company of, and the nomination by Sequoia Capital China of, a consultant to the Board, as further described in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments";

(u) a consulting agreement dated October 15, 2020 entered into between the Company and Image Frame Investment (HK) Limited, in respect of, among others, the appointment by the Company of, and the nomination by Image Frame Investment (HK) Limited of, a consultant to the Board, as further described in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments";

(v) the Deed of Non-competition;

(w) the Deed of Indemnity; and

(x) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group have registered the following trademarks which, in the opinion of our Directors, are material to our Group's business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
	37202138A	9	Shimao IoT	PRC	April 1, 2019	January 20, 2030
	37202137A	11	Shimao IoT	PRC	April 1, 2019	January 20, 2030
世茂物联 SHIMAO IOT	37202148	9	Shimao IoT	PRC	April 1, 2019	April 27, 2030
世茂物联 SHIMAO IOT	37202147A	11	Shimao IoT	PRC	April 1, 2019	February 27, 2030
小茂	39753817	9	Shimao IoT	PRC	July 18, 2019	March 6, 2030
小茂	39745894	28	Shimao IoT	PRC	July 18, 2019	March 6, 2030
小茂	39756553	38	Shimao IoT	PRC	July 18, 2019	March 6, 2030

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our Group's business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
A B	305327785	10, 11, 16, 18, 27, 39, 40, 41, 43, 44, 45	Origin Prime	Hong Kong	July 9, 2020

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
A 世茂服务 SHIMAO SERVICE B 世茂服务 SHIMAO SERVICE C	305246794	9, 10, 11, 16, 18, 25, 27, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	Origin Prime	Hong Kong	April 15, 2020
A 世茂服務 SHIMAO SERVICE B 世茂服務 SHIMAO SERVICE C	305246785	9, 10, 11, 16, 18, 25, 27, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	Origin Prime	Hong Kong	April 15, 2020
	37202136	28	Shimao IoT	PRC	April 1, 2019
	37202135	35	Shimao IoT	PRC	April 1, 2019
世茂物联 SHIMAO IOT	37202146	28	Shimao IoT	PRC	April 1, 2019
世茂物联 SHIMAO IOT	37202145	35	Shimao IoT	PRC	April 1, 2019
世茂物联 SHIMAO IOT	37202139	42	Shimao IoT	PRC	April 1, 2019
SUNIT 世集	46566219	9	Shanghai Shijihui	PRC	May 22, 2019
SUNIT 世集	46569563	35	Shanghai Shijihui	PRC	May 22, 2019
SUNIT 世集	46556240	41	Shanghai Shijihui	PRC	May 22, 2019
#Re-uniteNewLife	46545596	9	Shanghai Shijihui	PRC	May 22, 2019
#Re-uniteNewLife	46569567	35	Shanghai Shijihui	PRC	May 22, 2019
#Re-uniteNewLife	46550020	41	Shanghai Shijihui	PRC	May 22, 2019

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
世集 图书馆 SUNIT LIBRARY	46569552	9	Shanghai Shijihui	PRC	May 22, 2019
世集 图书馆 SUNIT LIBRARY	46556222	35	Shanghai Shijihui	PRC	May 22, 2019
世集 图书馆 SUNIT LIBRARY	46569582	41	Shanghai Shijihui	PRC	May 22, 2019
世茂服务 SHIMAO SERVICE	44777161	9	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44775897	35	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44779154	36	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44769530	37	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44789317	39	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44768674	41	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44761087	42	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44768704	43	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44761111	44	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44763904	45	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44763861	9	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44775895	35	Origin Prime	PRC	March 20, 2020

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
世茂服务 SHIMAO SERVICE	44769510	36	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44775936	37	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44762352	39	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44753671	41	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44753685	42	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44761100	43	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44772365	44	Origin Prime	PRC	March 20, 2020
世茂服务 SHIMAO SERVICE	44768730	45	Origin Prime	PRC	March 20, 2020

Our Group has been licensed to use the following trademarks which, in the opinion of our Directors, are material to our Group's business:

Trademark	Registration Number	Class	Name of Registered Proprietor(Note)	Place of Registration	Date of Application	Expiry Date
SHIMAO GROUP 世茂	3435313	42	Fine Tune Investments Limited	PRC	January 14, 2003	November 27, 2024
SHIMAO GROUP 世茂	3435314	37	Fine Tune Investments Limited	PRC	January 14, 2003	November 20, 2024
SHIMAO GROUP 世茂	3435315	36	Fine Tune Investments Limited	PRC	January 14, 2003	November 20, 2024
世茂	3435316	42	Fine Tune Investments Limited	PRC	January 14, 2003	November 27, 2024
世茂	3435317	37	Fine Tune Investments Limited	PRC	January 14, 2003	November 20, 2024

Trademark	Registration Number	Class	Name of Registered Proprietor(Note)	Place of Registration	Date of Application	Expiry Date
世茂	3435318	36	Fine Tune Investments Limited	PRC	January 14, 2003	November 20, 2024
SHIMAO	3435332	37	Fine Tune Investments Limited	PRC	January 14, 2003	November 20, 2024
SHIMAO	3435425	42	Fine Tune Investments Limited	PRC	January 14, 2003	November 27, 2024
SHIMAO	33032608A	9	Fine Tune Investments Limited	PRC	August 22, 2018	August 13, 2029
SHIMAO	37042978A	36	Fine Tune Investments Limited	PRC	March 25, 2019	January 20, 2030
SHIMAO	27226934	41	Fine Tune Investments Limited	PRC	November 1, 2017	August 6, 2029
SHIMAO	27229371	43	Fine Tune Investments Limited	PRC	November 1, 2017	August 6, 2029
世 茂	16623299A	37	Fine Tune Investments Limited	PRC	April 2, 2015	June 20, 2026
世茂	27211978	31	Fine Tune Investments Limited	PRC	November 1, 2017	November 6, 2028
世茂	37042983A	36	Fine Tune Investments Limited	PRC	March 25, 2019	March 13, 2030
世茂	27212058	41	Fine Tune Investments Limited	PRC	November 1, 2017	July 6, 2029
世茂	33032623A	42	Fine Tune Investments Limited	PRC	August 22, 2018	July 27, 2029
世茂	27220696	43	Fine Tune Investments Limited	PRC	November 1, 2017	January 13, 2020
世茂	27221703	45	Fine Tune Investments Limited	PRC	November 1, 2017	November 6, 2028

Our Group has been licensed to use the following trademarks under application which, in the opinion of our Directors, are material to our Group's business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
U HOUSE+	38189717	6	Fine Tune Investments Limited	PRC	May 15, 2019
U HOUSE+	38189714	20	Fine Tune Investments Limited	PRC	May 15, 2019
U HOUSE+	38189711	35	Fine Tune Investments Limited	PRC	May 15, 2019
U HOUSE+	38189710	36	Fine Tune Investments Limited	PRC	May 15, 2019
U HOUSE+	38189709	37	Fine Tune Investments Limited	PRC	May 15, 2019

Note: Fine Tune Investments Limited (輝保投資有限公司) is an indirect wholly-owned subsidiary of Shimao Group Holdings.

(b) Patents

As of the Latest Practicable Date, our Group was the applicant of the following patents which, in the opinion of our Directors, are material to our Group's business:

Patent Name	Patent Certificate No.	Name of Patentee	Place of Application	Date of Application
License plate area positioning method, device and equipment in non-limited scene (一種非限制場景下的車牌區域的定位方法、裝置及設備)	CN201910747526.9	Shimao IoT	PRC	August 14, 2019
License plate recognition method and system (一種車牌識別方法及系統) . .	CN201910747576.7	Shimao IoT	PRC	August 14, 2019
License plate area positioning method, device and equipment (一種車牌區域的定位方法、裝置及設備)	CN201910756032.7	Shimao IoT	PRC	August 14, 2019
License plate image brightness processing method, device and equipment (一種車牌圖像亮度的處理方法、裝置及設備)	CN201910752746.0	Shimao IoT	PRC	August 14, 2019

(c) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyright which, in the opinion of our Directors, is material to our Group's business:

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Completion
Maojia Property Information Platform Software (Android) V2.0.2 (茂家物業信息化平臺軟件(Android版)) V2.0.2)	2019SR0763801	Shimao IoT	PRC	April 30, 2019
Shimao IoT Smart Sales Assistance Management Software (PC version) V1.0 (世茂物聯智慧案場管理軟件(PC版)V1.0)	2019SR1107128	Shimao IoT	PRC	June 30, 2019
Shimao IoT Smart Sales Assistance Cloud Opening Online House Selection Software (PC version) V1.0 (世茂物聯智慧案場雲開盤在線選房軟件(PC版)V1.0)	2019SR1045723	Shimao IoT	PRC	June 30, 2019
Shimao IoT Smart Sales Assistance Cloud Opening Online House Selection Software (Mobile version) V1.0(世茂物聯智慧案場雲開盤在線選房軟件(移動版)V1.0)	2019SR1045685	Shimao IoT	PRC	June 30, 2019
Shimao IoT Smart Reception Robot Software (PC version) V1.0 (世茂物聯智慧接待機器人軟件(PC版)V1.0)	2019SR1033007	Shimao IoT	PRC	August 20, 2019
Shimao IoT Intelligent Sales Assistance Face Detection System V1.0 (世茂物聯智慧案場人臉比對軟件V1.0)	2019SR0853768	Shimao IoT	PRC	June 30, 2019
Shimao IoT Smart Sales Assistance Face Detection Anti-bypassing Software V1.0 (世茂物聯智慧案場人臉識別防飛單軟件V1.0)	2019SR0850244	Shimao IoT	PRC	June 30, 2019
Shimao Engineering Information Management Platform (IOS version) V1.0 (世茂工程信息化管理平臺軟件(IOS版)V1.0)	2019SR0848861	Shimao IoT	PRC	June 30, 2019

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Completion
Shimao Engineering Information Management Platform (Android version) V1.0 (世茂工程信息化管理平臺軟件（Android版）V1.0)	2019SR0848875	Shimao IoT	PRC	June 30, 2019
Shimao Engineering Information Management Platform (PC version) (世茂工程信息化管理平臺軟件（PC版）)	2019SR0848408	Shimao IoT	PRC	June 30, 2019
Shimao IoT Asset Management Software (Android) V1.0 (世茂物聯資產管理軟件(Android)V1.0)	2019SR0840932	Shimao IoT	PRC	May 15, 2019

(d) Domain name

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in the opinion of our Directors, is material to our Group's business:

Domain Name	Registrant	Date of Registration	Expiry Date
shimaofuwu.com	Shimao Tiancheng	March 9, 2020	March 9, 2021
shimaowy.com	Shimao Tiancheng	November 18, 2010	November 18, 2020
shimaoiot.com	Shimao IoT	March 8, 2019	March 8, 2022
shimaomorejia.net	Suifenhe Shifu	April 26, 2019	April 26, 2024
fusliving.com	福建福晟物業有限公司 (Fujian Fusheng Property Management Co., Ltd.)	June 13, 2018	June 13, 2021
forejia.com	深圳市福一家科技有限公司 (Shenzhen Fuyijia Technology Co., Ltd.)	June 13, 2018	June 13, 2021

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of our Directors and chief executives of our Company in the shares, underlying shares and debentures of our Company and our associated corporations

Immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Interest (long position) in our Company's associated corporation

Name of Director	Name of associated corporation	Name of interest	Number of Shares	Approximate percentage of shareholding
Mr. Hui Sai Tan, Jason	Shimao Group Holdings	Beneficial owner	3,226,638(Note 1)	0.09121%
Mr. Ye Mingjie	Shimao Group Holdings	Beneficial owner	120,400(Note 2)	0.00340%
Ms. Tang Fei	Shimao Group Holdings	Beneficial owner	934,418(Note 3)	0.02641%
Mr. Sun Yan	Shimao Group Holdings	Beneficial owner	666(Note 4)	0.00002%
Mr. Cao Shiyang	Shimao Group Holdings	Beneficial owner	66,688(Note 5)	0.00189%

Notes:

1. In addition, Mr. Hui Sai Tan, Jason is entitled to 255,214 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00721% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
2. In addition, Mr. Ye Mingjie is entitled to 144,686 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00409% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
3. In addition, Ms. Tang Fei is entitled to 254,954 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00721% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
4. In addition, Mr. Sun Yan is entitled to 88,807 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00251% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.
5. In addition, Mr. Cao Shiyang is entitled to 26,514 shares pursuant to a share award scheme of Shimao Group Holdings, which had not vested as of the Latest Practicable Date, representing approximately 0.00075% of the issued share capital of Shimao Group Holdings as of the Latest Practicable Date.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

During the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) paid to our Directors was RMB0.5 million, RMB2.7 million, RMB3.8 million and RMB2.0 million, respectively. For details, see note 40 of the Accountant's Report set out in Appendix I to this Prospectus.

Each of our independent non-executive Directors has been appointed for a term of three years. Our Company intends to pay a director's fee of HK$360,000 per annum to each of them. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2020 is estimated to be no more than approximately RMB5.2 million.

2. Substantial Shareholders

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be 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 other member of our Group:

Long Position in Shares of our Company

Name of Shareholder *(Note)*	Nature of Interest	Shares held immediately prior to the completion of the Capitalization Issue and the Global Offering		Shares held immediately following the completion of the Capitalization Issue and the Global Offering	
		Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
Best Cosmos	Beneficial owner	90,000	90%	1,564,706,000	66.5%
Shimao Group Holdings	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%

Name of Shareholder *(Note)*	Nature of Interest	Shares held immediately prior to the completion of the Capitalization Issue and the Global Offering		Shares held immediately following the completion of the Capitalization Issue and the Global Offering	
		Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
Gemfair	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%
Overseas Investment	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%
Mr. Hui	Interest in controlled corporation	90,000	90%	1,564,706,000	66.5%

Note: Best Cosmos is wholly owned by Shimao Group Holdings, which is owned as to approximately 55.064% by Gemfair, which is in turn wholly owned by Mr. Hui. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. By virtue of the SFO, Shimao Group Holdings, Gemfair, Overseas Investment and Mr. Hui are deemed to be interested in shares held by Best Cosmos.

Long Position in Equity Interest of Members of our Group

Name of Shareholder	Company concerned	Nature of Interest	Shares held immediately prior to the completion of the Spin-off	Shares held immediately following the completion of the Spin-off
			Approximate Percentage	*Approximate Percentage*
Unisound (Shanghai) Information Technology Co., Ltd. (雲知聲(上海)智能科技有限公司)	Shanghai Maosheng	Beneficial owner	49%	49%
He Yijia	Quanzhou Sanyuan	Beneficial owner	24.5%	24.5%
He Yanyan	Quanzhou Sanyuan	Beneficial owner	19.6%	19.6%
Zheng Weixi	Fusheng Life Services	Beneficial owner	40%	40%

Name of Shareholder	Company concerned	Nature of Interest	Shares held immediately prior to the completion of the Spin-off	Shares held immediately following the completion of the Spin-off
			Approximate Percentage	*Approximate Percentage*
Fujian Zhongrong Wealth Investment Co., Ltd. (福建中融財富投資有限公司)	福建晟融智慧物業服務有限公司 (Fujian Shengrong Intelligence Property Service Co., Ltd.)	Beneficial owner	49%	49%
Hengli Consulting (Shenzhen) Center (衡禮諮詢(深圳)中心)	深圳市福一家科技有限公司 (Shenzhen Fuyijia Technology Co., Ltd.)	Beneficial owner	30%	30%
Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司)	Shimao Macalline	Beneficial owner	49%	49%
Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司)	Chengdu Xinyi	Beneficial owner	21%	21%
Zhejiang University Holdings Group Co., Ltd. (浙江大學控股集團有限公司)	Zheda Sinew	Beneficial owner	34%	34%
Luo Shuming (羅樹明)	Zhejiang Xiangyu	Beneficial owner	11%	11%
Xianning Yunrui Property Co., Ltd. (咸寧市雲瑞置業有限公司)	Hubei Shimao Yunrui	Beneficial owner	49%	49%
Cao Yanling (曹艷玲)	陝西乾亨物業管理有限公司 (Shanxi Qianheng Property Service Co., Ltd.)	Beneficial owner	45%	45%

3. Agency Fees or Commissions Received

No commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

4. Disclaimers

Save as disclosed in this Prospectus

(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 the Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "— D. Other information — 7. Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(f) none of the experts referred to under the paragraph headed "— D. Other information — 7. Qualification of Experts" in this Appendix has any shareholding in any member of our Group 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; 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 who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Shimao Group Holdings has entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustees for its subsidiaries) (being the contract referred to in paragraph (d) of "— B. Information about Our Business — 1. Summary of material contracts" above) to provide indemnities in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Company on or before the Listing Date; and (ii) taxation or taxation claims resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject on or before the date when the Global Offering becomes unconditional.

2. Litigation

As of the Latest Practicable Date, our Company was not aware of any other litigation or arbitration proceedings of material importance pending or threatened against it or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees are approximately HK$2 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$3,180 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this Prospectus, 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 Global Offering and the related transactions described in this Prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) the Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares given that our Company has no interest in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualification of Experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this Prospectus:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Morgan Stanley Asia Limited	Licensed 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 under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap.50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap.588)
Harney Westwood & Riegels	Cayman Islands legal advisors
Commerce & Finance Law Offices	PRC legal advisors
China Index Academy	Industry consultant

8. Consents of Experts

Each of the experts named in "— D. Other information — 7. Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons named in "— D. Other information — 7. Qualification of Experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

10. Particulars of the Selling Shareholder and the Option Grantor

The name, address and description of the Selling Shareholder and the Option Grantor are as follows:

Name:	Best Cosmos Limited
Description:	A BVI business company incorporated in the BVI with limited liability
Address:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Sale Shares:	235,294,000
Maximum number of additional Shares which may be required to be sold pursuant to the exercise of the Over-allotment Option:	35,294,000

11. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this Prospectus:

(i) save as disclosed in the section headed "History, Reorganization and Corporate Structure," no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2020 (being the date which the latest audited consolidated financial information of our Group were made up);

(d) 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 Prospectus;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by Harneys Fiduciary (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with the English name does not contravene Cayman Islands law;

(h) our Company has no outstanding convertible debt securities or debentures; and

(i) there is no restriction affecting the remittance of profits or repatriation of capital by our Company into Hong Kong from outside Hong Kong.

13. Bilingual Prospectus

The English and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance 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 Prospectus, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **GREEN** and **BLUE** Application Forms;

(b) the written consents referred to in the section headed "D. Other Information — 8. Consents of Experts" in Appendix IV to this Prospectus;

(c) a copy of each of the material contracts referred to in the section headed "B. Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this Prospectus; and

(d) the statement of particulars of the Selling Shareholder and the Option Grantor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus;

(c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;

(d) the audited consolidated financial statements of our Group for the financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;

(e) the legal opinion issued by Commerce & Finance Law Offices, the PRC Legal Advisors in respect of our Group's business operations and property interests in the PRC;

(f) the letter of advice from Harney Westwood & Riegels, our Cayman legal advisors, summarizing certain aspects of the Cayman Islands Companies Law referred to in "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this Prospectus;

(g) the industry report prepared by China Index Academy, the industry consultant;

(h) the Cayman Islands Companies Law;

(i) the material contracts referred to in the section headed "B. Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this Prospectus;

(j) the service contracts and letters of appointment with each of our Directors referred to in the section headed "C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this Prospectus;

(k) the written consents referred to in the section headed "D. Other Information — 8. Consents of Experts" in Appendix IV to this Prospectus; and

(l) the statement of particulars of the Selling Shareholder and the Option Grantor.

SHIMAO SERVICES HOLDINGS LIMITED
世茂服務控股有限公司