

融創服務控股有限公司 Sunac Services Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01516

Global Offering

Joint Sponsors



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Sunac Services Holdings Limited

融創服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 690,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 48,300,000 Shares (subject to adjustment)
Number of International Offer Shares	: 641,700,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$12.65 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 01516

Joint Sponsors



HSBC

Morgan Stanley

(in alphabetical order)

Joint Global Coordinators



HSBC

Morgan Stanley



CICC
中金公司



Citi



CREDIT SUISSE

(in alphabetical order)

Joint Bookrunners and Joint Lead Managers



HSBC

Morgan Stanley



CICC
中金公司



Citi



CREDIT SUISSE



農銀國際
ABC INTERNATIONAL



BOC INTERNATIONAL



招商國際
CMB INTERNATIONAL



華泰國際
HUA TAI INTERNATIONAL



ICBC



工銀國際
INDUSTRIAL BANK OF CHINA

(in alphabetical order)

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V 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 (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 determined by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 12 November 2020 (Hong Kong time) and, in any event, not later than Sunday, 15 November 2020 (Hong Kong time) unless otherwise announced. The Offer Price will not be more than HK\$12.65 and is currently expected to be not less than HK\$10.55 per Offer Share. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before Sunday, 15 November 2020 (Hong Kong time) or such other date as announced, the Global Offering will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (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 forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination".

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may be offered or sold only (i) to qualified institutional buyers in the United States in reliance on Rule 144A or another exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

9 November 2020

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms are available from 9:00 a.m. on Monday,
9 November 2020

Latest time to complete **electronic application instructions**
under **WHITE Form eIPO** service through the designated
website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Thursday,
12 November 2020

Application lists open⁽³⁾ 11:45 a.m. on Thursday,
12 November 2020

Latest time to lodge **WHITE** and **YELLOW**
Application Forms and **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday,
12 November 2020

Latest time to complete payment of **WHITE Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Thursday,
12 November 2020

Application lists close 12:00 noon on Thursday,
12 November 2020

Expected Price Determination Date⁽⁵⁾ Thursday,
12 November 2020

Announcement of the Offer Price, the level of
applications in the Hong Kong Public Offering,
the level of indications of interest in the
International Offering and the basis of allocation of the
Hong Kong Offer Shares is published on the
websites of the Stock Exchange at www.hkexnews.hk and
our Company at www.sunacservice.com on or before Wednesday,
18 November 2020

Results of allocations in the Hong Kong Public Offering
(with successful applicants' identification document numbers,
where appropriate) are available through a variety of channels
(see the section headed "How to Apply for Hong Kong Offer Shares
— D. Publication of Results") from Wednesday,
18 November 2020

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering
will be available at www.iporesults.com.hk
(or, alternatively, at <https://www.eipo.com.hk/en/Allotment>
(English) or <https://www.eipo.com.hk/zh-hk/Allotment> (Chinese)),
with a “search by ID” function fromWednesday,
18 November 2020

Despatch or collection of share certificates or deposit of share
certificates into CCASS and despatch or collection of
White Form e-Refund payment instructions or refund cheques
in respect of wholly or partially successful applications
pursuant to the Hong Kong Public Offering on or before⁽⁶⁾Wednesday,
18 November 2020

Despatch of share certificates to Qualifying Sunac
Shareholders who are entitled to receive Shares
under the Distribution on or before⁽⁷⁾Wednesday,
18 November 2020

Dealings in Shares on the Stock Exchange expected to
commence at.9:00 a.m. on Thursday,
19 November 2020

Despatch of cheques to Excluded Sunac Shareholders
(if any) of the net proceeds of the sale of Shares
which they would otherwise receive pursuant to the
Distribution on or before⁽⁸⁾Tuesday, 1 December 2020

Notes:

- (1) All dates and times refer to Hong Kong dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering”.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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.
- (3) If there is/are a “black” rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 November 2020, the application lists will not open or close on that day. See the section headed “How to Apply for Hong Kong Offer Shares — C. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists”.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or about Thursday, 12 November 2020 and, in any event, not later than Sunday, 15 November 2020 unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before Sunday, 15 November 2020 or such other date as announced, the Global Offering will not proceed and will lapse.
- (6) We will issue refund cheque(s) to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will despatch Share certificates and refund cheque (s) by ordinary post to you at your own risk to the address you specified in your Application Form. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have provided all information required in your Application Form, you may collect refund cheque(s) and/or Share certificates from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 November 2020 or any other place and date we announce in the newspapers as the place and date of despatch of Share certificates/e-Refund payment instructions/refund cheque(s). If you are an individual applicant, you may not authorise any other person to collect on your behalf. If you are a corporate applicant, you must attend by your authorised representative with your letter of authorisation stamped with your corporate chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. If you fail to collect within the time specified for collection, we will despatch uncollected Share certificates and refund cheque(s) by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set forth in the section headed "How to Apply for Hong Kong Offer Shares".
- (7) For Qualifying Sunac Shareholders whose shareholdings in Sunac China are held in CCASS, their entitlements to Shares under the Distribution will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their CCASS Investor Participant stock accounts or the stock accounts of their designated CCASS Participants. For Qualifying Sunac Shareholders whose shareholdings in Sunac China are held in their names on the register of members of Sunac China, share certificates for Shares under the Distribution will be despatched by ordinary post to their addresses on the register of members of Sunac China at their own risks.
- (8) Excluded Sunac Shareholders (if any) will be entitled to the Distribution but will not receive Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by Sunac China on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. Further information is set out in the section headed "Structure of the Global Offering — The Distribution".

Share certificates for the Hong Kong Offer Shares and Shares to be distributed pursuant to the Distribution are expected to be issued on Wednesday, 18 November 2020 but will only become valid certificates of title if the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Thursday, 19 November 2020.

For further details of the structure of the Global Offering, including its conditions, see the section headed "Structure of the Global Offering".

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned in the section headed "How to Apply for Hong Kong Offer Shares", 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 allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described in the section headed "How to Apply for Hong Kong Offer Shares"); and

EXPECTED TIMETABLE⁽¹⁾

- refund cheque(s) crossed “Account Payee Only” in favour 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, 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 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(s), 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).

You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for further details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely for the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy 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 outside Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering.

	Page
Expected Timetable	i
Contents	v
Summary	1
Definitions	27
Glossary of Technical Terms	49
Forward-Looking Statements	53
Risk Factors	54
Waivers from Strict Compliance Requirements under the Listing Rules	95
Information About This Prospectus and the Global Offering	104
Directors and Parties Involved in the Global Offering	108

CONTENTS

Corporate Information	117
Industry Overview	120
Regulatory Overview	133
History, Reorganisation and Corporate Structure	151
Business	170
Relationship with Controlling Shareholders	246
Connected Transactions	262
Directors and Senior Management	272
Substantial Shareholders	284
Share Capital	288
Financial Information	291
Future Plans and Use of Proceeds	380
Cornerstone Investors	384
Underwriting	390
Structure of the Global Offering	403
How to Apply for Hong Kong Offer Shares	418
Appendix IA – Accountant’s Report of the Group	IA-1
Appendix IB – Accountant’s Report of the NCPM Group	IB-1
Appendix II – Unaudited Pro Forma Financial Information of the Group	II-1
Appendix III – Summary of the Constitution of our Company and Cayman company law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

This summary is intended to provide you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus, including the appendices, in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies. In pursuit of our service philosophy of “commitment to excellence and beauty” (至善·致美), we offer a full range of high-quality property services to our customers and are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

We have been providing property management services in China for more than 16 years with a geographic focus on first- and second-tier cities in China. As at 30 June 2020, our total contracted GFA reached 232.1 million sq.m., covering 127 cities across 29 provinces, autonomous regions and municipalities in China. As at the same date, we managed 660 property projects in China, including 418 residential projects and 242 non-residential projects, with a total GFA under management of 105.4 million sq.m.⁽¹⁾ As at 30 June 2020, 86.1% of our GFA under management was located in first- and second-tier cities in China. Our property management portfolio covered residential properties and a wide range of non-residential properties, including commercial properties (such as office buildings, shopping malls, serviced apartments and hotels) and public and other properties (such as schools, hospitals, amusement parks, convention centres and government facilities). As at 30 June 2020, our GFA under management for residential properties, commercial properties and public and other properties was 77.4 million sq.m., 13.9 million sq.m. and 14.1 million sq.m., respectively, representing 73.4%, 13.2% and 13.4%, respectively, of our total GFA under management. In addition to property management services, we offer value-added services to non-property owners (such as consulting, pre-delivery and sales assistance services), which are provided mainly to property developers. We also offer a variety of community value-added services, which are provided mainly to the owners and residents of the properties we manage.

⁽¹⁾ This does not include our joint ventures and associates. As at 30 June 2020, our joint ventures and associates had a GFA under management of 27.2 million sq.m., of which non-residential properties accounted for more than 90%. As at 30 June 2020, our Group’s contracted GFA, together with that of our joint ventures and associates, in aggregate reached 259.7 million sq.m.

SUMMARY

We experienced robust growth during the Track Record Period. Our contracted GFA increased significantly from 57.4 million sq.m. as at 31 December 2017 to 232.1 million sq.m. as at 30 June 2020, representing a CAGR of 74.9% during the period. Our GFA under management also increased significantly from 20.0 million sq.m. as at 31 December 2017 to 105.4 million sq.m. as at 30 June 2020, representing a CAGR of 94.5% during the period.

Our revenue increased from RMB1,111.5 million in 2017 to RMB1,841.5 million in 2018 and further to RMB2,827.4 million in 2019, representing a CAGR of 59.5% from 2017 to 2019, and continued to increase by 52.9% from RMB1,171.4 million for the six months ended 30 June 2019 to RMB1,790.6 million for the same period in 2020. Meanwhile, our profit for the year increased from RMB43.0 million in 2017 to RMB98.3 million in 2018 and further to RMB269.9 million in 2019, representing a CAGR of 150.7% from 2017 to 2019, and our profit for the period continued to increase by 367.6% from RMB53.6 million for the six months ended 30 June 2019 to RMB250.8 million for the same period in 2020.

As at 30 June 2020, our overall average property management fee was approximately RMB3.03 per sq.m. per month. Our average property management fee charged for residential properties was approximately RMB2.70 per sq.m. per month, whereas our average property management fee charged for non-residential properties was approximately RMB7.72 per sq.m. per month as at the same date.

We have established a market image tantamount to high service quality and maintain a good reputation for our services. According to a survey conducted by FG Consulting, an independent professional consultancy, our customer satisfaction rate reached 90% in 2019, a level far above the average rate of 73% for the property management industry, and our customer satisfaction rate also attained the benchmark level for top industry players. In addition, we were ranked by China Index Academy as a “Top 3 Leading Brand for Service Quality of China Property Service Companies” (「中國物業服務品質領先品牌Top 3」) in 2019, and received various widely recognised awards and accolades, including the “2019 Leading Brand for Professional Operations of China Property Service Companies” (「2019年中國物業服務專業化運營領先品牌企業」) and the “2018 Featured Service Brand of China Property Service Companies – High-End Property Services” (「2018年中國物業服務特色品牌企業 – 高端物業服務」) from the China Index Academy.

On 8 May 2020, we acquired a controlling interest in New Century Property Management, a comprehensive property management service provider which manages a wide range of properties primarily developed by independent third-party property developers. The acquisition of New Century Property Management has further solidified our market position, contributed to our enlarged scale and increased variety of managed properties, and helped enhance our market development capabilities for obtaining service engagements from different sources.

SUMMARY

BUSINESS MODEL

Our business is classified as the following three business lines:

- **Property management services.** We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services for the operation of common area facilities. Our property management portfolio covers residential properties, in particular, mid- to high-end ones, and non-residential properties, including commercial properties and public and other properties. During the Track Record Period, we charged almost all of our property management fees for property management services on a lump sum basis, with the remaining insignificant portion charged on a commission basis.
- **Value-added services to non-property owners.** We provide value-added services to non-property owners, including (i) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, (ii) consultancy and other value-added services to non-property owners, such as consultancy, pre-delivery and engineering services, mainly to property developers with a small portion to other property management companies, and (iii) property agency services to property developers (mainly in respect of tourism and vacation projects).
- **Community value-added services.** We provide community value-added services mainly to property owners and residents of our managed properties to address their daily lifestyle needs, which mainly include: (i) property interior decoration services, (ii) community space operation services, (iii) real estate brokerage services and sale of use rights of car park spaces, and (iv) community living services such as housekeeping, group purchase and tourism services.

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

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property management services . . .	574,757	51.7	760,067	41.3	1,148,198	40.6	494,621	42.2	1,052,708	58.8
Value-added services to										
non-property owners	524,119	47.2	1,028,700	55.8	1,572,496	55.6	648,363	55.4	676,343	37.8
Community value-added services . .	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Total revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0

SUMMARY

The growth in our total revenue during the Track Record Period was primarily attributable to a general increase in revenue from our business lines. Our revenue from property management services increased during the Track Record Period mainly due to an increase in our total GFA under management and an increase in the number of properties managed by us as we expanded our business scale. During the Track Record Period, the revenue contribution of our value-added services to non-property owners was relatively high as we provided a substantial part of such services to Sunac Group (and its joint ventures and associates) which experienced a rapid growth during the same periods with GFA of contracted sales outpacing that of properties delivered. This had contributed considerably to our revenue from sales assistance and consultancy services during the Track Record Period. As more of these property development projects by Sunac Group (and its joint ventures and associates) are expected to be delivered in the next few years and together with our market expansion efforts for other business lines, we expect a gradual decrease in the revenue contribution from value-added services to non-property owners in the foreseeable future. The increase in the revenue from our community value-added services was mainly attributable to the increase in the types of community value-added services, coupled with the expansion of our property management scale and the increase of the residents and property owners we serve as we expanded our business scale.

The following table sets out the breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	9,072	1.6	48,669	6.4	135,850	11.8	54,823	11.1	226,473	21.5
Value-added services to non-property owners	221,765	42.3	363,096	35.3	547,491	34.8	174,989	27.0	216,289	32.0
Community value-added services	2,474	19.6	12,188	23.1	36,953	34.6	4,914	17.3	21,885	35.5
Total/overall	233,311	21.0	423,953	23.0	720,294	25.5	234,726	20.0	464,647	25.9

Our overall gross profit margins increased during the Track Record Period, mainly reflecting (i) economies of scale as our GFA under management increased, (ii) successful implementation of cost-control measures with enhanced management efficiency, and (iii) the increase of gross profit margin of property management services. Notwithstanding the impact of COVID-19, our overall gross profit margins increased for the six months ended 30 June 2020 as compared to the same period in 2019 which was primarily attributable to an increase in gross profit margins of property management services and community value-added services.

SUMMARY

Our property management portfolio covered residential properties and a wide range of non-residential properties during the Track Record Period. The following tables set out the breakdowns of our (i) revenue from property management services, (ii) GFA under management, and (iii) number of properties under management by property type, for the periods or as at the dates indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Residential properties . . .	463,467	80.6	621,441	81.8	941,549	82.0	401,110	81.1	757,516	72.0
Non-residential properties										
– Commercial properties	102,937	17.9	126,409	16.6	192,138	16.7	86,926	17.6	244,166	23.2
– Public and other properties	8,353	1.5	12,217	1.6	14,511	1.3	6,585	1.3	51,026	4.8
Sub-total	111,290	19.4	138,626	18.2	206,649	18.0	93,511	18.9	295,192	28.0
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0

	As at 31 December						As at 30 June					
	2017		2018		2019		2020					
	Number of properties		Number of properties		Number of properties		Number of properties		Number of properties			
	GFA under management	under management	GFA under management	under management	GFA under management	under management	GFA under management	under management	GFA under management	under management		
	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)	(<i>'000</i>)		
	<i>sq.m.</i>	(%)	<i>sq.m.</i>	(%)	<i>sq.m.</i>	(%)	<i>sq.m.</i>	(%)	<i>sq.m.</i>	(%)		
Residential communities	17,776	88.9	72	25,698	90.0	118	44,809	84.6	230	77,391	73.4	418
Non-residential properties												
– Commercial properties	1,933	9.7	11	2,495	8.7	17	5,059	9.6	32	13,890	13.2	153
– Public and other properties	279	1.4	2	366	1.3	2	3,095	5.8	6	14,118	13.4	89
Sub-total	2,212	11.1	13	2,861	10.0	19	8,154	15.4	38	28,008	26.6	242
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660

SUMMARY

The following table sets out the breakdowns of our (i) GFA under management, and (ii) number of properties under management by geographic region, as at the dates indicated:

	As at 31 December								As at 30 June			
	2017		2018		2019		2020		2020		2020	
	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management
	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)
Southwestern region ⁽¹⁾	7,917	39.6	30	9,303	32.6	36	17,434	32.9	59	19,969	18.9	80
Northern region ⁽²⁾	8,315	41.6	36	10,714	37.5	49	13,185	24.9	64	15,105	14.3	79
Eastern region ⁽³⁾	2,722	13.6	10	4,795	16.8	24	12,113	22.9	70	50,152	47.6	381
Southern region ⁽⁴⁾	349	1.7	3	1,377	4.8	11	3,673	6.9	29	6,624	6.3	42
Central region ⁽⁵⁾	343	1.7	4	1,349	4.7	9	2,984	5.6	20	7,098	6.7	42
Northeastern region ⁽⁶⁾	343	1.7	2	530	1.9	4	1,784	3.4	14	4,075	3.9	23
Northwestern Region ⁽⁷⁾	-	0.0	-	490	1.7	4	1,790	3.4	12	2,374	2.3	13
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660

Notes:

- (1) “Southwestern region” refers to Chongqing, Sichuan province, Yunnan province and Guizhou province;
- (2) “Northern region” refers to Beijing, Tianjin, Shandong province, Hebei province and Shanxi province;
- (3) “Eastern region” refers to Shanghai, Zhejiang province, Jiangsu province and Anhui province;
- (4) “Southern region” refers to Guangxi Zhuang autonomous region, Fujian province, Guangdong province and Hainan province;
- (5) “Central region” refers to Hubei province, Hunan province, Henan province and Jiangxi province;
- (6) “Northeastern region” refers to Liaoning province, Heilongjiang province and Jilin province; and
- (7) “Northwestern region” refers to Gansu province, Ningxia Hui autonomous region, Shaanxi province, Xinjiang Uygur autonomous region and Inner Mongolia autonomous region.

SUMMARY

During the Track Record Period, the properties under our management were principally developed by Sunac Group and its joint ventures and associates while the rest were developed by other property developers or obtained from property owners of certain non-residential properties which are Independent Third Parties. The following tables set out the breakdowns of our (i) revenue, gross profit and gross profit margin from property management services, (ii) GFA under management, and (iii) number of properties under management by source of projects for the periods or as at the dates indicated:

	For the year ended 31 December						For the six months ended 30 June				For the two months ended 31 August	
	2017		2018		2019		2019		2020		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue		Revenue ⁽⁷⁾	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							<i>(Unaudited)</i>				<i>(Unaudited)</i>	
Properties developed by Sunac Group (and its joint ventures and associates)												
- by Sunac Group ⁽¹⁾	479,374	83.4	584,570	76.9	846,733	73.7	365,908	74.0	676,974	64.3	259,963	48.3
- by joint ventures and associates of Sunac Group ⁽²⁾	91,752	16.0	168,701	22.2	297,151	25.9	126,501	25.6	235,161	22.3	106,835	19.8
Sub-total	571,126	99.4	753,271	99.1	1,143,884	99.6	492,409	99.6	912,135	86.6	366,798	68.1
Other sources of projects ⁽³⁾⁽⁴⁾	3,631	0.6	6,796	0.9	4,314	0.4	2,212	0.4	140,573	13.4	171,775	31.9
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0	538,573	100.0

SUMMARY

	For the year ended 31 December						For the six months ended 30 June				For the two months ended 31 August		
	2017		2018		2019		2019		2020		2020		
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	
	profit	profit	profit	profit	profit	profit	profit	profit	profit	profit	profit ⁽⁷⁾	profit ⁽⁷⁾	
margin	margin	margin	margin	margin	margin	margin	margin	margin	margin	margin	margin		
<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Properties developed by Sunac Group (and its joint ventures and associates)													
– by Sunac Group ⁽¹⁾	7,107	1.5	42,707	7.3	105,772	12.5	42,976	11.7	159,060	23.5	64,688	24.9	
– by joint ventures and associates of Sunac Group ⁽²⁾	1,929	2.1	6,333	3.8	30,069	10.1	11,656	9.2	43,377	18.4	24,896	23.3	
	<u>9,036</u>	<u>1.6</u>	<u>49,040</u>	<u>6.5</u>	<u>135,841</u>	<u>11.9</u>	<u>54,632</u>	<u>11.1</u>	<u>202,437</u>	<u>22.2</u>	<u>89,584</u>	<u>24.4</u>	
Other sources of projects ⁽³⁾⁽⁴⁾	36	1.0	(371)	(5.5)	9	0.2	191	8.6	24,036	17.1	31,094	18.1	
Total/overall	<u>9,072</u>	<u>1.6</u>	<u>48,669</u>	<u>6.4</u>	<u>135,850</u>	<u>11.8</u>	<u>54,823</u>	<u>11.1</u>	<u>226,473</u>	<u>21.5</u>	<u>120,678</u>	<u>22.4</u>	

(Unaudited)

(Unaudited)

SUMMARY

	As at 31 December						As at 30 June		As at 31 August						
	2017		2018		2019		2020		2020						
	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management					
	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)					
Properties developed by															
Sunac Group (and its joint ventures and associates)															
– by Sunac Group ⁽¹⁾	15,911	79.6	60	21,255	74.4	92	38,397	72.5	178	48,554	46.1	252	52,181	46.5	272
– by joint ventures and associates of Sunac Group ⁽²⁾	4,008	20.1	23	7,131	25.0	44	14,237	26.9	89	16,599	15.7	97	18,261	16.2	109
Sub-total	19,919	99.7	83	28,386	99.4	136	52,634	99.4	267	65,153	61.8	349	70,442	62.7	381
Other sources of projects ⁽³⁾⁽⁵⁾⁽⁶⁾	69	0.3	2	173	0.6	1	329	0.6	1	40,246	38.2	311	41,823	37.3	321
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660	112,265	100.0	702

Notes:

- (1) Refer to properties solely developed by Sunac Group or jointly developed by Sunac Group and other parties in which Sunac Group held a controlling interest.
- (2) Refer to properties jointly developed by Sunac Group and other parties in which Sunac Group did not hold a controlling interest.
- (3) “Other sources of projects” refers to projects not developed by Sunac Group, either solely or jointly with other parties. Of the 311 other sources of projects as at 30 June 2020, 162 of them were residential projects and 149 of them were non-residential projects.
- (4) Our revenue, gross profit and gross profit margin of property management service for the six months ended 30 June 2020 and the two months ended 31 August 2020 only include those of New Century Property Management for the period from 8 May to 31 August 2020 which was derived from other sources of projects.
- (5) Our GFA under management and number of properties under management as at 30 June and 31 August 2020 include those of New Century Property Management as at the same dates, respectively, which were all with respect to other sources of projects.
- (6) As at 30 June 2020, our contracted GFA from other sources of projects was 55.8 million sq.m.
- (7) Our revenue, gross profit and gross profit margin of property management services for the two months ended 31 August 2020 are derived from the unaudited financial information of our Group for the eight months ended 31 August 2020 which has been reviewed by our reporting accountant in accordance with HKSRE 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

SUMMARY

During the Track Record Period, the gross profit margin of property management services for other sources of projects were considerably lower than that of our managed projects developed by Sunac Group (and its joint ventures and associates) and we had a gross loss of RMB0.4 million in 2018 with respect to property management services for other sources of projects. From 2017 to 2019, we managed only three projects from other sources. Losses of two of these projects were primarily due to longer operating history of projects and lower property management fee charged. We had terminated these projects as at 31 December 2018. The third project incurred losses at the preliminary stage of the project and subsequently turned profitable in 2019. Our projects from other sources for the six months ended 30 June 2020 mainly comprised of projects managed by New Century Property Management whose gross profit margin for property management services was adversely impacted by COVID-19 as New Century Property Management derived a higher percentage of property management services revenue from non-residential properties, including commercial, public and other properties, whereby discounts for property management fees were offered to certain customers to help relieve their financial burden during such a period.

We have maintained a long-standing business relationship with Sunac Group (and its joint ventures and associates), which lays a solid foundation for our sustainable and rapid growth. Although we expect our cooperation with Sunac Group will continue in the future, with a view to diversifying our customer base and reducing reliance on Sunac Group, since 2019, we have adopted a series of measures to proactively seek new project engagements from other sources by leveraging our well established market position and brand awareness. The measures include, without limitation, (i) establishing a system to promote business development at the group, regional platform and project levels, and formulating a systematic incentive system; (ii) acquiring information from multiple channels and sources to extensively explore potential target projects, while strictly overseeing the risks and requirements for returns for the projects at the same time. Since 2019 and up to 30 September 2020, our Group (including New Century Property Management since 8 May 2020) secured 56 projects from other sources for the provision of property management services. These projects had a total contracted GFA of approximately 7.7 million sq.m. and a total GFA under management of approximately 4.1 million sq.m. as at 30 September 2020; and (iii) seeking strategic cooperation with Independent Third Parties. In June 2020, we entered into a strategic cooperation with Sunshine Property Group Co., Ltd. (陽光郡置地集團有限公司), an Independent Third Party developer based in Hebei Province, with respect to a number of projects in pipeline, including three property management projects which are located in Bazhou, Huailai and Langfang in Hebei Province with a total contracted GFA of approximately 0.7 million sq.m. Going forward, we plan to expand the cooperation through resource sharing, and fully collaborate in the field of property management services. In August 2020, we also entered into a cooperation agreement with Nanchang Municipal Public Asset Management Co., Ltd. (南昌市政公用資產管理有限公司), an Independent Third Party which operates various urban public facilities including stadiums, train stations, and car parks in Jiangxi province. Pursuant to the cooperation agreement, the parties established a joint venture company, Jiangxi Rongzheng, which is a 51% owned subsidiary of our Company. The scope of property management projects of the joint venture company may include: (i) properties developed or operated by Nanchang Municipal Public Asset Management Co., Ltd. or its affiliates; (ii) non-residential projects for public uses, such

SUMMARY

as standalone commercial space (other than commercial space ancillary to a residential project), schools, and hospitals, which are obtained by our Group or our affiliates in Jiangxi Province; and (iii) other projects developed by third parties as may be approved by the joint venture parties. We intend to leverage the brand image of the parties to procure projects in Jiangxi Province from other third parties, thereby further expanding our portfolio of the projects from other sources; and (iv) we will continue to seek attractive opportunities for acquisitions, and target to approach reputable property management companies that have a sizeable business with diversified management portfolio and regional competitiveness. As a result of our efforts in customer base diversification, the revenue and GFA under management from other sources generally increased in absolute amount and percentage of our total revenue from property management services and total GFA under management, respectively, during the Track Record Period. Going forward, we plan to continue to leverage our strong operational capabilities, well-recognised brands and diversified service offering to expand our portfolio of properties from other sources. For details, see “Relationship with Controlling Shareholders — Operational Independence”.

The following table sets out the expiration schedule of our property management service contracts for residential properties, including both (i) preliminary property management service contracts, and (ii) property management service contracts entered into with property owners’ associations, as at 30 June 2020:

	Property management service contracts for residential properties			
	Contracted GFA		Number of contracts	
	('000 sq.m.)	(%)		(%)
Property management service contracts without fixed term ⁽¹⁾	140,850	71.5	726	71.0
Property management service contracts under which we provided services beyond contract expiration ⁽²⁾	1,928	1.0	13	1.3
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020	7,431	3.8	37	3.6
– Year ending 31 December 2021	12,223	6.2	66	6.5
– Year ending 31 December 2022 and beyond	34,572	17.5	180	17.6
Sub-total	<u>54,226</u>	<u>27.5</u>	<u>283</u>	<u>27.7</u>
Total	<u>197,004</u>	<u>100.0</u>	<u>1,022</u>	<u>100.0</u>

SUMMARY

Notes:

- (1) A property management service contract without fixed term primarily refers to a preliminary property management service contract entered into with the property developer which does not have a fixed term and can be terminated when the property owners' association is formed and the property owners select the property service provider with a replacing property management service contract entered into by the property owners' association.
- (2) We continued to provide services under these property management service contracts despite their expired contract terms as at 30 June 2020. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened or the property owners' associations are yet to be formed to renew our property management service contracts or to select a replacing property management service provider, or that we are still in the negotiation process with the property owners' associations for the renewal of our engagement.

The following table sets out the expiration schedule of our property management service contracts for residential properties entered into with property owners' associations as at 30 June 2020:

Property management service contracts for residential properties entered into with property owners' associations				
	<u>Contracted GFA</u>		<u>Number of contracts</u>	
	('000 sq.m.)	(%)		(%)
Property management service contracts without fixed term . . .	2,705	18.5	12	16.0
Property management service contracts under which we provided services beyond contract expiration	1,466	10.0	10	13.3
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020	4,525	31.0	20	26.7
– Year ending 31 December 2021	3,001	20.6	18	24.0
– Year ending 31 December 2022 and beyond	2,907	19.9	15	20.0
Sub-total	<u>10,433</u>	<u>71.5</u>	<u>53</u>	<u>70.7</u>
Total	<u>14,604</u>	<u>100.0</u>	<u>75</u>	<u>100.0</u>

SUMMARY

The following table sets out the expiration schedule of our property management service contracts for non-residential properties as at 30 June 2020:

	Property management service contracts for non-residential properties			
	Contracted GFA		Number of contracts	
	('000 sq.m.)	(%)		(%)
Property management service contracts without fixed term . . .	8,722	24.8	60	20.0
Property management service contracts under which we provided services beyond contract expiration	1,947	5.6	12	4.0
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020	12,588	35.8	121	40.3
– Year ending 31 December 2021	4,594	13.1	72	24.0
– Year ending 31 December 2022 and beyond	<u>7,268</u>	<u>20.7</u>	<u>35</u>	<u>11.7</u>
Sub-total	<u>24,450</u>	<u>69.6</u>	<u>228</u>	<u>76.0</u>
Total	<u>35,119</u>	<u>100.0</u>	<u>300</u>	<u>100.0</u>

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management and community value-added services, (ii) property developers for our value-added services to non-property owners and property management service, and (iii) other customers such as advertising companies for our community value-added services. Our single largest customer during the Track Record Period was Sunac Group (and its joint ventures and associates) to which we provided value-added services to non-property owners, as well as property management services. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue from our single largest customer for the Track Record Period amounted to RMB596.6 million, RMB1,129.1 million, RMB1,740.9 million and RMB811.7 million, respectively, representing 53.7%, 61.3%, 61.6% and 45.3% of our total revenue, respectively. For the same periods, revenue from our five largest customers for the Track Record Period, mostly property developers and advertising companies, in aggregate amounted to RMB602.8 million,

SUMMARY

RMB1,143.1 million, RMB1,757.2 million and RMB823.1 million, respectively, representing 54.3%, 62.1%, 62.2% and 45.8% of our total revenue, respectively. The following table sets out our revenue by business line and customer type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property management services										
– related party customers ⁽¹⁾	74,768	6.7	118,661	6.4	200,408	7.1	76,821	6.6	153,562	8.6
– non-related party customers	499,989	45.0	641,406	34.8	947,790	33.5	417,800	35.7	899,146	50.2
Sub-total	574,757	51.7	760,067	41.2	1,148,198	40.6	494,621	42.3	1,052,708	58.8
Value-added services to non-property owners										
– related party customers ⁽¹⁾	521,787	47.0	1,010,394	54.9	1,540,468	54.5	631,976	53.9	658,181	36.8
– non-related party customers	2,332	0.2	18,306	1.0	32,028	1.1	16,387	1.4	18,162	1.0
Sub-total	524,119	47.2	1,028,700	55.9	1,572,496	55.6	648,363	55.3	676,343	37.8
Community value-added services										
– non-related party customers ⁽²⁾	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Sub-total	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Total	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0

Notes:

- (1) Related party customers refer to Sunac Group and its joint ventures and associates.
- (2) All of the customers for community value-added services were non-related party customers during the Track Record Period.

SUMMARY

During the Track Record Period, our suppliers primarily were (i) sub-contractors providing cleaning, greening, maintenance and security services, and (ii) Sunac Group (and its joint ventures and associates) for sales of use rights of car park spaces to us. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, purchase from our single largest suppliers for the Track Record Period, which were Sunac Group (from whom we purchased use rights of car park spaces) and a third-party human resources services provider, amounted to RMB26.4 million, RMB33.9 million, RMB64.2 million and RMB19.4 million, respectively, representing 8.5%, 7.3%, 9.7% and 4.6% of our total purchase amount, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, purchase from our five largest suppliers for the Track Record Period (mostly sub-contractors providing security or cleaning services), amounted to in aggregate RMB70.1 million, RMB79.8 million, RMB117.1 million and RMB45.4 million, respectively, representing 22.6%, 17.1%, 17.7% and 10.7% of our total purchase amount, respectively.

COMPETITIVE STRENGTHS

With a strong focus on select major cities and leading service quality, we are the fastest-growing large-scale comprehensive property management service provider in China. Our competitive strengths include our project reserves, service quality, brand reputation, a wide range of property types under management, management team capabilities, management systems and the strong and full support of our Controlling Shareholder. We believe these competitive strengths have laid a good foundation for us to continue gaining market share in the future, to enhance our business performance and to develop into one of the most competitive high-quality comprehensive property management service providers in China.

BUSINESS STRATEGIES

We will continue to focus on select major cities for our further growth and development. We will strive to develop and enhance our systemic capability in providing high-quality community services and to establish the best reputation and brand in the industry. With the objective of continuing to move towards lean management and technology utilisation, we aim to further enhance our capability in community operations, continue to expand our business scale in connection with quality communities, and promote the development of our property management and other services for commercial properties and public properties. We are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

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 IA to this prospectus, including the accompanying notes, and the information set out in the section headed “Financial Information”. The consolidated financial information of our Group for the Track Record Period only includes that of New Century Property Management and its subsidiaries since the financial results thereof were consolidated into ours on 8 May 2020 upon the acquisition of New Century Property Management. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

SUMMARY

Summary of consolidated statements of comprehensive income

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0
Gross profit	233,311	21.0	423,953	23.0	720,294	25.5	234,726	20.0	464,647	25.9
Operating profit	137,306	12.4	172,751	9.4	356,501	12.6	78,476	6.7	306,750	17.1
Profit before income tax	54,217	4.9	128,983	7.0	345,927	12.2	67,144	5.7	315,650	17.6
Profit for the year/period	42,958	3.9	98,307	5.3	269,898	9.5	53,625	4.6	250,777	14.0
Total comprehensive income attributable to owners of the Company	42,958	3.9	98,307	5.3	269,898	9.5	53,625	4.6	238,130	13.3
Total comprehensive income attributable to non-controlling interests	-	-	-*	0.0	-*	0.0	-*	0.0	12,647	0.7

* Less than RMB1,000

Summary of consolidated statements of financial position

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	675,918	98,596	152,914	1,583,688
- Intangible assets	15,128	20,197	63,230	1,327,090
Current assets	1,395,220	1,543,801	2,118,232	2,724,402
- Trade receivables	208,102	392,603	586,256	1,076,137
- Prepayments and other receivables	752,924	732,692	359,443	216,740
- Cash and cash equivalents	231,794	371,933	1,090,197	1,171,484
- Financial assets at fair value through profit or loss	176,000	-	-	225,179
Non-controlling interests	-	-*	130,615	34,322
Total equity	(73,705)	24,602	497,875	1,766,488
Current liabilities	1,517,957	1,592,605	1,751,110	2,265,656
- Trade and other payables	596,190	648,781	1,086,618	1,417,301
- Contract liabilities	194,207	285,182	560,388	728,037
Net current (liabilities)/assets	(122,737)	(48,804)	367,122	458,746
Non-current liabilities	626,886	25,190	22,161	275,946
- Trade and other payables	-	-	-	181,624

* Less than RMB1,000

SUMMARY

We had significant amount of intangible assets during the Track Record Period comprising goodwill, customer relationships, software, exclusive operating rights and brand. In particular, we had intangible assets of RMB1,327.1 million as at 30 June 2020 mainly attributable to goodwill of RMB1,020.2 million resulting from our acquisition of New Century Property Management in May 2020. For further details of our intangible assets, see “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Intangible Assets” and Note 17 of the Accountant’s Report in Appendix IA to this prospectus.

We had net current liabilities of RMB122.7 million and RMB48.8 million as at 31 December 2017 and 2018, respectively. Our net current liabilities as at 31 December 2017 was primarily attributable to a higher balance of other payables to related parties of RMB241.2 million as at the same date. Our net current liabilities decreased to RMB48.8 million as at 31 December 2018, mainly due to an increase in current assets primarily driven by an increase in trade receivables and cash and cash equivalents, coupled with our partial settlement of the other payables to related parties.

Summary of consolidated statements of cash flows information

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	46,816	145,635	379,553	87,514	326,751
Changes in working capital	39,568	24,049	352,999	(82,746)	(281,608)
Income tax paid	(3,294)	(11,337)	(25,619)	(16,918)	(62,737)
Net cash generated from/(used in) operating activities	83,090	158,347	706,933	(12,150)	(17,594)
Net cash (used in)/generated from investing activities	(191,122)	775,790	603,023	500,544	(959,420)
Net cash generated from/(used in) financing activities	163,822	(793,998)	(591,684)	(635,626)	1,053,443
Net increase/(decrease) in cash and cash equivalents	55,790	140,139	718,272	(147,232)	76,429
Cash and cash equivalents at end of the year/period	231,794	371,933	1,090,197	224,701	1,171,484

SUMMARY

We had net cash outflows from operating activities for the six months ended 30 June 2019 and 2020, which were primarily due to the relatively lower collection on trade receivables in the first half of the year which we believe reflects certain of our customers' tendency to pay their property management fees toward the year-end out of payment preference and convenience which was in line with industry norm, according to China Index Academy. Our net cash outflow from operating activities in the first half of 2020 was also due to slower collection of trade receivables as impacted by COVID-19. To improve our cash flow position in light of this, we had formulated and implemented various measures to expedite the recovery of our trade receivables. When property management fees become overdue, we will send overdue payment notices to customers by phone, messages, through our online service platform or delivery in person or to the mailboxes of the property owners and residents and follow up by frequent payment reminders. In the event of significant payment delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect the property management fees. We set internal targets for collection of trade receivables with respect to property management services and value-added services to non-property owners, respectively. The achievement of these targets are also tied to the performance evaluation and employee benefits of our relevant business staff. For community value-added services which in most cases involve pre-paid fees with limited trade receivables, we follow up on any outstanding trade receivables relating thereto on a case by case basis.

Key financial ratios

The following table sets out certain financial ratios relating to our Group as at the dates or for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended
	2017	2018	2019	30 June 2020
Current ratio	0.9x	1.0x	1.2x	1.2x
Quick ratio	0.9x	0.9x	1.2x	1.2x
Return on equity	N/A	399.6%	54.2%	28.5%
Return on total assets	2.1%	6.0%	11.9%	11.7%
Gearing ratio	N/A	0%	0%	0%
Gross profit margin	21.0%	23.0%	25.5%	25.9%
Net profit margin	3.9%	5.3%	9.5%	14.0%

For further details of our key financial ratios, see "Financial Information — Key Financial Ratios".

SUMMARY

We recorded an opening balance of accumulated losses of RMB166.7 million, RMB132.8 million and RMB54.0 million as at 1 January 2017, 2018 and 2019, respectively. At the earlier stage of our business operation, the property management business was complementary to the property development business of Sunac China. Accordingly, we had focused on enhancing our service quality and invested significantly in building our internal infrastructure laying a solid foundation for our sustainable development and in support of Sunac China's property development business. Such internal infrastructure encompasses the formulation, establishment, implementation and refinement of our business systems, operating models, process standardisation, human resource and organisational structure and functional management. The building and refinement of such internal infrastructure took time and effort as well as investment in manpower and internal resources, and involved new practices and adjustments, which in aggregate contributed to our accumulated loss position during the earlier stages of our business development. Meanwhile, when we entered into a new geographic region or local market, we had to incur set-up costs in preparation for existing and incoming projects and to pave way for our continuing and sustainable development in that region or market. Such set-up costs generally included staff costs and office and lease expenses in connection with the recruitment and reserve of necessary manpower, deployment of operating teams (including sub-contracting services) and preparation for offices and business venues. These set-up costs at the earlier stages of our business development had also contributed to the accumulated loss incurred during the earlier years. Moreover, with relatively smaller GFA under management at such earlier stages, economies of scale were yet to be fully achieved for our operations. Driven by a more focused development of the property management business of our Group, we had made continuous efforts to improve our financial performance and profitability. As our business and management process and systems matured over the years and as we expanded our business scale and deepened our presence in the market, we have been continuously monetising and benefiting from the foundation we established and managed to turn around our accumulated loss position. By leveraging our competitive strengths as set out in the section headed "Business — Competitive Strengths", we have expanded our business scale, implemented successful cost-control measures and achieved a significant growth in business and results of operations. We have also further solidified our market position through a number of mergers and acquisitions. In particular, we have recorded significant growth in net profit which amounted to RMB43.0 million, RMB98.3 million, RMB269.9 million, RMB53.6 million and RMB250.8 million for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. As at 31 December 2019, we no longer recorded any accumulated losses after accumulation of earnings. As at 31 December 2019 and 30 June 2020, we had retained earnings of RMB183.0 million and RMB421.1 million, respectively.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION OF NEW CENTURY PROPERTY MANAGEMENT

The tables below set out the selected financial information of New Century Property Management for the periods indicated which are extracted from the standalone consolidated financial information of New Century Property Management set out in the accountant's report included in Appendix IB to this prospectus. Following completion of the acquisition, the financial results of New Century Property Management and its subsidiaries have been consolidated into ours since 8 May 2020.

	For the year ended 31 December			For the period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	556,697	725,480	867,857	279,404	328,283
Gross profit	124,553	161,286	182,171	59,836	62,437
Operating profit	65,033	83,276	77,250	26,973	38,081
Profit before income tax	65,722	86,405	82,436	28,054	41,151
Profit for the year/period	51,550	65,627	62,885	20,898	32,406
Profit for the year/period attributable to owners of New Century Property Management	51,508	65,544	61,253	19,448	31,100
Profit for the year/period attributable to non-controlling interests	42	83	1,632	1,450	1,306
	For the year ended 31 December			For the period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	65,017	95,344	107,605	38,357	43,353
Changes in working capital	46,513	(39,271)	8,737	(24,073)	(30,236)
Income tax paid	(17,248)	(18,434)	(27,286)	(15,861)	(10,708)
Net cash generated from/(used in) operating activities . .	94,282	37,639	89,056	(1,577)	2,409
Net cash (used in)/generated from investing activities	(69,356)	(41,229)	124,716	17,833	(209,246)
Net cash used in financing activities	(8,579)	(39,715)	(5,901)	(2,826)	(3,220)
Net increase/(decrease) in cash and cash equivalents	16,347	(43,305)	207,871	13,430	(210,057)
Cash and cash equivalents at end of the year/period	104,170	60,865	268,736	74,295	58,679

SUMMARY

REASONS FOR THE SPIN-OFF

Our Listing will constitute a Spin-off from Sunac China. The board of directors of Sunac China considers that the Spin-off is in the interests of Sunac China and the shareholders of Sunac China taken as a whole based on the following reasons: (a) with an optimistic view about the future development and potential of the property management industry, enabling our Group to leverage on the capital market and improving our competitive strength in the market; (b) enabling our Group to have a separate fund-raising platform and to establish a separate and broad investor base through the Global Offering, as well as allowing our Group to gain direct access to the capital market for equity and/or debt financing to fund our future development independent of Sunac China; (c) enabling a more focused development, strategic planning and better allocation of resources for Sunac Group and our Group with respect to their respective businesses; and (d) as members of our Group are expected to remain as subsidiaries of Sunac China upon completion of the Spin-off, enabling Sunac China to continue to benefit from the future development of our Group through consolidation of our Group's financial accounts and receipt of dividend income from our Group. For more information, see "History, Reorganisation and Corporate Structure — Reasons for the Spin-Off".

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue, the Distribution and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Sunac China will indirectly control 72.00% of the issued share capital of our Company, including as to (i) 56.60% through Sunac Services Investment and (ii) 15.40% through Sunac Shine, both of which are direct wholly-owned subsidiaries of Sunac China. Assuming there will be no change in the shareholding structure of Sunac China from the Latest Practicable Date up to the Listing, Mr. Sun and Sunac International (which is controlled by the Sun family trust established by Mr. Sun) will control 30% or more of the issued share capital of Sunac China. Hence, upon Listing, Mr. Sun, Sunac International, Sunac China and Sunac Services Investment constitute a group of our Controlling Shareholders under the Listing Rules.

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 Listing. For further details, see "Relationship with Controlling Shareholders".

Our Group has entered into certain transactions with Sunac Group in the ordinary and usual course of our business which will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing. For further details, see "Connected Transactions".

SUMMARY

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$11.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$7,810.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$11.60 per Offer Share (being the mid-point of the indicative Offer Price range):

- Approximately 65%, or HK\$5,076.5 million, will be used to pursue selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations and with a view to expanding our business scale and solidifying our leading industry position. As at the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering;
- Approximately 15%, or HK\$1,171.5 million, will be used to upgrade our systems for smart management services and for the development of our smart communities, offering a high-quality living experience with convenience for our property owners and residents and enhancing cost-efficiency for our property management;
- Approximately 10%, or HK\$781.0 million, will be used to further develop our community value-added services in an effort to diversify our service offering and enhance profitability; and
- Approximately 10%, or HK\$781.0 million, will be used for working capital and general corporate purpose.

For more information, see “Future Plans and Use of Proceeds — Use of Proceeds”.

GLOBAL OFFERING STATISTICS

The statistics below are based on the assumption that 690,000,000 Offer Shares are issued under the Global Offering:

	Based on the low end of the indicative Offer Price range of HK\$10.55 per Share	Based on the high end of the indicative Offer Price range of HK\$12.65 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$31,650 million	HK\$37,950 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$2.53	HK\$3.00

SUMMARY

Notes:

- (1) The calculation of market capitalisation is based on 3,000,000,000 Shares will be in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section headed “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets of Our Group” and on the basis of 3,000,000,000 Shares to be in issue immediately following the completion of the Global Offering.
- (3) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2020.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We had an aggregate of 232.1 million of contracted GFA as at 30 June 2020, out of which an aggregate contracted GFA of 119.2 million was yet to become deliverable as at 30 September 2020 for us to commence the provision of property management services.

As at 30 September 2020, we had an aggregate contracted GFA of 246.9 million sq.m. covering a total of 1,284 properties, out of which 508 properties with a contracted GFA of 107.4 million sq.m. were developed by Sunac Group, 367 properties with a contracted GFA of 80.2 million sq.m. were developed by joint ventures and associates of Sunac Group and 409 were other sources of projects with a contracted GFA of 59.3 million sq.m., respectively.

As at 30 September 2020, we managed 716 properties with an aggregate GFA under management of 115.5 million sq.m. covering 81 cities in 26 provinces, municipalities and autonomous regions in China, out of which residential properties, commercial properties, public and other properties accounted for 74.6%, 12.8% and 12.7% of our total GFA under management, respectively.

For the three months ended 30 September 2020, we had submitted a total of 120 tender bids for property management service engagements and were subsequently awarded with 77 of such bids for properties covering an aggregate GFA of 13.0 million sq.m., out of which 3.7 million sq.m. was for properties developed by Sunac Group, 6.2 million sq.m. was for properties developed by joint ventures and associates of Sunac Group and 3.1 million sq.m. was for other sources of projects, respectively.

Our revenue for the three months ended 30 September 2020 increased as compared to the same period in 2019, which is primarily attributable to our expansion of business. Our gross profit margin for the three months ended 30 September 2020 increased as compared to the same period in 2019 mainly as a result of economies of scale and our continuous effective cost control measures.

Our Directors have confirmed that, since 30 June 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix IA to this prospectus.

SUMMARY

Due to the delay in construction, sales and marketing activities and delivery of some of the property development projects by our customers caused by temporary lock-down in response to the COVID-19 outbreak in the first half of 2020, we had experienced a relatively slower growth in revenue from our value-added services to non-property owners, including a decrease in revenue from property agency services in the first half of 2020 as compared to the same period in 2019. For instance, our revenue from value-added services to non-property owners increased by 96.3% from 2017 to 2018 and by 52.9% from 2018 to 2019, whereas such increase rate was only 4.3% in the first half of 2020 as compared to the same period in 2019. Nonetheless, our Directors confirm that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability based on the following reasons: (i) the property management industry is an industry involving essential community services and our employees and workers of our sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (ii) we are able to fulfill our obligations under all existing property management service contracts and other business contracts; (iii) the delivery date of the pipeline properties developed by Sunac Group was not, or is not expected to be, materially delayed; and (iv) our Group has sufficient cash and cash equivalents to maintain our operation. For further details, see “Business — Impact of the Outbreak of COVID-19 on our Business”.

Based on a sensitivity analysis conducted by us assuming the worst case scenario of COVID-19 outbreak which is hypothetical in nature and for illustration purposes only, we would have sufficient cashflow for our business to remain financially viable for at least 21 months subsequent to 30 June 2020, assuming and/or taking into account the following in which we:

- cease all our business operations subsequent to 30 June 2020 with no revenue from any of our three business lines;
- suspend our dividend payments and business expansion plan;
- settle our account receivables and payables based on historical settlement patterns and turnover days without any new additions;
- incur minimum operating expenses whereby (i) the monthly staff cost is based on the minimum wage level required by local laws and regulations in the PRC without layoffs of employees subsequent to 30 June 2020, and (ii) the monthly rent for offices and staff dormitories being kept the same as at 30 June 2020;
- have the cash and cash equivalents as at 30 June 2020 to start with;
- use 10% of the net proceeds from the Global Offering for general working capital; and
- consider no other income or expenses for such a sensitivity analysis.

SUMMARY

RISK FACTORS

Our business is subject to certain risks involved in our operations, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC and risks relating to the Listing and the Spin-off. We believe that the following are some of the major risks that we face: (i) we may not procure new service contracts as planned or at desirable pace or favourable terms and a substantial portion of the properties under our management during the Track Record Period were developed by Sunac Group; (ii) our future growth may not materialise as planned and failure to manage any future growth effectively may have a material adverse effect on our business, financial position and results of operations; (iii) termination or non-renewal of our property management service contracts for a significant number of properties could have a material adverse effect on our business, financial position and results of operations; (iv) our business, financial performance and prospects may be materially and adversely affected if we are unable to control operating costs, maintain or improve our level of profitability; (v) we may not be able to collect service fees from customers and as a result, may incur impairment losses on receivables or cash outflow of operating activities; and (vi) our mergers and acquisitions may not achieve the desired benefits. We may face difficulties in integrating acquired operations with our existing business and may need to make an impairment with respect to goodwill and other intangible assets for such mergers and acquisitions. Our historical results of operations may not be indicative of our future performance due to our mergers and acquisitions.

As different interpretations and standards may be applied for determining the materiality of a risk, you should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described in the section headed “Risk Factors”.

DIVIDENDS

No dividend was declared or paid by our Company or the companies comprising our Group for the Track Record Period and up to the Latest Practicable Date save for the dividends of RMB208.6 million made by Chengdu Global Century in the six months ended 30 June 2020, and dividends made by New Century Property Management (and its subsidiaries) details of which are set out in Note 29 to Appendix IB to this prospectus. Our dividend distribution record, if any, in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any declaration of dividends is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant from time to time. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of our Articles of Association and the Cayman Company Law. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. For details, see “Financial Information — Dividends”.

SUMMARY

LISTING EXPENSES

The total listing expenses for the Listing of the Shares are estimated to be approximately RMB167.8 million (assuming an Offer Price of HK\$11.60 per Share, being the mid-point of the indicative Offer Price range), among which, approximately RMB144.0 million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the Listing, and approximately RMB23.8 million will be charged to our consolidated statement of comprehensive income. During the Track Record Period, we incurred listing expenses of RMB8.3 million, which were charged to our consolidated statement of comprehensive income. Our total listing expenses account for approximately 2.4% of our gross proceeds from the Global Offering (assuming an Offer Price of HK\$11.60 per Share, being the mid-point of the indicative Offer Price range and not taking into account the Over-allotment Option). The aforementioned estimated listing expenses of approximately RMB167.8 million include an estimated underwriting commission of approximately RMB103.8 million and a potential incentive fee of approximately RMB34.6 million of the Global Offering. The listing expenses above are the latest practicable estimates and are provided for reference only and actual amounts may differ. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending 31 December 2020.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings.

“Accountant’s Report”	the accountant’s report of our Group as set out in Appendix IA to this prospectus
“affiliate”	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
“Application Form”	WHITE Application Form, YELLOW Application Form and GREEN Application Form or, where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, which was conditionally adopted on 28 October 2020 with effect from the Listing Date, and a summary of which is set forth in Appendix III to this prospectus
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Jintaihe”	Beijing Jintaihe Weiye Real Estate Brokerage Co., Ltd. (北京金泰合偉業房地產經紀有限公司), a company established in the PRC with limited liability on 16 October 2017 and an indirect wholly-owned subsidiary of our Company
“Beijing Provence”	Beijing Sunac Orient Provence Property Services Co., Ltd. (北京融創東方普羅旺斯物業服務有限公司) (formerly known as Beijing Orient Provence Property Management Co., Ltd. (北京東方普羅旺斯物業管理有限公司)), a company established in the PRC with limited liability on 30 August 2005 and an indirect wholly-owned subsidiary of our Company
“Beijing Sunac”	Beijing Sunac Livable Community Property Services Co., Ltd. (北京融創歸心物業服務有限公司), a company established in the PRC with limited liability on 14 July 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Beijing YiLife”	Beijing YiLife Community Services Co., Ltd. (北京易生活社區服務有限責任公司), a company established in the PRC with limited liability on 14 July 2017 and an indirect wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 2,300,500,000 Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of our Shareholders passed on 28 October 2020” in Appendix IV to this prospectus
“Cayman Company Law” or “Cayman Islands Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961), of the Cayman Islands, as consolidated and revised
“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 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 or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board

DEFINITIONS

“Chengdu Global Century”	Chengdu Global Century Property Services Co., Ltd. (成都環球世紀物業服務有限公司) (formerly known as Chengdu Century City Property Management Co., Ltd. (成都世紀城物業管理有限公司) and Chengdu Century City Property Services Co., Ltd. (成都世紀城物業服務有限公司)), a company established in the PRC with limited liability on 7 March 2005 and an indirect subsidiary of our Company, which was owned as to 95% by Chengdu Huanrong and 5% by Chengdu International Convention Exhibition Centre Co., Ltd. (成都國際會議展覽中心有限公司), a company controlled by Mr. Deng Hong (鄧鴻) (a director of Chengdu Huanrong), as at the Latest Practicable Date
“Chengdu Huanrong”	Chengdu Huanrong Property Services Co., Ltd. (成都環融物業服務有限公司), a company established in the PRC with limited liability on 3 April 2020 and an indirect subsidiary of our Company, which was owned as to 70% by Sunac Property Services, 29% by Mr. Deng Hong (鄧鴻) and 1% by Mr. Liu Yang (劉楊), both being directors of Chengdu Huanrong, as at the Latest Practicable Date
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“ChinaClear”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司)
“China Index Academy” or “CIA”	China Index Academy, our industry consultant
“Chongqing Jiangjin Sunac”	Chongqing Jiangjin Sunac Property Services Co., Ltd. (重慶市江津區融創物業服務有限公司), a company established in the PRC with limited liability on 16 July 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Chongqing Rongbi”	Chongqing Rongbi Property Services Co., Ltd. (重慶融碧物業服務有限公司), a company established in the PRC with limited liability on 19 September 2017, which was owned as to 50% by Chongqing Sunac and 50% by Country Garden Life Services Group Co., Ltd. (碧桂園生活服務集團股份有限公司), an Independent Third Party, as at the Latest Practicable Date
“Chongqing Sunac”	Chongqing Sunac Property Management Co., Ltd. (重慶融創物業管理有限公司), a company established in the PRC with limited liability on 10 September 2004 and an indirect wholly-owned subsidiary of our Company
“Chongqing Zhile”	Chongqing Sunac Zhile Property Services Co., Ltd. (重慶融創致樂物業服務有限公司), a company established in the PRC with limited liability on 28 September 2020 and an indirect wholly-owned subsidiary of our Company
“Chongqing Zhimei”	Chongqing Sunac Zhimei Property Services Co., Ltd. (重慶融創致美物業服務有限公司) (formerly known as Chongqing Asia Pacific Enterprise Valley Property Management Co., Ltd. (重慶亞太商谷物業管理有限公司)), a company established in the PRC with limited liability on 24 May 2007 and an indirect wholly-owned subsidiary of our Company
“close associate”	has the meaning ascribed to it under the Listing Rules
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Sunac Services Holdings Limited (融創服務控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 10 January 2019
“connected person”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Sun, Sunac International, Sunac China, and Sunac Services Investment
“core connected person”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated by the Coronavirus Study Group of the International Committee on Taxonomy of Viruses as severe acute respiratory syndrome coronavirus 2
“Deed of Indemnity”	the deed of indemnity dated 4 November 2020 executed by Sunac China in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set forth in the section headed “Statutory and General Information – D. Other Information – 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 4 November 2020 and executed by Sunac China and Mr. Sun in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-Competition” in this prospectus
“Director”	a director of our Company
“Distribution”	a conditional special dividend declared by Sunac China to be satisfied by way of a distribution in specie of an aggregate of 150,000,000 Shares to the Qualifying Sunac Shareholders, subject to the satisfaction of the conditions as described in the section headed “Structure of the Global Offering – The Distribution”
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“Eligible Director”	a director of any member of our Group who is an Eligible Employee

DEFINITIONS

“Eligible Employee”	an employee or a past employee of the Group, including a director or senior management member of the Company, any of its subsidiaries or associated companies
“Employee Preferential Offering”	the preferential offering of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis, as further described in “Structure of the Global Offering”
“Employee Reserved Shares”	the 26,000,000 International Offer Shares being offered pursuant to the Employee Preferential Offering
“Excluded Sunac Shareholder(s)”	Sunac Shareholder(s) whose name(s) appear in the register of members of Sunac China on the Record Date and whose address(es) as shown in such register is/are in any of the Excluded Territories and any Sunac Shareholder or beneficial Sunac Shareholder at that time who is otherwise known by Sunac China to be resident in any of the Excluded Territories
“Excluded Territories”	in respect of the Distribution, such territories outside Hong Kong which the board of directors of Sunac China has determined that it is necessary or expedient not to distribute the Shares to the Sunac Shareholder(s) located or resident in such territories pursuant to the Distribution, on account of either legal restrictions under the applicable laws of the relevant jurisdiction(s) and/or requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction(s), if any
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Ezhou Sunac”	Ezhou Sunac Property Services Co., Ltd. (鄂州融創物業服務有限公司), a company established in the PRC with limited liability on 3 August 2020 and an indirect wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Grace Home BVI”	Grace Home (BVI) Investment Limited (惠熙(BVI)投資有限公司) (formerly known as Grace Home (BVI) Investment Limited (惠然(BVI)投資有限公司)), a company incorporated in the BVI with limited liability on 8 January 2019 and an indirect wholly-owned subsidiary of our Company
“Grace Home HK”	Grace Home (HK) Investment Limited (惠熙(香港)投資有限公司), a company incorporated in Hong Kong with limited liability on 4 February 2019 and an indirect wholly-owned subsidiary of our Company
“ GREEN Application Form”	the application form to be completed by the WHITE Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we”, “our” or “us”	our Company and, where appropriate, its subsidiaries or, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
“Hainan Rongwu”	Hainan Rongwu Construction Engineering Co., Ltd. (海南融物建築工程有限公司), a company established in the PRC with limited liability on 27 February 2018 and an indirect wholly-owned subsidiary of our Company
“Hainan Rongxiang”	Hainan Rongxiang Travel Agency Co., Ltd. (海南融享旅行社有限公司), a company established in the PRC with limited liability on 13 September 2018 and an indirect wholly-owned subsidiary of our Company
“Henan Rongshan”	Henan Rongshan Property Services Co., Ltd. (河南融善物業服務有限公司), a company established in the PRC with limited liability on 28 June 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Henan Rongshou”	Henan Rongshou Gongchuang Property Management Co., Ltd. (河南融首共創物業管理有限公司), a company established in the PRC with limited liability on 6 June 2020 and an indirect subsidiary of our Company, which was owned as to 60% by Sunac Property Services and 40% by Shoujin Minzhi (Tianjin) Property Development Co., Ltd. (首金敏志(天津)置業發展有限公司), an Independent Third Party save for its equity interest in Henan Rongshou and Hubei Rongshou, as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Offer Shares”	the 48,300,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed “Structure of the Global Offering”

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering”
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set forth in the section headed “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 6 November 2020 relating to the Hong Kong Public Offering entered into by, among others, our Company, Sunac China, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses”
“Hubei Ronglin”	Hubei Ronglin Real Estate Brokerage Co., Ltd. (湖北省融鄰房地產經紀有限公司), a company established in the PRC with limited liability on 3 July 2019 and an indirect wholly-owned subsidiary of our Company
“Hubei Rongshou”	Hubei Rongshou Gongchuang Property Services Co., Ltd. (湖北融首共創物業服務有限公司), a company established in the PRC with limited liability on 5 June 2020 and an indirect subsidiary of our Company, which was owned as to 50% by Sunac Property Services and 50% by Shoujin Minzhi (Tianjin) Property Development Co., Ltd. (首金敏志(天津)置業發展有限公司), an Independent Third Party save for its equity interest in Hubei Rongshou and Henan Rongshou, as at the Latest Practicable Date
“Hubei Sunac”	Hubei Sunac Property Services Co., Ltd. (湖北融創物業服務有限公司), a company established in the PRC with limited liability on 8 June 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Hunan Sunac”	Hunan Sunac Property Services Co., Ltd. (湖南融創物業服務有限公司), a company established in the PRC with limited liability on 10 August 2020 and an indirect wholly-owned subsidiary of our Company
“Independent Third Party”	any entity or person who, to the best knowledge of our Directors, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 641,700,000 Offer Shares being initially offered by our Company pursuant to the International Offering (including any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option), subject to adjustment as described in the section headed “Structure of the Global Offering”
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price (i) to qualified institutional buyers in the United States in reliance on Rule 144A or another exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S, as further described in the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company and the International Underwriters, as further described in the section headed “Underwriting – The International Offering”
“Jiangxi Rongzheng”	Jiangxi Rongzheng Property Services Co., Ltd. (江西融政物業服務有限公司), a company established in the PRC with limited liability on 11 September 2020 and an indirect subsidiary of our Company, which was owned as to 51% by Sunac Property Services and 49% by Nanchang Municipal Public Asset Management Co., Ltd. (南昌市政公用資產管理有限公司), an Independent Third Party save for its equity interest in Jiangxi Rongzheng, as at the Latest Practicable Date

DEFINITIONS

“Jinan Sunac”	Jinan Sunac Property Services Co., Ltd, (濟南融創物業服務有限公司), a company established in the PRC with limited liability on 29 September 2020 and an indirect wholly-owned subsidiary of our Company
“Joint Bookrunners”	The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to the International Offering only), Credit Suisse (Hong Kong) Limited, ABCI Capital Limited, BOCI Asia Limited, CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited and ICBC International Capital Limited
“Joint Global Coordinators”	The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited
“Joint Lead Managers”	The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to the International Offering only), Credit Suisse (Hong Kong) Limited, ABCI Securities Company Limited, BOCI Asia Limited, CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited and ICBC International Securities Limited
“Joint Representatives”	The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited
“Joint Sponsors”	HSBC Corporate Finance (Hong Kong) Limited and Morgan Stanley Asia Limited

DEFINITIONS

“Latest Practicable Date”	1 November 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, 19 November 2020, on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“M&A”	mergers and acquisitions
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, which was conditionally adopted on 28 October 2020 with effect from the Listing Date, and a summary of which is set forth in Appendix III to this prospectus
“MOFCOM”	the Ministry of Commerce of the PRC
“MOHURD”	the Ministry of Housing and Urban-Rural Development
“Mr. Sun”	Mr. Sun Hongbin (孫宏斌), one of our Controlling Shareholders
“NCPM Acquisition”	has the meaning ascribed to it under “History, Reorganisation and Corporate Structure – Acquisition of New Century Property Management”

DEFINITIONS

“NDRC”	National Development and Reform Commission of the PRC
“New Century Property Management”	Zhejiang New Century Property Management Co., Ltd. (浙江開元物業管理股份有限公司), a company established in the PRC with limited liability on 26 June 2001 and which became an indirect subsidiary of our Company in May 2020, which was owned as to 84.92% by Tianjin Rongyue, 14.25% by Mr. Xie Jianjun who held such interest under share entrustment arrangement for Tianjin Rongyue and 0.83% by Independent Third Party shareholders as at the Latest Practicable Date, and where the context requires, including the subsidiaries of New Century Property Management
“Ningbo Sunac”	Ningbo Sunac Property Services Co., Ltd. (寧波融創物業服務有限公司), a company established in the PRC with limited liability on 4 September 2019 and an indirect wholly-owned subsidiary of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$12.65 and expected to be not less than HK\$10.55, at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined in the manner as further described in the section headed “Structure of the Global Offering — Pricing of the Global Offering”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together with any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 103,500,000 additional Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering, to, among other things, cover over-allocation in the International Offering, if any
“PRC Company Law”	Company Law of the PRC (中華人民共和國公司法)
“PRC government”	the government of the PRC, including all governmental sub-divisions such as provincial, municipal and other regional or local government entities
“PRC Legal Advisers”	Commerce & Finance Law Offices, legal advisers to our Company as to PRC laws
“Price Determination Date”	the date, expected to be on or about Thursday, 12 November 2020 and no later than Sunday, 15 November 2020 unless otherwise announced, on which the Offer Price is to be determined for the purposes of the Global Offering
“Property Law”	Property Law of the PRC (中華人民共和國物權法)
“Qingdao Sunac”	Qingdao Sunac A Tour Town Property Services Co., Ltd. (青島融創阿朶小鎮物業服務有限公司), a company established in the PRC with limited liability on 17 July 2018 and an indirect subsidiary of our Company, which was owned as to 70% by Sunac Property Services and 30% by Qingdao Longhai Property Services Co., Ltd. (青島隆海物業服務有限公司), an Independent Third Party save for its equity interest in Qingdao Sunac, as at the Latest Practicable Date
“Qingdao Sunac Livable Community”	Qingdao Sunac Livable Community Property Services Co., Ltd. (青島融創歸心物業服務有限公司), a company established in the PRC with limited liability on 14 September 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“qualified institutional buyer”	qualified institutional buyer within the meaning of Rule 144A
“Qualifying Sunac Shareholder(s)”	holder(s) of the Sunac Shares, whose names appear on the register of members of Sunac China on the Record Date, other than the Excluded Sunac Shareholders
“Record Date”	Thursday, 5 November 2020, being the record date for determining the entitlement of the Qualifying Sunac Shareholders to the Distribution
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the Listing, details of which are set forth in the section headed “History, Reorganisation and Corporate Structure – Reorganisation”
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAT”	the State Administration of Taxation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen Sunac”	Shenzhen Sunac Property Services Group Co., Ltd. (深圳融創物業服務集團有限公司), a company established in the PRC with limited liability on 12 December 2019 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Shijiazhuang Ronghong”	Shijiazhuang Ronghong Property Services Co., Ltd. (石家莊融弘物業服務有限公司) (formerly known as Shijiazhuang Ronghong Property Management Co., Ltd. (石家莊融弘物業管理有限公司)), a company established in the PRC with limited liability on 12 July 2019 and an indirect subsidiary of our Company, which was owned as to 54% by Shijiazhuang Sunac and 46% by Hebei Shuangchuang Pingan Investment Co., Ltd. (河北雙創平安投資有限公司), an Independent Third Party save for its equity interest in Shijiazhuang Ronghong, as at the Latest Practicable Date
“Shijiazhuang Ronglin”	Shijiazhuang Ronglin Real Estate Brokerage Co., Ltd. (石家莊市融鄰房地產經紀有限公司), a company established in the PRC with limited liability on 17 March 2020 and an indirect wholly-owned subsidiary of our Company
“Shijiazhuang Sunac”	Shijiazhuang Sunac Property Services Co., Ltd. (石家莊融創物業服務有限公司), a company established in the PRC with limited liability on 3 April 2019 and an indirect wholly-owned subsidiary of our Company
“Spin-off”	the separate listing of the Shares on the Main Board, which is expected to be effected by way of the Distribution and the Global Offering
“sq.m.”	square metre
“Stabilising Manager”	Morgan Stanley Asia Limited
“State Council”	the State Council of the PRC
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Sunac Services Investment and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Sunac China”	Sunac China Holdings Limited (融創中國控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 27 April 2007, whose shares are listed on the Main Board (Stock Code: 01918) and one of our Controlling Shareholders
“Sunac Group”	Sunac China and its subsidiaries, and for the purpose of this prospectus, excluding our Group
“Sunac International”	Sunac International Investment Holdings Ltd, a company incorporated in the BVI with limited liability on 26 April 2007 and one of our Controlling Shareholders
“Sunac Life Services”	Sunac Life Services Group Limited (融創生活服務集團有限公司), an exempted company incorporated under the Cayman Company Law with limited liability on 11 January 2019 and an indirect wholly-owned subsidiary of our Company
“Sunac PRC Stock Connect Investor(s)”	the PRC southbound trading investor(s) through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect who hold Sunac Shares through ChinaClear as nominee
“Sunac Property Services”	Sunac Property Services Group Co., Ltd. (融創物業服務集團有限公司) (formerly known as Tianjin Sunac Property Management Co., Ltd. (天津融創物業管理有限公司)), a company established in the PRC with limited liability on 16 January 2004 and an indirect wholly-owned subsidiary of our Company
“Sunac Real Estate”	Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司) (formerly known as Tianjin Sunac Property Co., Ltd. (天津融創置地有限公司)), a company established in the PRC with limited liability on 31 January 2003 and an indirect wholly-owned subsidiary of Sunac China
“Sunac Services Investment”	Sunac Services Investment Limited (融創服務投資有限公司), a company incorporated in the BVI with limited liability on 2 January 2019 and one of our Controlling Shareholders

DEFINITIONS

“Sunac Services Investment I”	Sunac Services Investment I Limited (融創服務投資(一)有限公司), a company incorporated in the BVI with limited liability on 8 January 2019 and a direct wholly-owned subsidiary of our Company
“Sunac Services Investment II”	Sunac Services Investment II Limited (融創服務投資(二)有限公司), a company incorporated in the BVI with limited liability on 8 January 2019 and a direct wholly-owned subsidiary of our Company
“Sunac Services Investment III”	Sunac Services Investment III Limited (融創服務投資(三)有限公司), a company incorporated in the BVI with limited liability on 8 January 2019 and a direct wholly-owned subsidiary of our Company
“Sunac Services Share Award Scheme Trust”	a trust established on 2 November 2020, with Sunac Shine being appointed as the trustee, for the purpose of a share incentive scheme to be adopted by our Company at least six months after Listing
“Sunac Share(s)”	ordinary share(s) of Sunac China with a nominal value of HK\$0.10 each
“Sunac Shareholder(s)”	holder(s) of Sunac Shares
“Sunac Shine”	Sunac Shine (PTC) Limited, a private trust company limited by shares incorporated in the BVI on 31 March 2020 and wholly owned by Sunac China as a special purpose vehicle to hold Shares as the trustee of the Sunac Services Share Award Scheme Trust
“Sunac Sunshine”	Langfang Sunac Sunshine Property Services Co., Ltd. (廊坊市融創陽光郡物業服務有限公司), a company established in the PRC with limited liability on 17 June 2020 and an indirect subsidiary of our Company, which was owned as to 55% by Sunac Property Services and 45% by Beijing Sunshine Property Services Co., Ltd. (北京陽光郡物業服務有限公司), an Independent Third Party save for its equity interest in Sunac Sunshine, as at the Latest Practicable Date

DEFINITIONS

“Sunac Tourism Property”	Tianjin Sunac Tourism Property Co., Ltd. (天津融創旅居置業有限公司), a company established in the PRC with limited liability on 24 January 2018 and an indirect wholly-owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC
“Tianjin Biaodi”	Tianjin Biaodi Investment Consultancy Co., Ltd. (天津標的投資諮詢有限公司), a company established in the PRC with limited liability on 7 May 2008, which is indirectly wholly owned by Mr. Sun
“Tianjin Fengwu”	Tianjin Fengwu Technology Co., Ltd. (天津鋒物科技有限公司), a company established in the PRC with limited liability on 19 August 2019 and an Independent Third Party in which Sunac Property Services has acquired 24.1726% equity interest, details of which are set out in “Waivers from Strict Compliance Requirements under the Listing Rules” of this prospectus
“Tianjin Rongjia”	Tianjin Rongjia Property Services Co., Ltd. (天津融嘉物業服務有限公司), a company established in the PRC with limited liability on 28 March 2019 and an indirect wholly-owned subsidiary of our Company
“Tianjin Rongju”	Tianjin Rongju Management Consultancy Co., Ltd. (天津融聚管理諮詢有限公司), a company established in the PRC with limited liability on 11 September 2020 and an indirect wholly-owned subsidiary of our Company
“Tianjin Rongyue”	Tianjin Rongyue Management Consultancy Co., Ltd. (天津融悅管理諮詢有限公司), a company established in the PRC with limited liability on 21 March 2020 and an indirect wholly-owned subsidiary of our Company
“Tianjin Rongzhen”	Tianjin Rongzhen Investment Co., Ltd. (天津融臻投資有限公司), a company established in the PRC with limited liability on 9 March 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Tianjin Sunac”	Tianjin Sunac Property Management Services Co., Ltd. (天津融創物業管理服務有限公司) (formerly known as (Sunac Property (Tianjin) Commercial Operational Management Co., Ltd. (融創置地(天津)商業運營管理有限公司)), a company established in the PRC with limited liability on 21 June 2010 and an indirect wholly-owned subsidiary of our Company
“Tianjin Sunac Engineering”	Tianjin Sunac Engineering Equipment Installation Co., Ltd. (天津融創工程設備安裝有限公司), a company established in the PRC with limited liability on 13 May 2016 and an indirect wholly-owned subsidiary of our Company
“Tianjin Sunac Zhijia”	Tianjin Sunac Zhijia Life Services Co., Ltd. (天津融創致家生活服務有限公司), a company established in the PRC with limited liability on 25 December 2018 and an indirect wholly-owned subsidiary of our Company
“Tianjin Yushun”	Tianjin Yushun Car Sales Services Co., Ltd. (天津悞舜汽車銷售服務有限公司), a company established in the PRC with limited liability on 22 December 2006 in which Tianjin Sunac Zhijia has agreed to acquire 100% equity interest, upon completion of which Tianjin Yushun will become an indirect wholly-owned subsidiary of our Company, details of which are set out in “Waivers from Strict Compliance Requirements under the Listing Rules” of this prospectus
“Track Record Period”	the three years ended 31 December 2019 and the six months ended 30 June 2020
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“Wenzhou Sunac”	Wenzhou Sunac Property Services Co., Ltd. (溫州融創物業服務有限公司), a company established in the PRC with limited liability on 8 January 2020 and an indirect wholly-owned subsidiary of our Company
“ WHITE Application Form”	the application form to be completed in accordance with the instructions in the section headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 3. Applying for the Hong Kong Offer Shares — Which Application Channel to Use”, for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name
“ WHITE Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of WHITE Form eIPO at www.eipo.com.hk
“ WHITE Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xinjiang Sunac”	Xinjiang Sunac Property Services Co., Ltd. (新疆融創物業服務有限公司), a company established in the PRC with limited liability on 14 August 2018 and an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form”	the application form to be completed in accordance with the instructions in the section headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 3. Applying for the Hong Kong Offer Shares — Which Application Channel to Use”, for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

DEFINITIONS

“Zhejiang Sunac”

Zhejiang Sunac Property Services Co., Ltd. (浙江融創物業服務有限公司) (formerly known as Zhejiang Sunac Property Management Co., Ltd. (浙江融創物業管理有限公司)), a company established in the PRC with limited liability on 22 May 2017 and an indirect wholly-owned subsidiary of our Company

The English translation of PRC laws, regulations, governmental authorities, enterprises, natural persons or other entities in Chinese included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese language and the English translation, the Chinese language shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus 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.

“2019 Large-Scale Top 100 Property Management Companies”	the 36 property management companies of the Top 100 Property Management Companies for 2019 which had either a GFA under management exceeding 50 million sq.m. or a contracted GFA exceeding 100 million sq.m. as at 31 December 2019, according to China Index Academy
“average property management fee(s)”	weighted average property management fee(s) charged per sq.m. per month with reference to revenue-bearing GFA of the relevant property management projects as at a relevant date excluding package price projects
“commission basis”	a revenue generating model for our property management services whereby our fee income from property management consists only of either a specified percentage or fixed amount of, the property management fees received or receivable from the customers while the remainder of such property management fees would be used to cover the expenses incurred in our management of the relevant properties and any excess or shortfall of the property management fees (after deducting the relevant expenses) belong to or are borne by the relevant customers
“common area”	common areas jointly owned by the property owners, including parking lots, facility rooms, management offices, swimming pools and club houses, as well as the passageways and landscape area within the communities we manage
“contracted GFA”	GFA under management or contracted GFA to be managed by us under property management service contracts, including both delivered and undelivered contracted GFA

GLOSSARY OF TECHNICAL TERMS

“first- and second-tier cities”	according to China Index Academy and as specified by China Business News, such cities included the following in China as at the Latest Practicable Date: (i) first-tier cities comprising Beijing, Shanghai, Shenzhen and Guangzhou; (ii) new first-tier cities comprising Chengdu, Chongqing, Hangzhou, Wuhan, Xi’an, Tianjin, Suzhou, Nanjin, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Hefei and Foshan; and (iii) second-tier cities comprising Ningbo, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Baoding, Lanzhou, Taizhou, Shaoxing, Yantai and Langfang
“GFA”	gross floor area
“GFA under management”	contracted GFA of properties for which we have started to provide property management services pursuant to the relevant property management service contracts
“Internet of Things”	the extension of Internet connectivity into physical devices and everyday objects, permitting those devices and objects to collect and exchange data, or to be remotely monitored and controlled
“IT”	information technology
“lump sum basis”	a revenue generating model for our property management services whereby we charge a pre-determined property management fee which represents the “all-inclusive” fees for all of the property management services provided by us with respect to the managed properties and we bear the costs and expenses in managing the relevant properties

GLOSSARY OF TECHNICAL TERMS

- “other sources of projects”
- property management projects which are not developed by Sunac Group, either solely or jointly with other parties. During the Track Record Period and up to 30 September 2020, other sources of projects under our management included Jinhua Xiaojun Garden project in Zhejiang, Tianjin Planning Exhibition Hall project, Binhu Building project in Tianjin, Harbin University of Science and Technology project in Heilongjiang, Hebin Zhicheng Yulanxuan project in Hangzhou and all projects managed by New Century Property Management. Save from these other sources of projects, other property management projects managed by us during the aforementioned periods were developed by Sunac Group (and its joint ventures and associates)
- “overall strength”
- China Index Academy ranks the overall strength of property management companies by evaluating the following aspects:
- property management scale, taking into account total assets, number of properties under management, GFA under management and number of cities where the company operates;
 - operational performance, taking into account the total revenue, gross profit, net profit, revenue per employee and operating costs as a percentage to total revenue;
 - service quality, taking into account customer satisfaction rate, property management fee collection rate, property management contract renewal rate and number of star-level communities;
 - growth potential, taking into account revenue growth, growth of GFA under management, reserved GFA and number and composition of employees; and
 - social responsibility, taking into account amount of tax paid, number of job opportunities created, total GFA under management of affordable housing and amount of enterprise donation

GLOSSARY OF TECHNICAL TERMS

“package price projects”	property management projects for which we charge a package price on a per project basis without reference to any GFA
“reserved GFA”	contracted GFA of reserved property management projects which represent the difference between contracted GFA and GFA under management as at a relevant date
“residential communities” or “residential properties”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
“revenue-bearing GFA”	the GFA under management with reference to which we charge property management fees, which excludes (i) the GFA under management of certain common areas, such as facility rooms, management offices, club houses and swimming pools, and (ii) the GFA under management of package price projects
“Top 100 Property Management Companies”	an annual ranking of China-based property management companies by overall strength published by China Index Academy based on a number of key indicators, including property management scale, operational performance, service quality, growth potential and social responsibility, which comprised 100, 100, 100, 210, 200, 200, 220 and 244 such companies, respectively, for 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019, where the number of companies for each of 2015, 2016, 2017, 2018 and 2019 exceeded 100 as multiple companies with very close scores were assigned the same ranking by China Index Academy, and the Top 10 Property Management Companies refer to the top 10 property management companies of such ranking by China Index Academy for each of the relevant years

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “anticipate”, “believe”, “likely”, “could”, “should”, “ought to”, “estimate”, “expect”, “intend”, “may”, “aim”, “plan”, “seek”, “will”, “would”, “assume”, “aspire”, “going forward”, “project”, “potential” and other similar expressions. These forward-looking statements relate to, among others:

- our operations and business prospects;
- our future business development, financial condition and results of operations;
- our ability to successfully implement our business plans and strategies;
- the competitive landscape for our business and the development and actions of our existing and future competitors;
- consumer behaviour and preferences and market trends for our services;
- the regulatory environment and industry outlook for the property management market;
- general political, economic, legal and social conditions and government policies in Hong Kong, China and other overseas markets;
- fluctuations in the exchange rate of the Hong Kong dollar against U.S. dollars or Renminbi;
- our proposed use of proceeds from the Global Offering;
- our future capital needs and capital expenditure plans;
- development and effect of COVID-19;
- our dividend payout;
- other statements in this prospectus that are not historical facts; and
- other factors beyond our control.

The forward-looking statements contained in this prospectus relate only to events or information as at the date of on which the statements are made in this prospectus. We do not undertake to update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. Our business, financial position and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not procure new service contracts as planned or at desirable pace or favourable terms and a substantial portion of the properties under our management during the Track Record Period were developed by Sunac Group

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

In addition, a substantial portion of our property management service contracts during the Track Record Period were related to the management of properties developed by Sunac Group (and its joint ventures and associates). Our revenue from the management of these properties accounted for 99.4%, 99.1%, 99.6%, 99.6% and 86.6% of our revenue from property management services for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

As we do not have control over the management strategy of Sunac Group, any measures that the PRC government may adopt to further regulate the property market, or the macro-economic or other factors that may affect the business operations and prospects of Sunac Group, any adverse development in the operations of Sunac Group or its ability to develop new properties may affect our ability to procure the relevant new service contracts for property management services and value-added services to non-property owners. We cannot assure you that Sunac Group will engage us to provide property management services or value-added services to non-property owners for any property they develop, particularly because the appointment of property management companies for the preliminary property management service contracts of residential properties is generally subject to a tender and bidding process under PRC laws. Moreover, the aforementioned properties developed by Sunac Group (and its joint ventures and associates) included those jointly developed by Sunac Group and other parties in which Sunac Group did not hold a controlling interest. As Sunac Group does not have control or significant influence over these projects and the other parties developing the properties may have various reasons, including commercial considerations, for engaging property management companies other than us, we cannot guarantee that we would be engaged to provide property management services to such projects or to renew our existing service contracts upon expiry.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, we had also, to a much lesser extent, procured property management service contracts from sources of projects other than those developed by Sunac Group (or its joint ventures or associates) and procured contracts for value-added services to non-property owners from property developers other than Sunac Group (or its joint ventures or associates). However, we cannot assure you that we can procure these service contracts from other sources or other customers as planned or at desirable pace or favourable terms. In such cases, our results of operations and prospects may be materially and adversely affected. Moreover, as we cannot guarantee that the gross profit margins from property management services provided to other sources of projects would be comparable to margins from those developed by Sunac Group (and its joint ventures and associates), our profitability may decrease in the future as we expand our property management portfolio to other sources of projects if the gross profit margin attributable to such other sources of projects are lower than that attributable to properties developed by Sunac Group (and its joint ventures and associates).

Our future growth may not materialise as planned and failure to manage any future growth effectively may have a material adverse effect on our business, financial position and results of operations

We experienced rapid growth in revenue and profitability historically during the Track Record Period. We benefit from organic growth as well as mergers and acquisitions of other property management companies to expand continuously through increasing the total GFA under management and the number of properties that we manage in both existing and new markets. In addition, we are also expanding the value-added services we provide with diversified service types and an enlarged customer base. Our GFA under management was 20.0 million sq.m., 28.6 million sq.m., 53.0 million sq.m. and 105.4 million sq.m. as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

However, our expansion is based upon our forward-looking assessment of market prospect and there is no guarantee that we will continue to succeed in our business expansion efforts going forward. We cannot guarantee that our assessment will always turn out to be correct or we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include challenges from rising labour and other operating costs, intensive competition for business opportunities, changes in China's economic condition and regulatory environment in general and in the real estate and property management markets, in particular, changes in the supply and demand for property management and value-added services, as well as availability of suitable and capable employees and third-party service providers for our expansion efforts, and the evolving needs and preference of customers and business partners.

To succeed in our business expansion in obtaining new service engagements and expanding market share and customer base, we will need to recruit and train competent employees, select third-party service providers as suppliers, strengthen cooperation with other business partners, continue to build our operations and reputation, and understand the evolving

RISK FACTORS

needs and preference of our customers and business partners, within a relatively short period of time. We may have limited knowledge of the local property management service markets or have little or no prior business experience in the new markets that we may expand into. In addition, we may face difficulties in adapting to the administrative and regulatory environments in new markets, which could be substantially different from those in our established markets. We may not have the same level of familiarity with business practices of the new markets or relationships with third-party service providers and other business partners in such markets as we do in our established markets. We may have limited ability to leverage our brand name in new markets in the way that we have done so in our established markets, and may face more intense competition from other property management companies or property developers that manage their own properties in those new markets. Moreover, compared to our historical results of operations, we may not experience the same rate of growth of gross profit and gross profit margin of the property management services in the future as we expand our portfolio to cover more properties in new locations or markets, especially during the initial stages of entry when economy of scale has yet to be achieved.

Furthermore, our future growth depends on our management's ability to improve our administrative, technical, operational and financial infrastructure. Our ability to maintain our future growth also depends on our ability to recruit, retain, train, supervise and manage additional officers and employees, replicate our business model, allocate our human resources and manage our relationships with a growing number of customers, suppliers and other business partners. Our historical results and growth may not be indicative of our future prospects and results of operations. For instance, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019. However, there can be no assurance that our future growth will materialise at a desirable rate, if at all, or that we will be able to manage our future growth effectively, and such failure would have a material adverse effect on our business, financial position and results of operations.

Termination or non-renewal of our property management service contracts for a significant number of properties could have a material adverse effect on our business, financial position and results of operations

During the Track Record Period, we generated a substantial part of our revenue from property management services. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated from our property management services accounted for 51.7%, 41.3%, 40.6%, 42.2% and 58.8% of our total revenue, respectively. Our preliminary property management service contracts generally do not have a fixed term and can be terminated when the property owners select another property management service provider through the property owners' general meeting and a replacing property management service contract entered into by the property owners' association takes effect. The property management service contracts we entered into with property owners' associations generally have fixed terms which will need to be renewed upon expiry and can be terminated for cause. For details, see "Business — Property Management Services — Property

RISK FACTORS

Management Service Contracts”. There is no assurance that our services can be provided at a satisfactory level for us to be selected by the relevant property owners to enter into subsequent property management service contracts.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the retention rates of our property management service contracts (being the number of property management service contracts effective as at the relevant period end divided by the number of property management service contracts existing during the same period) were 99.2%, 98.9%, 99.7% and 99.6%, respectively. Even where we succeed in entering into property management service contracts with property owners’ associations, we cannot guarantee that they will be renewed upon expiration. If such contracts are not renewed or are terminated for cause, there is no guarantee that we would be able to find other business opportunities and enter into alternative property management service contracts on favourable terms, or at all. Termination or non-renewal of a significant number of management service contracts could have a material and negative impact on our revenue from property management services.

In addition, the development and operational success of our community value-added services, to certain extent, rely upon the number of properties we manage. Therefore, any failure to renew our property management service contracts or termination of such contracts could also adversely affect the performance of our other businesses.

Our business, financial performance and prospects may be materially and adversely affected if we are unable to control operating costs, maintain or improve our level of profitability

The property management industry is labour intensive. To maintain and improve our profit margins, it is critical for us to control and reduce our labour and sub-contracting costs as well as other operating costs. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, staff cost accounted for 58.5%, 62.4%, 62.6%, 65.3% and 61.9%, respectively, of our total cost of sales, and our sub-contracting cost (representing security, maintenance, cleaning and greening cost) accounted for 26.3%, 22.9%, 20.8%, 18.1% and 23.1%, respectively, of our total cost of sales. We face upward pressures in our labour and sub-contracting costs from various aspects, including but not limited to:

- increase in wages. Minimum wages across China are set at the regional level based largely on standards determined by relevant local governments. The minimum wages in some of the regions in which we operate have increased substantially in recent years, directly impacting our labour costs. In addition, the competition for recruiting qualified employees in the PRC property management industry is intense, which could require us to pay higher wages in our recruitment and make greater efforts on employee retention, this will result in an increase in our labour costs accordingly;

RISK FACTORS

- increase in headcount. As we expand our operations, we expect our headcount to continue to increase. In addition to our labour cost, this increase in headcount also increases other associated costs such as those related to training and quality control measures. We will also need to retain and continuously recruit qualified employees to meet our growing demands for talent; and
- delay in implementing cost-saving measures. There is a lapse in time between our commencement of property management services for a particular property and any implementation of our measures to achieve the standardisation of procedures, operational optimisation and smart management to reduce our relevant operating costs. Before we carry out such measures, our ability to mitigate the impact of cost increase is limited.

As our business expands and our services and property management portfolio diversify, we cannot guarantee you that we will be able to control or reduce our operating costs, improve our cost structure and efficiency while continuously improving our service quality. As it may be practically difficult for us to negotiate with property owners to raise the property management fees or otherwise negotiate for a raise in our other service fees with our customers, we cannot guarantee to successfully pass the cost impact to the prices (including the property management fees) charged by us so as to maintain our profitability. If we cannot successfully control cost and maintain profitability, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to losses and our profit margins may decrease if we fail to control costs or raise the property management fee in performing our property management services on a lump sum basis

During the Track Record Period, we generated substantially all of our revenue from property management services on a lump sum basis, which accounted for 100%, 100%, 99.9%, 99.9% and 99.9% of our total revenue from property management services for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. On a lump sum basis, we generally charge property management fees at a pre-determined fixed lump sum price, representing “all-inclusive” fees for the property management services provided. These property management fees are fixed regardless of the actual amount of property management costs we incur. On a lump sum basis, we recognise as revenue the full amount of property management fees we charge to customers, and recognise as our cost of sales the actual costs we incur in connection with rendering our property management services. For further details, see “Business — Property Management Services — Revenue Model of Property Management Services”. In the event that we fail to accurately estimate our actual costs prior to negotiating and entering into our property management service contracts and the amount of property management fees that we charge proves insufficient to cover all the costs we incur for rendering the property management services, we are not entitled to collect the shortfall from the relevant property owners, residents or property developers. As a result, we may suffer losses. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had 41, 50, 61 and 67 property management projects managed on a lump sum

RISK FACTORS

basis which had incurred losses during the Track Record Period and the property management service revenue from such projects accounted for 21.7%, 10.3%, 5.8% and 3.1% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively, based on our unaudited management accounts. We had continued to manage certain of those projects with a view to gradually improving their profitability through various cost-saving measures. However, we cannot ensure that these measures will be effective for improving the profitability of such projects. For further details of our loss-making projects, see “Business — Property Management Services — Revenue Model of Property Management Services”.

We can negotiate with property owners to raise the property management fees upon contract renewal or through obtaining approval from the requisite number of property owners under applicable PRC laws and regulations. However, we may not be successful in raising property management fees. In such cases and when there is a shortfall in working capital after deducting the property management costs, our profit margins would be adversely affected. In such events, we may seek different measures to cut costs with a view to reducing the shortfall. However, such mitigating measures may not be successful in raising our profit margin, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce customers’ willingness to pay us higher property management fees and, accordingly, adversely affect our reputation, business operations and financial position.

Our mergers and acquisitions may not achieve the desired benefits. We may face difficulties in integrating acquired operations with our existing business

We have been expanding, and plan to continue to expand, our business in part through mergers or acquisitions of other property management companies and other businesses that are complementary to our existing business and integration of their operations into ours. However, there can be no assurance that we will be able to identify suitable opportunities, especially in light of the competitive market environment of the property management industry in China. We may face fierce competition for high-quality property management or other companies that could be potential acquisition and/or investment targets. Even if we do manage to identify suitable opportunities, we may not be able to complete the mergers and acquisitions on terms favourable or acceptable to us or in a timely manner, or at all. The inability to identify suitable merger and acquisition targets or to complete acquisitions may materially and adversely affect our competitiveness and prospects.

In addition, mergers and acquisitions involve uncertainties and risks and we may fail to integrate the acquired operations with our existing business or achieve the desired benefits from such transactions, which could have a material adverse effect on our results of operations. Such uncertainties and risks include, without limitation: (i) the size and complexity of the business of the target; (ii) potentially dilutive issuance of equity securities and/or significant cash outflows in our efforts to finance the relevant transactions; (iii) additional hidden costs associated with such transactions, potential ongoing financial obligations and unforeseen or hidden liabilities; (iv) potential increase in depreciation charges or amortisation in the event

RISK FACTORS

that the target is rich in fixed assets; (v) failure to effectively integrate the target's operations with our existing business, particularly when integrating the existing workforce and business systems with such target(s); (vi) failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; (vii) the risks of operating in new markets, unfamiliarity with new regulatory regimes, differences in corporate cultures; and (viii) the inability to retain the personnel of the target.

Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations. Although we plan to improve service quality, reduce operating cost and increase the profitability of the targets, we cannot assure you that our historical mergers or acquisitions or any other future target would achieve our desired strategic objectives or expected return on investment.

Furthermore, a portion of the net proceeds raised from the Global Offering will be used to pursue strategic investment and acquisition opportunities. For more information, see "Future Plans and Use of Proceeds — Use of Proceeds". As at the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering. In the event that we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons beyond our control, we would not have effectively applied our proceeds from the Global Offering as currently intended.

We may need to make an impairment with respect to goodwill and other intangible assets

We had intangible assets of RMB15.1 million, RMB20.2 million, RMB63.2 million and RMB1,327.1 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which included goodwill of nil, nil, nil and RMB1,020.2 million as at such dates. The goodwill recorded as at 30 June 2020 resulted from our acquisition of New Century Property Management in May 2020. We may need to make an impairment with respect to goodwill or other intangible assets mainly as a result of our mergers and acquisitions. We generally test goodwill and other intangible assets, such as customer relationships, for impairment as at the end of a financial year, or more frequently if events or circumstances indicate that such intangible assets might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in business performance and/or expected future business performance driven by factors including but not limited to degradation in business or legal climates, an adverse regulatory action, unanticipated competition or an inability to execute our strategy initiatives. If we fail to achieve our desired objectives, potential benefits or other revenue-enhancing opportunities that motivated our relevant acquisitions or if any unforeseen circumstances otherwise decreases the expected cash flows from acquired assets, the recoverable amount can be lower than the carrying amount on our financial statements. Under such circumstance, we may need to record impairments against our goodwill or other intangible assets in our financial statements, which may reduce our assets and materially and adversely affect our financial position.

RISK FACTORS

Our historical results of operations may not be indicative of our future performance due to our mergers and acquisitions

We have been expanding our business, in part, through mergers and acquisitions of companies complementary for our business development.

We acquired a controlling interest in New Century Property Management in May 2020. Stand-alone financial information of New Century Property Management (including its subsidiaries) for the three years ended 31 December 2017, 2018 and 2019 and the period from 1 January 2020 to 7 May 2020 prior to our acquisition of New Century Property Management is included in Appendix IB to this prospectus. Our historical financial information during the Track Record Period currently disclosed in the Accountant's Report in Appendix IA to this prospectus only includes the financial information of New Century Property Management since its financial results were consolidated into ours on 8 May 2020 and may not necessarily be reflective of our future results of operations or financial position. In addition, investors are also cautioned not to combine the respective financial information of our Group and New Century Property Management for any period of the Track Record Period as such a combination would not necessarily reflect the actual financial information of our Group and New Century Property Management for the relevant period(s). For further information regarding the acquisition of New Century Property Management, see "History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management", "Business — Acquisition of New Century Property Management" and "Financial Information — Financial Information of New Century Property Management".

Pursuant to the acquisition of Chengdu Global Century by Sunac China in 2019 and as part of the Reorganisation, the financial information of Chengdu Global Century has been included in the financial information of our Group since 31 December 2019 for purposes of the Accountant's Report. The total identifiable net assets of Chengdu Global Century were consolidated into our historical financial information since 31 December 2019 and the results of operations of Chengdu Global Century were included in our financial information for the Track Record Period only for the period from 31 December 2019 through 30 June 2020. In particular, the year-on-year analysis on our financial performance may not be presented on a directly comparable basis with respect to Chengdu Global Century. For further information regarding the consolidation of Chengdu Global Century, see Note 12 of the Accountant's Report in Appendix IA to this prospectus.

As a result of the foregoing, we cannot assure you that our financial performance during the Track Record Period will be indicative of our results of operations in the future and it may be difficult for you to evaluate our consolidated business, results of operations and prospects as a result of the limited track record of our Group in its current state. You should not rely on our results of operations during any period in the past to measure our future financial or operational performance.

RISK FACTORS

We may not be able to collect service fees from customers and as a result, may incur impairment losses on receivables or cash outflow of operating activities

We may encounter difficulties in collecting service fees from customers, such as property management fees from property owners and residents. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective. Before accepting new engagements, we may assess the historical collectability of property management fees for these properties. However, there is no assurance that such assessment would enable us to accurately predict our future property management fee collection rates. Moreover, although most of the property management fees were paid to us through non-cash methods such as bank transfers during the Track Record Period, certain property owners and residents may choose to pay their property management fees in cash, which may impose cash management risks on us.

The balance of our allowance for impairment of trade receivables was RMB5.2 million, RMB6.1 million, RMB11.7 million and RMB17.4 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Although our management's estimates and the related assumptions were made in accordance with information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more of such impairment allowance, which may in turn materially and adversely affect our business, financial position and results of operations.

In addition, we may from time to time have relatively low settlement rate of trade receivables due to seasonal fluctuations in the collection of our trade receivables. For instance, our collection rates of property management fees from customers, calculated as the property management fees collected by the end of the relevant period (including any such fees received for previous period(s) and any prepaid fees received for future period(s)) divided by the corresponding total property management fees receivable for the same period, were 100.2%, 109.4%, 111.7%, 90.1% and 78.6% for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. The relatively lower property management fee collection rate for the six months ended 30 June 2019 and 2020 as compared to the full-year rates was mainly attributable to seasonal fluctuations of such rates which we believe reflects certain of our customers' tendency to pay their property management fees toward the year-end out of payment preference and convenience. We may also encounter lower collection of trade receivables for value-added services to non-property owners during the first few months in a year, in particular, during the Chinese Lunar New Year. Seasonal fluctuations in our property management fee collection rates and trade receivables require that we manage our liquidity carefully so as to provide our business with adequate cash for operations. If we are unable to collect service fees from customers or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

RISK FACTORS

We had net cash used in operating activities for the six months ended 30 June 2019 and 2020, respectively

For the six months ended 30 June 2019 and 2020, we recorded net cash used in operating activities of RMB12.2 million and RMB17.6 million, respectively, primarily due to seasonal fluctuations for collection of trade receivables, in particular, relatively lower collection of property management fees during such periods. See “Financial Information — Liquidity and Capital Resources — Cash Flows from Operating Activities”. We cannot assure you that we will not experience negative net cash flows in the future. Negative net operating cash flows may require us to obtain sufficient liquidity to meet our financial needs and obligations. If we are unable to do so, we may be in default of our payment obligations and may not be able to develop our business as planned or meet our capital expenditure requirements. As a result, our business, financial position and results of operations may be materially and adversely affected.

We are exposed to risks associated with engaging third-party sub-contractors to perform certain property management services and value-added services

In conducting our business, we delegate certain non-core services, such as cleaning, greening, maintenance and security services, to third-party sub-contractors. We select our sub-contractors based on factors such as market reputation, qualifications, prices and track record. However, we cannot guarantee that they will always perform in accordance with our expectations and we may not be able to monitor the services of our sub-contractors as directly and effectively as when monitoring the work of our own employees. They may take actions contrary to our or our customers’ instructions or requests, or be unable or unwilling to fulfil their obligations or meet our quality standards. They may have financial difficulty, or may not have obtained or renewed on a timely basis the relevant business permits or license for the provision of their services. As a result, we may have disputes with our sub-contractors, or may receive complaints from our customers or 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. Upon the expiration of contracts with our current sub-contractors, there can be no assurance that we will be able to renew such contracts or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our third-party sub-contractors fail to maintain a stable team of qualified labour or are unable to access a stable supply of qualified labour, the work process may be interrupted. Any interruption to the sub-contractors’ work process may potentially result in a breach of the contract that we entered into with our customers. Any of such events could materially and adversely affect our service quality, reputation, as well as our business, financial position and results of operations.

RISK FACTORS

Our prospects may be adversely affected by COVID-19 or other adverse public health developments

In 2020, the COVID-19 disease quickly spread across in China and globally. The outbreak of COVID-19 has, amongst others, endangered the health of many people in China, resulting in a large number of confirmed cases and deaths and significantly disrupted economies in and outside of China. In order to prevent and control the outbreak of COVID-19, the local governments of various regions in which we operate had introduced a series of continuous control measures, including but not limited to restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement schedules of construction in new and existing property development sites. Indeed, such adverse epidemics may severely affect and restrict the level of economic activity in China as the local government in the regions we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China. Any contraction or slowdown in the economic growth of China could adversely affect our business, financial condition, results of operations and prospects.

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

We are uncertain as to when the outbreak of COVID-19 will be fully contained, and we also cannot predict if the impact will be short-lived, recurring or long-lasting. If the outbreak of COVID-19, or any similar adverse public health developments, is not effectively controlled, our business operations and financial condition may be materially and adversely affected. See “Business — Impact of the Outbreak of COVID-19 on Our Business” for further details.

RISK FACTORS

We are subject to the regulatory environment and measures affecting the PRC property management and real estate industries

Our operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities in the PRC. For example, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow PRC government guidance prices. Although government-imposed price controls on property management fees may continue to relax over time pursuant to the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知) (發改價格[2014]2755號), which became effective on 17 December 2014, the property management fees we charge, such as those for preliminary property management service contracts, may still need to follow guidance prices imposed by local governments in different regions in China. In addition, if the property management fees we charge are not ratified by the relevant PRC authorities or otherwise not in compliance with the relevant requirements for government guidance prices, we may be subject to applicable administrative penalties and our property management fees in excess of the guidance price may be confiscated by the relevant PRC authorities. For more information, see “Business — Property Management Services — Property Management Fees — Pricing of Property Management Fees”. Government-imposed limits and other regulatory requirement on property management fees could have a negative impact on our earnings. We cannot guarantee that the government regulations on property management fees and other matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

In addition, as we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations for various aspects of our business operations. As the size and scope of our operations had increased during the Track Record Period, the difficulty of ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with the related local regulations, we may be subject to penalties by the competent PRC authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase our costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our reputation, business, financial position and results of operations.

RISK FACTORS

Moreover, we may also be affected by the PRC government regulations on the real estate industry. The PRC government had in the past introduced various restrictive measures to discourage speculation in the real estate market and has exerted 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, real estate financing and taxation. 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 and occupancy rates 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. In particular, the PRC government may introduce other initiatives or implement more stringent measures in the future, such as setting caps on certain debt ratios, with a view to controlling the increase of the debt levels in the real estate sector. Such potential initiatives or measures, once in place, may further limit property developers' access to capital and slow down the overall growth of the real estate sector and expansion of property developers, including Sunac Group, which may in turn negatively impact the growth of the property management industry and the supply of new properties for management by property management companies like us. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of residents or tenants of the properties we manage, resulting in lower demand for our services and lower revenue for us. As such, our business, financial condition and results of operations could be materially and adversely affected.

Our property management service contracts may have been obtained without going through the required tender and bidding process

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

RISK FACTORS

We cannot assure you that we would obtain the preliminary property management service contracts by going through the required tender and bidding process under PRC laws, especially where such tender and bidding process needs to be initiated by the relevant property developers. As advised by our PRC Legal Advisers, there are currently no specific laws and regulations in the PRC which set out administrative penalties upon property management companies for failing to enter into preliminary property management service contracts with property developers through a required tender and bidding process. However, as further advised by our PRC Legal Advisers, such preliminary property management service contracts may be determined to be invalid by the local judicial authorities depending on the circumstances of the case. If such events occur, the relevant property developer may need to organise a tender and bidding process to select a property management service provider for the relevant property management projects. If we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

We are in a competitive business with various competitors and 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

The PRC property management industry is competitive and fragmented. See “Industry Overview — Competition”. Our major competitors include national and regional property management companies. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing or new markets. We compete with our competitors on a number of factors, including operation scale, service quality and price, customer base, technical capabilities, brand recognition and financial resources. Our competitors may have better track records, longer operating histories and greater financial, technical, sales, marketing and other resources, as well as greater brand 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. In addition to competition from established competitors, other companies may enter the property management industry in our existing or new markets. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success can be partially attributed to our standardisation and smart management of operations in providing our services. We plan to continue with such efforts to enhance the quality and consistency of our services, improve our service efficiency and reduce costs. If we fail to continue to improve such practices, we may not be able to compete successfully in the market. 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.

RISK FACTORS

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

We accept payments through a variety of methods, including payments with credit cards and debit cards issued by banks in the PRC, as well as payments through third-party online payment platforms. For certain payment methods, including credit and debit cards, we may 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 in connection with the various payment methods we use, including e-commerce payment options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation 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 higher transaction fees and lose our ability to accept credit and debit card payments from customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial position and results of operations could be adversely affected. Moreover, transactions conducted through third-party payment platforms involve the transmission of confidential information such as credit card numbers, personal information and billing addresses over public networks. In recent years, the use of third-party payment platforms in China has grown in parallel with consumer confidence in their security and efficiency. However, we do not have control over the security measures taken by providers of our third-party payment platforms. In the event that the security and integrity of these third-party payment platforms are compromised, we may experience material adverse effects on our ability to process property management service fees. We may also be perceived as partially responsible for failures to secure personal information and be subjected to claims alleging possible liability brought by our customers. Furthermore, the PRC government may yet promulgate new laws and policies to regulate the use of third-party payment platforms; such measures may increase our compliance and operational costs, for example by requiring that we pay higher transaction fees.

We are exposed to liability and reputational risks in relation to work safety and occurrence of accidents

Work injuries and accidents may occur during the ordinary course of our business. For instance, certain repair and maintenance services performed by our employees or third-party sub-contractors may involve the handling of tools and operation of heavy machinery and therefore, are subject to inherent occupational risk of accidents. Our ability to balance such risks is limited as the repair and maintenance of hazardous facilities such as elevators and fire control systems is part of the property management business. Hence, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees or sub-contractors. Such occurrences may also result in damage to, or destruction of, properties of the communities. In addition, we are exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing our services and we may be held liable for the losses which may subsequently damage our reputation within the property management industry. We may also experience

RISK FACTORS

business disruptions and be required to implement additional safety measures or modify our business procedures and/or model as a result of any governmental or other investigations. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

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

The common areas of the properties we manage may suffer damage as a result of occurrences beyond our control, including but not limited to natural disasters, accidents or intentional damage. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be material and extensive. Although a residential community is required under PRC laws to establish a special fund to pay for the repair and maintenance costs of common areas, there is no guarantee that such fund will be sufficient. As the property management service provider, we may be viewed as responsible for restoring the common areas and at times we need to allocate additional resources to assist the police and other governmental authorities in investigating criminal actions that may have been involved in connection with damage caused to the common areas. In the event that there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference and fix the damages with our own resources first before we attempt to collect the amount of the shortfall from the property owners, property developers and residents later on. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial position and results of operations. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties and the expansion of our geographic coverage. Moreover, we may expand into markets that are geographically located in areas susceptible to natural disasters, such as earthquakes or typhoons.

Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, the properties we manage, our brand, management and other aspects of our business operations 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, the properties we manage, our brand, management and other aspects of our business operations may arise from time to time. They may appear, among other things, in the form of comments on internet postings and other media sources, 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 our customers' needs or expectations in any way, our customers may disseminate negative comments about our services on social media platforms. Our sub-contractors may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services.

RISK FACTORS

In addition, third-party merchants we cooperate with in connection with the value-added services we provide may also be subject to negative publicity as a result of customers' complaints about the quality of their products and services. Any public relation incidents with respect to such business partners may adversely affect the provision of products or services for our value-added services and indirectly affect our reputation. Moreover, negative publicity about other service platforms for property management services or e-commerce service providers in China may arise from time to time and cause customers to lose confidence in the operations of our service platform. Such occurrences, regardless of veracity, may damage our reputation and we may lose customer confidence. In the long term, this would affect our future ability to attract and retain new customers and employees. We may suffer material adverse effects to our business and brand that in turn reduce the trading price of our Shares and diminish our competitive position.

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

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

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 senior management who have constantly contributed to our business operations, financial performance, as well as technical and administrative capabilities. For their biography and industry experience, see "Directors and Senior Management". Our success is also dependent upon other key employees, including our regional head and the head of departments at our headquarters level. If any of our senior management or other key employees leaves 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. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies.

RISK FACTORS

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 but not limited to 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 not be able to detect and prevent fraud, negligence or other misconduct committed by our employees, sub-contractors, customers or other third-parties

We are exposed to fraud, negligence or other misconduct committed by our employees, sub-contractors or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as harm to our reputation. Examples of such behaviour include crimes such as theft, vandalism, embezzlement and bribery. We have established risk management and internal control systems consisting of policies and procedures that are designed to monitor our operations and overall compliance. However, we cannot guarantee that they will be able to identify non-compliance and/or suspicious transactions in a timely manner, or at all, and that they 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 other third parties in a timely and effective manner. Moreover, although we may have limited control over the behaviour 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 other parties. To the extent that we cannot recover related costs from the employees, sub-contractors or other 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 or placing us in a position where we may be required to compensate the injured parties even in the absence of a legal requirement to do so.

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

We rely on our information technology systems to manage key operational functions such as processing financial data and facilitating communications, as well as to providing services to customers through online service platform(s). We cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur from time to time. We may, as a result, experience occasional system interruptions, delays or other technical problems that would adversely affect our business operations or render our services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may compromise our reputation and reduce the attractiveness of our services. In addition, we may incur significant costs in restoring any damaged information technology systems. If we are unable to effectively maintain and upgrade our systems and network

RISK FACTORS

infrastructure and take steps necessary to improve the efficiency of our systems, there may be system interruptions or delays which would adversely affect our business operations on an ongoing basis. Moreover, our services utilising any online platform, such as mobile applications, are subject to security risks, including security breaches and identity theft. We must be able to provide secured transmission of confidential information over public networks when providing such services. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and business and could subject us to liabilities. We may thus experience material adverse effects on our business, results of operations and prospects.

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

During the course of our business, in particular but without limitation, through the operations of our information technology systems including our online service platform, we may from time to time collect and use personal data such as addresses and phone numbers and other information from our customers, employees, and third parties. We also, in the course of business, collect information such as video and still photographs, text and voice messages, and other material which may include personal data or sensitive information about such persons. Our data security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Outside parties may also attempt to fraudulently or otherwise wrongfully induce employees to disclose sensitive information in order to gain access to the data we collect. While we have taken steps to protect the confidential information that we have access to, our data security measures could be breached. As techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until some time after they are launched against a target, we may be unable to anticipate these attacks or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorised access to our systems and platforms could cause confidential customer and other third party information to be leaked and used for unlawful purposes. Security breaches or unauthorised access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity.

RISK FACTORS

Laws and regulations related to cyber security are relatively new and evolving in the PRC, and their interpretation and enforcement involve significant uncertainties. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brands could be severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

We recorded net current liabilities as at 31 December 2017 and 2018, together with a net liabilities position as at 31 December 2017 and we may not be able to fulfil our obligations for contract liabilities, any of which could expose us to liquidity risks

As at 31 December 2017 and 2018, we recorded net current liabilities of RMB122.7 million and RMB48.8 million, respectively, which mainly resulted from a higher balance of other payables to related parties as at such dates. For details, see “Financial Information — Liquidity and Capital Resources — Net Current Assets or Liabilities”. In addition, we had a net liabilities position of RMB73.7 million as at 31 December 2017. A net current liabilities position or a net liabilities position exposes us to liquidity risks and we cannot assure you that we will not experience similar situations in the future. Moreover, if in the unlikely event that we are unable to fulfil our obligations in respect of our contract liabilities and were made to refund to our customers the property management fees or other service fees received by us, our cash and/or liquidity position may also be negatively impacted. Our future liquidity, the payment of trade and other payables and repayment of debt financing, if any, will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we are unable to maintain sufficient working capital, our business, financial position, results of operation and prospects would be materially and adversely affected.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations

We recorded deferred tax assets of RMB22.2 million, RMB15.1 million, RMB21.7 million and RMB35.9 million, respectively, as at 31 December 2017, 2018 and 2019 and 30 June 2020. We periodically assess the probability of the realisation of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

RISK FACTORS

We face exposure to fair value change for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs

We had investments in unlisted equity securities and wealth management products, recognised as financial assets at fair value through profit or loss (“**FVPL**”) in the consolidated statement of financial position of RMB176.0 million, nil, nil and RMB225.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our fair value gains on financial assets at FVPL was RMB17.1 million, RMB2.8 million, RMB4.6 million and RMB3.7 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. We face exposure to fair value change for the financial assets at FVPL. We cannot assure you that we can recognise comparable fair value gains in the future and we may on the contrary recognise fair value losses, which would affect our result of operations for future periods. In addition, the valuation of fair value changes of financial assets at FVPL 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 FVPL 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 period to period.

We intend to adopt a share award scheme at least six months after the Listing, which may lead to share-based compensation expenses that may negatively impact the value of your investment

In March 2020, a special purpose vehicle was incorporated by Sunac China to hold Shares to be granted to eligible grantees under a share award scheme we intend to adopt at least six months after the Listing. We believe that adopting a share award scheme will enable us to retain talent, promote our long-term sustainable development and benefit us, our employees and Shareholders as a whole. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the share award scheme, which will be recognised in our consolidated financial statements. We may experience material and adverse effects on our results of operations to the extent that such expenses are significant or increase over time.

We may incur loss if the fair value of our wealth management products drops

During the Track Record Period, we purchased non-principal protected RMB-denominated wealth management products from licensed commercial banks in the PRC. The profitability of the wealth management products we invested in are linked to the performance of the underlying investment portfolio of wealth management products. Change in fair value of financial assets will be recorded in our consolidated income statements as fair value through profit or loss, and therefore directly affect our results of operations. As at 30 June 2020, we had financial assets at fair value through profit or loss of RMB225.2 million attributable to such wealth management products. We did not incur any loss on disposal of financial assets at

RISK FACTORS

fair value through profit or loss during the Track Record Period with respect to the wealth management products. In the event that the fair value of our wealth management products drops below our investment costs in the future, we will incur losses and our results of operations, financial condition and prospects may be adversely affected.

Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position

We have registered and were in the process of registering a number of intellectual property rights in the PRC as at the Latest Practicable Date. We consider these intellectual properties are crucial business assets and key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use any of our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorised reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. For details, see “Business — Intellectual Property Rights”. Our measures to protect intellectual property rights may afford limited protection and policing unauthorised use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, operating results and financial position.

We have been licenced by Sunac Group to use several of its trademarks for our operation on a non-transferable and royalty-free basis. For details, see “Business — Intellectual Property Rights” and “Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements — 1. Trademark Licenses”. If the relevant licensor(s) cease to authorise such trademarks to us, our business, financial position and results of operations may be materially and adversely affected. We are also exposed to the risk that a third-party may successfully challenge the licensor’s ownership of, or our right to use, the relevant licenced trademarks or if a third-party uses such trademarks without authorisation.

Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business

We cannot assure you that we will be successful in registering any of our intellectual properties, or that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties, or otherwise violate any laws of applicable jurisdictions. We may be challenged by third parties, including competitors as well as other entities or individuals, for infringement of their intellectual property rights. We may not be fully aware of other parties’ intellectual property rights involved in our systems, applications and business operations and there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our services or other aspects of our business

RISK FACTORS

without our awareness. To the extent that our employees or other parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any liability claim in relation to intellectual property rights that is made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and strain our administrative and financial resources. We may have to incur considerable time and costs in dealing with any claims, disputes or litigation, and if they are successful, we may be subject to substantial damages, royalty payments, restrictions from conducting our business and other stringent requirements unfavourable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licences, modify applications or refund fees, each of which may be expensive and time-consuming. Such processes may create a distraction for our management which could affect our business operations. Additionally, the interpretation and application of the intellectual property right laws and the procedures and standards for granting intellectual property rights in China are uncertain and still evolving, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement or may be prohibited from using such intellectual property, and we may incur licencing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

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

We maintain certain insurance coverage, primarily public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, employer liability insurance, commercial health insurance, property insurance for our business related facilities and vehicle insurance. For further details, see “Business — Insurance”. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, epidemics, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations.

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

We may, from time to time, be involved in disputes with and subject to claims by our customers, such as property developers, property owners or residents, to whom we provide property management and other services. Disputes may also arise if such third parties are dissatisfied with our services. For instance, property owners may take legal actions against us if they perceive that our services are inconsistent with the prescribed service standards contained in the property management service contracts, or otherwise inconsistent with our

RISK FACTORS

legal duties to them, for example, in relation to our varied relationships with residents and other parties with whom we work in delivering community value-added services. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including without limitation our employees, third-party sub-contractors, business partners, other third parties who sustain injuries or damages while visiting properties under our management or otherwise in connection with our business operations. Any such dispute or claim 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.

Our community value-added services may not grow as planned and the development of our online service platform may not be successful

We plan to grow our community value-added services by expanding our service offerings and customer base. For further information on our community value-added services, see “Business — Community Value-added Services”. However, there is no assurance that we could grow such business as planned, and our related costs incurred may not be recovered. We need to recruit qualified employees with relevant experience to grow our community value-added services. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees to support our growth plan. In addition, the development of community value-added services also relies on our ability to tap our existing customer base from our managed properties for community value-added services, as well as our ability to identify and explore business partners with suitable products and services to be offered through our community value-added services. However, our current planning may be changed or certain community value-added services that we plan to offer may not materialise due to changes in demand from customers and market trends. If our community value-added services fail to attract our customers or satisfy their needs, or prove to be otherwise unsatisfactory, and we fail to grow our community value-added business as planned, our results of operations, profitability and business prospects could be adversely affected.

In addition, we utilise our online service platform, mainly comprising our “Sunac Livable Community” (融創歸心) mobile application, as the gateway for users to access our services both online and offline with a view to enhancing customer experience and loyalty, as well as our brand recognition. The future development of such service platform depends on our ability to enhance the functionality of such service platform, as well as our ability to stay abreast of emerging life-style and consumer preferences to attract and appeal to users. We cannot assure you that our users will be able to have access to their desired products and services through our service platform, or our users may lose interest in our service platform and thus may use our service platform less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

RISK FACTORS

We may be subject to adverse impact for our failure to register for and/or contribute to social insurance and housing provident funds on behalf of some of our employees

During the Track Record Period, we did not register for and/or fully contribute to the social insurance and housing provident funds for certain employees. We had accordingly made provision thereto during the Track Record Period in the amount of RMB1.8 million, RMB1.4 million, RMB3.2 million, RMB1.3 million and RMB2.4 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. Similarly, New Century Property Management had made provision thereto of RMB0.5 million, RMB1.2 million, RMB2.8 million and RMB1.3 million for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January to 7 May 2020, respectively.

As advised by our PRC Legal Advisers, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions by a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Our PRC Legal Advisers have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, application may be made to a people's court in the PRC for compulsory enforcement. Furthermore, if we fail to complete the registration of housing provident fund within a prescribed period, we would be subject to an administrative penalty of RMB10,000 to RMB50,000 for each of our entities not complying with such regulations.

We (including New Century Property Management) were not aware of any complaints or demands for payment of these contributions from any employee or relevant local authorities as at the Latest Practicable Date. However, we cannot assure you that we will not receive any complaints or demands for payment of social insurance and housing provident funds from our employees in the future. We cannot assure you that the relevant PRC authorities would not notify and require us in the future to complete registration and/or pay the outstanding contributions by a stipulated deadline. In case we fail to pay the outstanding contributions, or to complete the housing fund registration in accordance with PRC laws 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. For details, see "Business — Employees — Social Insurance and Housing Provident Fund Contributions".

Some of our lease agreements were not registered with the relevant government authorities with respect to our leased properties in the PRC

As at the Latest Practicable Date, we had not filed the lease agreements for 124 leased properties with the local housing administration authorities as required under PRC laws. Our PRC Legal Advisers have advised us that we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, an administrative penalty may be imposed on us as a result of such non-filing and our results of operations may be adversely affected.

RISK FACTORS

The government grants and preferential tax treatment that we enjoy in the PRC may be altered or terminated

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we had government grants of RMB2.5 million, RMB1.5 million, RMB23.8 million, RMB6.8 million and RMB13.5 million, respectively, which mainly represented financial support funds from local government for our business development. In addition, certain of subsidiaries located in western part of China are subject to preferential income tax rate of 15%. We cannot assure you that the PRC policies on government grants or preferential tax treatment will not change or that any government grant or preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated or renewed. Alteration or discontinuation of such government grants or preferential tax treatment, resulting from changes to the PRC laws, regulations and policies or our failure to meet any requisite conditions for renewal, may adversely affect our business and results of operations.

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

Our customers may file complaints or claims against us regarding our services. We provide property management and other services to individual property owners and residents, which includes addressing the everyday needs of their homes and their families. These property owners and residents, even though living in the same property under our management, come from all walks of life and may have a variety of expectations on how their properties and neighbourhoods 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. In addition, we may also receive complaints or claims from non-property owner customers, such as property developers, if they are dissatisfied with our services.

Although we have established procedures to monitor the quality of our services and have set up communication channels through which customers may provide feedback and lodge 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 an effort 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 making frivolous or vexatious complaints directly to us, online, or through various media sources, or by complaining to the relevant authorities. Any such events or any negative publicity about them even if untruthful, may distract our management's attention and may have an adverse effect on our business, our reputation and the trading price of our Shares.

RISK FACTORS

We may fail to recover payments on behalf of property owners of the properties managed on a commission basis

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated from our property management services on a commission basis accounted for nil, nil, 0.1%, 0.1% and 0.1%, respectively, of our total 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 and residents. Since the management offices of these communities have no separate bank accounts, all transactions related to these management offices are settled through our treasury. As at the end of a reporting period, if the working capital of a management office accumulated in our treasury function is insufficient to cover the expenses the management office has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognised as other receivables subject to impairment.

Estimates may need to be made on whether or not the management offices have the ability to settle payments on behalf of property owners and whether there is any objective evidence of impairment, taking into account factors such as the likelihood of subsequent settlement and write-off amounts, if any. If a residential community consistently carries account payables that are higher than their account receivables, this indicates to us that the payments made on the behalf of those property owners and residents may have lower recoverability.

Our management estimates and the assumptions on which they are based have been made with information currently available to us, and they may have to be adjusted if new information becomes known. There is also a limited amount of publicly available information to facilitate making these estimates and assumptions. In the event that actual recoverability is lower than initially expected, or that our allowance for bad debts becomes insufficient in light of new information, we may need to increase our allowances and thereby suffer material adverse effects on our business, financial position and results of operations.

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

We are subject to environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations in the PRC. 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 condition, results of operations and prospects.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions and government policies in China may have an adverse effect on our business

Given that our business operations are conducted in the PRC, our business and results of operations are subject to the economic, political and social policies and conditions of the PRC.

The development of the economy in China is unique in many respects, including its structure, level of development, and growth rate. Although the PRC government has implemented measures emphasising the utilisation of market forces in the development of the Chinese economy, it still exercises macroeconomic control through means including allocation of resources and setting monetary policy. The PRC government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, foreign currency, political or legal systems of China will not develop in a way that is detrimental to our business operations. Our results of operations, financial condition and prospects may also be adversely affected by changes in foreign currency, social policies and conditions in the PRC.

In addition, while the PRC government has undergone various economic reforms in the last few decades, many of such reforms are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict, and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

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

The PRC government, in certain cases, imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. See “Regulatory Overview — Regulations on Foreign Currency 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. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

RISK FACTORS

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 the 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 subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

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 US 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 US 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 US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US 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 US 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 US dollars or Hong Kong dollars into Renminbi for such purposes.

Inflation in China could negatively affect our profitability and growth

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. There is no assurance that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our properties.

RISK FACTORS

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

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. 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.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed to MOFCOM through the National Enterprise Credit Information Publicity System. We cannot assure you that we will be able to obtain these government registrations or to complete filing procedures on a timely basis, or at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to complete such registrations or filing procedures, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

We conduct all of our business through our subsidiaries incorporated in the PRC. We rely on dividends paid by these subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations. Payment of dividends is permitted only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered

RISK FACTORS

capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC Enterprise Income Tax Law, or EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on 29 January 2008, the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangement**”), which became effective on 8 December 2006, and the Announcement of the State Administration of Taxation on the Determination of “Beneficial Owners” in the Tax Treaties, or Notice 9, which became effective on 1 April 2018, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Tax Avoidance Arrangement. Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

We may be considered a “PRC resident enterprise” under the EIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “PRC resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. SAT released the Notice Regarding the Determination of Chinese-Controlled offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“**Circular 82**”) on 22 April 2009 (which was amended on 29 December 2017) setting out the standards and procedures for determining whether the “de facto management body” of an enterprises registered outside of China and controlled by PRC enterprises or PRC enterprises group is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to

RISK FACTORS

determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which took effect on 1 September 2011 and amended on 1 June 2015, 28 June 2016 and 15 June 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises".

Currently, our management is primarily based in the PRC, and may continue to be based in the PRC in the future. If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income and the filing obligations of such enterprise income tax to the relevant PRC authorities, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. We invest in our PRC operating subsidiaries through our subsidiary incorporated in Hong Kong. Pursuant to the Double Tax Avoidance Arrangement, our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated a circular on 27 October 2009 ("**Circular 601**"), which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a "conduit" company. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary. It is possible, however, that under Circular 601, our Hong Kong subsidiary would not be considered the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Double Tax Avoidance Arrangement. In that case, our financial position and results of operations would be materially and adversely affected.

RISK FACTORS

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

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

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“SAT Circular No. 7”) issued by the PRC State Administration of Taxation

On 3 February 2015, SAT issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“SAT Circular No. 698”), previously issued by the SAT on 10 December 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC

RISK FACTORS

tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganisation, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you

Our operations and assets in the PRC are governed by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and enacted laws and regulations may not sufficiently cover all aspects of economic activities in China, or may be unclear or inconsistent. In particular, since the property management service industry is in its early developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may not be comprehensive. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a PRC court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after such violation. Finally, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. The materialisation of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

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

A majority of our Directors and senior management members reside in the PRC and substantially all of the assets of those people and of our Company are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts unless in accordance with the provisions of the international treaties concluded or acceded to by the relevant jurisdiction and the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed

RISK FACTORS

countries and regions. However, judgments rendered by Hong Kong courts may be recognised and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”) are met. On 18 January 2019, the Supreme People’s Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2019 Arrangement”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement discontinued the 2006 Arrangement and the 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong SAR. The 2019 Arrangement will, upon its effectiveness, supersede the 2006 Arrangement. Therefore, before the 2019 Arrangement becomes effective, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions may be difficult or even impossible.

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

Our business is subject to general economic and social conditions in the PRC. The outbreak of any severe diseases in China such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome (“SARS”) or COVID-19, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC, which in turn may adversely impact domestic consumption and our business. 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. China has experienced natural disasters, including earthquakes, floods, landslides and droughts in the past, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. The outbreak of COVID-19 has resulted in numerous confirmed cases and deaths both in China and globally. Any future outbreak of SARS, COVID-19, avian flu or other similar adverse epidemics may, among others, significantly disrupt our business. Any such natural disasters or outbreak of infectious disease may cause a shortage of labour and raw

RISK FACTORS

materials, increase cost to our existing property management projects, which would disrupt our operations and have a material adverse impact on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the venues for our business operations. Any such natural disasters, public health and public security hazards may materially and adversely affect or disrupt our business operations and may also severely affect and restrict the level of economic activity in the affected areas, which in turn may have a material and adverse effect on our business, financial position and results of operations.

RISKS RELATING TO THE SPIN-OFF AND THE GLOBAL OFFERING

Purchasers of 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 of our Shares is expected to be higher than the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in net tangible asset value per Share. In addition, in order to expand our business, we may consider offering and issuing additional securities in the future. Purchasers of our Shares may experience dilution in the net tangible asset value per Share of their investments in Shares if we issue additional securities in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional securities.

There is no prior public market for our Shares and an active trading market may not develop

Prior to the Global Offering, there was no public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Joint Representatives on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering.

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

RISK FACTORS

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for investors 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 loss of key personnel by us or recruitment of key personnel by 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 or 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. This may include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time. 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.

RISK FACTORS

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 the fifth 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.

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

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favourable times and prices may also be materially and adversely affected. Our Shares held by the relevant Controlling Shareholders are currently subject to certain lock-up undertakings. For details, see “Underwriting — Underwriting Arrangements and Expenses”. However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

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

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will remain having substantial control over their interests in the issued share capital of our Company. Subject to, among others, the Articles of Association 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.

RISK FACTORS

Our management has significant discretion as to how to use the net proceeds of the Global Offering, and you may not necessarily agree on how we use them

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield a favourable return to our Shareholders. By investing in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering. For more information, see “Future Plans and Use of Proceeds”.

Investors may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands, the laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association, the Cayman Company 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 instigate 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 common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong or other jurisdictions. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

Our dividend policy is subject to the discretion of our Directors and we may not declare dividends on our Shares in the future

We did not declare or pay any dividend during the Track Record Period save for the dividends made by Chengdu Global Century in the six months ended 30 June 2020. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year in the future. For further details, see “Financial Information — Dividends”.

RISK FACTORS

Facts and statistics in this prospectus should not be unduly relied upon

Certain facts and other statistics in this prospectus that do not relate directly to our operations, including those relating to the PRC, the PRC economy and the PRC property management industry as well as those relating to Sunac China and other companies other than our Group, have been derived from various official government publications, the market research report and data from China Index Academy and publicly available or other third-party sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by our Company, the Joint Sponsors, the Joint Global Coordinators or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Global Offering, and such information may not be consistent with other publicly available information.

Our Company, the Joint Sponsors, the Joint Global Coordinators or any of their respective directors, officers, affiliates, advisers or representatives, or any other parties involved in the Global Offering make no representation as to the completeness or 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 with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this prospectus.

The entire prospectus should be read carefully and any information contained in press articles, media and/or research reports regarding our Company, our business, our industry, the Spin-off or the Global Offering not contained in this prospectus should not be relied upon

There may be certain coverage in the press and/or media regarding our Company, our business, our industry, the Spin-off and the Global Offering. 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/or media coverage regarding our Company, our business, our industry, the Spin-off and the Global Offering containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorised by our Company.

RISK FACTORS

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should read the entire prospectus carefully and should make investment decisions about us on the basis of the information contained in this prospectus only and should not rely on any other information.

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

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terms such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will” or “would” or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statement could be incorrect. The inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

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

A. MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are located in the PRC, our management is best able to attend to its function by being based in the PRC. We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (1) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, Ms. Yang Man, our executive Director, chief financial officer and vice president, and Mr. Zhang Xiaoming, our joint company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Each of our authorised 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 our authorised representatives is authorised to communicate on our behalf with the Stock Exchange. We have also appointed Ms. Wong Sau Ping, our joint company secretary and who is ordinarily resident in Hong Kong, as an alternate authorised representative. Our Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Wong Sau Ping has also been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (2) our authorised representatives and the alternate authorised representative have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors 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. Each of our Directors has provided his or her mobile phone number, residential phone number, fax number (if any) and email address to our authorised representatives and the alternate authorised representative. In the event that a Director expects to travel, he or she will endeavour to provide the phone number of the place of his or her accommodation to our authorised representatives and the alternate authorised representative or maintain an open line of communication via

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

his or her mobile phone. Each of our Directors, authorised representatives and the alternate authorised representative has also provided his or her mobile number, office phone number, fax number (if any) and email address to the Stock Exchange;

- (3) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Ballas Capital Limited as our compliance advisor, which will have access at all times to our authorised representatives, the alternate authorised representative, the 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
- (4) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives, the alternate authorised representative 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 authorised representatives, alternate authorised representative and/or the compliance advisor.

B. JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Zhang Xiaoming and Ms. Wong Sau Ping as our joint company secretaries. Mr. Zhang Xiaoming is the general manager of the capital and legal affairs centre of our Company. His biographical information is set out in “Directors and Senior Management” in this prospectus. Ms. Wong Sau Ping is a fellow member of The Hong Kong Institute of Chartered Secretaries, who therefore meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Mr. Zhang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zhang as our joint company secretary. In order to provide support to Mr. Zhang, we have appointed Ms. Wong, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Zhang, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

Such waiver will be revoked immediately if and when Ms. Wong ceases to provide such assistance or ceases to meet the requirements under Rule 3.28 of the Listing Rules, or if there are material breaches of the Listing Rules by our Company. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Zhang, having had the benefit of Ms. Wong's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

In addition, we have appointed Ballas Capital Limited as our compliance advisor under Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing from the Listing Date to provide the Company with professional advice on continuing obligations under the Listing Rules and to act as an additional channel of communication with the Stock Exchange. Mr. Zhang will have access to such compliance advisor during the term of appointment, which will provide Mr. Zhang with an additional source of guidance to assist him to familiarise himself with the functions of a company secretary of a company listed on the Stock Exchange.

C. CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules upon the Listing. Pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers from strict compliance with 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 "Connected Transactions – (B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements", 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. Apart from the above waivers sought on the strict compliance of the announcement, circular and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. See "Connected Transactions" in this prospectus for details.

D. EQUITY INTERESTS 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 accountants' 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.

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

Since the end of the Track Record Period, for the purpose of expanding our business, our Group has acquired or has agreed to acquire (as the case may be) the equity interests in Beijing Jintaihe, Shijiazhuang Ronghong, Tianjin Fengwu and Tianjin Yushun (collectively referred to as the “**Target Companies**”) as set out below (the “**Acquisitions**”).

1. Acquisition of Beijing Jintaihe

On 15 May 2020, Beijing YiLife entered into an equity transfer agreement with Zhang Dianwei (張殿偉), an Independent Third Party, pursuant to which Beijing YiLife agreed to acquire the entire equity interest in Beijing Jintaihe at a consideration of RMB200,000. The consideration was determined on an arm’s length basis mainly with reference to its assets (in particular, the real estate brokerage license held by it) and the then registered capital of Beijing Jintaihe, which had not been paid up at the time of such acquisition. As at the Latest Practicable Date, RMB180,000 of the consideration had been paid, and the balance is expected to be fully settled by us by December 2020 with our internal resources. Registration of the equity transfer with the relevant administration for industry and commerce was completed on 20 July 2020 and Beijing Jintaihe has become an indirect wholly-owned subsidiary of our Company since then.

Beijing Jintaihe is a company established in the PRC and is engaged in the provision of property agency services. It is expected that the acquisition of Beijing Jintaihe will broaden our offering of community value-added services and expand our business in terms of services provided to Independent Third Party customers. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Beijing Jintaihe and its ultimate beneficial owner prior to the acquisition is an Independent Third Party.

2. Acquisition of Shijiazhuang Ronghong

On 15 July 2020, Shijiazhuang Sunac entered into an equity transfer agreement with each of Hebei Shuangchuang Ping’an Investment Co., Ltd. (河北雙創平安投資有限公司) (“**Hebei Shuangchuang**”) and Liu Zhenzhen (劉真真), each an Independent Third Party, pursuant to which Shijiazhuang Sunac agreed to acquire (i) 44% equity interest in Shijiazhuang Ronghong from Hebei Shuangchuang, and (ii) 10% equity interest in Shijiazhuang Ronghong from Liu Zhenzhen, at nil consideration. The consideration was determined on an arm’s length basis mainly with reference to the then financial position and registered capital of Shijiazhuang Ronghong, which had not been paid up at the time of such acquisitions. Registration of the equity transfers with the relevant administration for industry and commerce was completed on 16 July 2020 and Shijiazhuang Ronghong has become our indirect subsidiary since then. As at the Latest Practicable Date, Shijiazhuang Ronghong was owned as to 54% by Shijiazhuang Sunac and 46% by Hebei Shuangchuang.

Shijiazhuang Ronghong is a company established in the PRC and is engaged in the provision of property management services. It is expected that the acquisition of Shijiazhuang Ronghong will expand our business with Independent Third Party customers. To the best of our Directors’ knowledge, information and belief, and having made all reasonable enquiries, save for the 46% equity interest held by Hebei Shuangchuang in Shijiazhuang Ronghong, each of Shijiazhuang Ronghong and its ultimate beneficial owners prior to the acquisition is an Independent Third Party.

3. Investment in Tianjin Fengwu

On 15 September 2020, Sunac Property Services entered into a capital increase agreement with Tianjin Fengwu and its founders and investors (each being an Independent Third Party), pursuant to which, among other matters, Sunac Property Services has acquired in aggregate 24.1726% equity interest in Tianjin Fengwu at a total consideration of RMB390.5 million, which had been fully settled with our internal resources. The consideration was determined on an arm's length basis mainly with reference to (i) our optimistic view on the prospects of Tianjin Fengwu as an industry participant in the market for provision of application solutions and services relating to property management, smart community and intelligent home and that of the industry in general; (ii) the competitive strengths of Tianjin Fengwu, including its developed product and service offerings and innovative capabilities, and the potential synergy that can be created between our Group and Tianjin Fengwu that could benefit us in terms of improved user experience, better service delivery and more efficient cost control in the context of property management, as further elaborated below; and (iii) an agreed valuation of Tianjin Fengwu with reference to, among others, the valuation adopted in the prior round of equity investment in Tianjin Fengwu made by a renowned investment firm, which is an Independent Third Party, and the business and financial performance and prospects of Tianjin Fengwu.

Tianjin Fengwu is a company established in the PRC and is engaged in the development and provision of application solutions and services relating to property management, smart community and intelligent home. It is expected that our equity investment in Tianjin Fengwu can create synergy between our Group and Tianjin Fengwu. In particular, Tianjin Fengwu possesses proprietary artificial intelligence algorithm and mature software as a service (SaaS) platform products, on which we can leverage with our existing IT infrastructure to facilitate data analysis from both the users and management ends and promote service standardization and digitalized management. With our brand and scale advantage, the parties may create a more open living services ecosystem and further build up their competitive advantages in terms of business development and service delivery through online-to-offline (O2O) living services network, thereby delivering improved living services products and experiences to the end users. In addition, through a combination of proprietary research and development and collaboration, Tianjin Fengwu has developed intelligent home products and user applications and has demonstrated its innovative capabilities in terms of industrial design, user experience and product safety, which could facilitate our provision of intelligent products and value-added services to end users covering the entire service scenery from home to community living. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Tianjin Fengwu and its ultimate beneficial owners prior to the acquisition is an Independent Third Party.

4. Acquisition of Tianjin Yushun

On 12 October 2020, Tianjin Sunac Zhijia entered into an equity transfer agreement with Tianjin Lushun Car Trading Co., Ltd. (天津市路順汽車貿易有限公司) (“**Tianjin Lushun**”), Wang Xiulan (王秀蘭), Wang Jinbao (王金寶), each being an Independent Third Party, and Tianjin Yushun, pursuant to which Tianjin Sunac Zhijia agreed to acquire (i) 98% equity interest in Tianjin Yushun from Tianjin Lushun at a consideration of RMB862,400, and (ii) 2% equity interest in Tianjin Yushun from Wang Xiulan at a consideration of RMB17,600. The consideration was determined on an arm’s length basis mainly with reference to the assets of Tianjin Yushun (in particular, the concurrent-business insurance agency license held by it). The consideration will be paid by us with internal resources, and is expected to be fully settled by early 2021. As of the Latest Practicable Date, registration of the equity transfer with the relevant administration for industry and commerce was not completed. Upon completion of the acquisition, Tianjin Yushun is expected to become an indirect wholly-owned subsidiary of our Company.

Tianjin Yushun is a company established in the PRC and is primarily engaged in the businesses of automobile sales and related insurance agency. It is expected that the acquisition of Tianjin Yushun would enable us to expand our services offerings to Independent Third Party customers. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Tianjin Yushun 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 Target Companies on the following grounds:

- (a) **Ordinary and usual course of business** – The Acquisitions were or will be financed by our Group’s internal resources instead of the proceeds to be raised from the Global Offering and were made in the ordinary and usual course of business of our Group as it is one of our principal business strategies to enhance our market position through acquisition of local players engaged in our core business or by making strategic investments in targets in the industry value-chain of which our core business forms part. Our Directors believe that the terms of the Acquisitions are fair and reasonable and in the interests of our Shareholders as a whole.
- (b) **Immateriality of the Target Companies** – The scale of business operated by each of the Target Companies (which were owned by different sellers) as compared to that of our Group is immaterial. Based on the unaudited management accounts of the Target Companies available to us, all the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to each of the Acquisitions referenced against the financials of our Company in the most recent financial year of the Track Record Period are less than 5%. Our Company does not believe that the Acquisitions are subject to aggregation under Rule 14.22 of the Listing Rules,

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

because (i) each of the Acquisitions involves the acquisition of interests in a different company and (ii) the Acquisitions were entered into with different counterparties. Moreover, the Acquisitions, even if calculated on an aggregated basis, are not significant enough to require our Company to prepare pro forma financial information under Rule 4.28 of the Listing Rules.

Accordingly, the Directors believe that (i) the Acquisitions are immaterial when compared to the scale of our Group's operations as a whole; (ii) the Acquisitions have not resulted in any significant change to the financial position of our Group since 31 December 2019; 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 strict 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) **Unavailability of information** – The acquisition of Beijing Jintaihe and Shijiazhuang Ronghong were only completed recently in July 2020, while the acquisition of Tianjin Yushun was not completed as at the Latest Practicable Date. The time would be limited and insufficient for, or may require considerable time and resources of, our Company and its reporting accountants to compile the necessary financial information for disclosure in this prospectus. In addition, the investment in Tianjin Fengwu was only completed recently in late September 2020 and our Company confirm that: (i) we will only hold a minority equity interest in Tianjin Fengwu and do not control its board of directors; and (ii) our Company is also not involved in the day to day management of Tianjin Fengwu and only enjoy minority strategic shareholder rights, which are neither intended, nor sufficient to compel or require Tianjin Fengwu to prepare or to disclose in the Prospectus audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. As such, it would be impracticable and unduly burdensome to our Company to disclose the audited financial information of the Target Companies as required under the Listing Rules.
- (d) **Alternative disclosure available** – Our Company has provided in this prospectus alternative information regarding the Acquisitions which includes:
- (i) description of the principal business activities of the Target Companies;
 - (ii) confirmation that each of the counterparties and/or the ultimate beneficial owners of the counterparties is an Independent Third Party;
 - (iii) the date of the Acquisitions;

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

- (iv) the consideration of the Acquisitions, how the consideration was or would be satisfied and the basis upon which the consideration was determined; and
- (v) the reasons for the Acquisitions and the benefits which are expected to accrue to our Group as a result of the Acquisitions.

E. CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of 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 certain prescribed total demand levels are 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 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 7% of the Global Offering and, in the event of over-subscription under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the Underwriters) shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as disclosed in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation”.

F. WAIVER AND CONSENTS IN RESPECT OF THE EMPLOYEE PREFERENTIAL OFFERING

Our Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.03 of and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules in relation to the participation by the Eligible Directors in the Employee Preferential Offering on the basis that:

- (a) the Employee Reserved Shares will be offered to the Eligible Directors in their capacity as Eligible Employees (rather than in their capacity as directors) upon the same terms as all other Eligible Employees;
- (b) the allocation of the Employee Reserved Shares will be made in an equitable manner based on the subscription amount of each Eligible Employee, and no preferential treatment will be given to the Eligible Directors in the allocation of the Employee Reserved Shares under the Employee Preferential Offering as compared to the other Eligible Employees;
- (c) none of the Eligible Directors will apply for such number of Employee Reserved Shares which is more than the total number of Employee Reserved Shares;

WAIVERS FROM STRICT COMPLIANCE REQUIREMENTS UNDER THE LISTING RULES

- (d) save for the Employee Preferential Offering, none of the Eligible Directors will participate or indicate any interest in the Hong Kong Public Offering or the International Offering;
- (e) the allocation of the Employee Reserved Shares to the Eligible Directors would not be counted towards the public float requirement under Rule 8.08(1) of the Listing Rules (the “**Public Float Requirement**”) and would not affect the public float of our Company upon Listing, and our Company would be able to satisfy the Public Float Requirement upon Listing; and
- (f) details of the allocation of the Employee Reserved Shares including the total number and percentage of Shares allocated to the Eligible Employees and Eligible Directors, respectively, will be disclosed in our allotment results announcement.

See “Structure of the Global Offering — The Employee Preferential Offering” for further details.

CICC Wealth Investment Ltd (the “**Placee**”) is a member of the same group of companies as China International Capital Corporation Hong Kong Securities Limited (“**CICC**”), an Underwriter. As such, the Placee is a “connected client” (as defined in the Listing Rules) of CICC.

Our Company has applied for, and the Stock Exchange has granted us, a consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the Placee to act as a placee in the Global Offering to facilitate the participation of Eligible Employees in the Employee Preferential Offering, subject to the following conditions:

- (a) the Placee has not received and will not receive any preferential treatment in the allocation of Employee Reserved Shares as a placee by virtue of its relationship with CICC, other than the allocation to the Eligible Employees on a preferential basis under the Employee Preferential Offering following the principles set out in Rule 10.01 of the Listing Rules;
- (b) each of our Company, the Joint Sponsors, the Joint Bookrunners, CICC and the Placee has provided to the Stock Exchange a written confirmation in accordance with Guidance Letter HKEX-GL85-16; and
- (c) details of the allocation of Employee Reserved Shares will be disclosed in our allotment results announcement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 inquiries, 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 in this prospectus misleading.

INFORMATION ABOUT THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

The Hong Kong Offer 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 forth herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering.

UNDERWRITING

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. 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 Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date.

Further information about the Hong Kong Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus. 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 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this prospectus is refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Dealings in our Shares on the Stock Exchange are expected to commence on Thursday, 19 November 2020. No part of our Shares or debt securities 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. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of our Shares is 01516.

SHARES WILL BE ELIGIBLE FOR ADMISSION TO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in the section headed “Structure of the Global Offering”.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company’s principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company’s Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All of the Offer Shares will be registered on our Company’s Hong Kong register of members in Hong Kong. Dealings in our Shares registered in our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares (or exercising any rights attached to them). None of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of any person resulting from the subscription, purchase, holding or disposal of, or dealing in, our Shares (or the exercise of any rights attached to them).

EXCHANGE RATE CONVERSION

Unless otherwise specified, certain amounts denominated in Renminbi and U.S. dollars have been translated into Hong Kong dollars in this prospectus, solely for your convenience, at the following exchange rates:

HK\$1.00 to RMB: 0.8648 (quoted by the PBOC for foreign exchange transactions prevailing on 2 November 2020)

US\$1.00 to RMB: 6.7050 (quoted by the PBOC for foreign exchange transactions prevailing on 2 November 2020)

No representation is made that any amounts in Renminbi or U.S. dollars can be or could have been converted on the relevant dates at the above rates or any other rates, or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

Translated English names of PRC laws, regulations, governmental authorities, enterprises, natural persons or other entities and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. To the extent there is any inconsistency between the Chinese language and the English translation, the Chinese language shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Chairman and Non-executive Director

Mr. Wang Mengde (汪孟德)	Room 2702, Unit 1, Block 12 Tianjin Shidai Aocheng Apartment Tianjin, PRC	Chinese
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Executive Directors

Ms. Cao Hongling (曹鴻玲)	Room 602, Unit 2, Block 5 Shiguang Water Garden Balitai Street, Nankai District Tianjin, PRC	Chinese
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Mr. Chen Bin (陳彬)	Room 610, Unit 1, Block 33 Dongdi Garden Liqizhuang Street Xiqing District Tianjin, PRC	Chinese
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Ms. Yang Man (楊曼)	Room 1504, Unit 1, Block 2 Kangyuan Apartment Dingzigu 3rd Street Hongqiao District Tianjin, PRC	Chinese
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Non-executive Director

Mr. Gao Xi (高曦)	Room 103, Unit 1, Block 10 Glorious Place Rongye Street Heping District Tianjin, PRC	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Ms. Wang Lihong (王勵弘)	Room 1845, Block 6 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Mr. Yao Ning (姚寧)	Room 301, Block 4, Xifuhui 16 Nanmofang Road Chaoyang District Beijing, PRC	Chinese
Mr. Zhao Zhonghua (趙中華)	Room 701, Block 6, Garden 1 Yihe Road, Fangshan District Beijing, PRC	Chinese

See “Directors and Senior Management” in this prospectus for further details of our Directors and senior management members.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors *(in alphabetical order)*

**HSBC Corporate Finance
(Hong Kong) Limited**
1 Queen's Road Central
Hong Kong

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

Joint Representatives

**The Hongkong and Shanghai Banking
Corporation Limited**
1 Queen's Road Central
Hong Kong

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

Joint Global Coordinators

**The Hongkong and Shanghai Banking
Corporation Limited**
1 Queen's Road Central
Hong Kong

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

(in alphabetical order as follows)

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Citigroup Global Markets Asia Limited

50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Bookrunners**The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road 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

China International Capital Corporation**Hong Kong Securities Limited**

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public Offering only)

50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited

(in relation to the International Offering only)

33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

(in alphabetical order as follows)

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center
99 Queen's Road Central
Hong Kong

ICBC International Capital Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road 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

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public
Offering only)

50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited

(in relation to the International Offering
only)

33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West

Kowloon
Hong Kong

(in alphabetical order as follows)

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Huatai Financial Holdings (Hong Kong)**Limited**

62/F, The Center

99 Queen's Road Central

Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower

3 Garden Road

Hong Kong

Legal Advisers to our Company

As to Hong Kong and U.S. laws:

Sidley Austin

Level 39, Two International Finance Centre

8 Finance Street

Central

Hong Kong

As to PRC law:

Commerce & Finance Law Offices

6/F, NCI Tower

A12 Jianguomenwai Avenue

Chaoyang District

Beijing

China

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Joint Sponsors and
the Underwriters**

As to Hong Kong and U.S. laws:

Norton Rose Fulbright Hong Kong
38/F Jardine House
1 Connaught Place, Central
Hong Kong

As to PRC law:

Jincheng Tongda & Neal Law Firm
10th Floor, China World Tower A
No. 1 Jianguo Menwai Avenue
Chaoyang District
Beijing
China

Auditor and Reporting Accountant

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

China Index Academy
Tower A
No. 20 Guogongzhuang Middle Street
Fengtai District
Beijing
China

Receiving Banks

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F., ICBC Tower
3 Garden Road
Central
Hong Kong

CMB Wing Lung Bank Limited
16/F, CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town Grand Cayman, KY1-9005 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Floor A4-5 Aocheng Commercial Plaza Nankai District Tianjin PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	<u>www.sunacservice.com</u> <i>(The information on this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Zhang Xiaoming Floor A4-5 Aocheng Commercial Plaza Nankai District Tianjin PRC Ms. Wong Sau Ping, <i>FCIS, FCS</i> 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Authorised Representatives

Ms. Yang Man
Room 1504, Unit 1, Block 2
Kangyuan Apartment
Dingzigu 3rd Street
Hongqiao District
Tianjin, PRC

Mr. Zhang Xiaoming
Floor A4-5
Aocheng Commercial Plaza
Nankai District
Tianjin
PRC

Alternate to authorised representatives:

Ms. Wong Sau Ping
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Audit Committee

Mr. Yao Ning (*Chairperson*)
Ms. Wang Lihong
Mr. Zhao Zhonghua

Remuneration Committee

Ms. Wang Lihong (*Chairperson*)
Ms. Cao Hongling
Mr. Yao Ning
Mr. Zhao Zhonghua

Nomination Committee

Mr. Wang Mengde (*Chairperson*)
Ms. Wang Lihong
Mr. Yao Ning
Mr. Zhao Zhonghua

Principal Share Registrar and Transfer Office

**Conyers Trust Company (Cayman)
Limited**
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

Hong Kong Branch Share Registrar

**Computershare Hong Kong Investor
Services Limited**

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bank

**China Merchants Bank Co., Ltd.,
Tianjin Binhai Branch**

33 Second Avenue
Binhai New District
Tianjin, PRC

INDUSTRY OVERVIEW

This industry overview section contains information and statistics that are derived from government publications, other publications and the market research report prepared by China Index Academy, 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. The information extracted from the official government publications, the data from the market research report by China Index Academy and the data extracted from publicly available sources have not been independently verified by us, the Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Listing (other than China Index Academy). The information may not be consistent with other information available from other sources within or outside the PRC. None of us, the Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Listing (other than China Index Academy), make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

RESEARCH BACKGROUND AND METHODOLOGIES

We have commissioned China Index Academy to prepare a market research report on the property management industry in China at a total sum of RMB0.8 million and supplemented these with data obtained from public sources where applicable. China Index Academy is an independent real estate research institute founded by experts with over 500 professional analysts. China Index Academy has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. In its research, China Index Academy considers primarily property management companies that have on average managed at least ten properties or an aggregate GFA of 500,000 sq.m. or above for the previous three years. China Index Academy 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. China Index Academy 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. China Index Academy assesses the growth potential of a property management company primarily in terms of revenue growth, growth of total GFA under management, reserved GFA, and the number and composition of employees. In this section, the data analysis is primarily based on the Top 100 Property Management Companies in China.

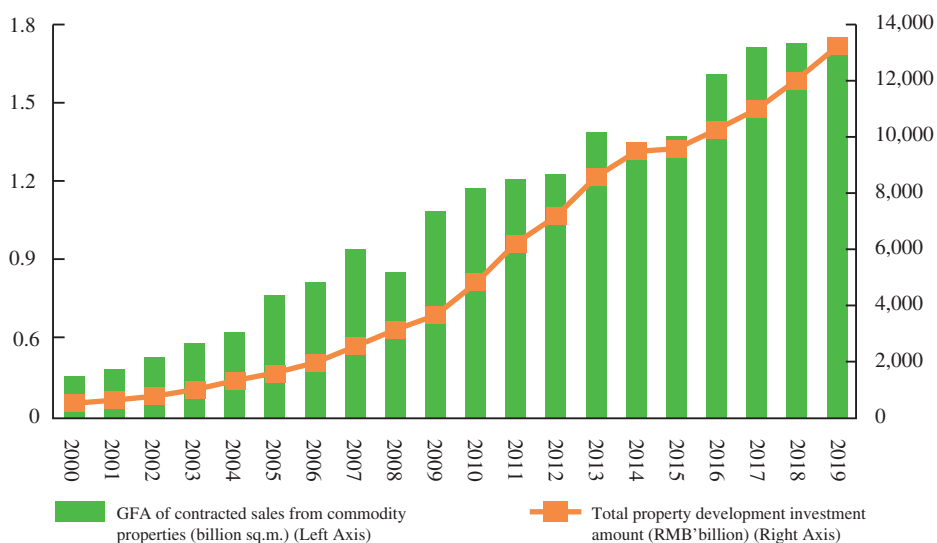
INDUSTRY OVERVIEW

When preparing industry data in this section and for this prospectus, China Index Academy 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 China Index Academy. Replacing traditional growth drivers, the new GDP growth drivers focus on optimising the economic structure and improving quality of life.

Driven by rapid economic growth, favourable monetary policies, and strong demands, the real estate market in the PRC has experienced rapid development in the last 20 years, according to China Index Academy. 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 China Index Academy. 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 China Index Academy. 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 China Index Academy. 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 China Index Academy

INDUSTRY OVERVIEW

THE PROPERTY MANAGEMENT INDUSTRY IN THE PRC

Overview

The property management industry emerged in 1981 in the PRC, when the first domestic property management company was founded in the Shenzhen Special Economic Zone. Followed by the official promulgation of the Provisions on Property Management (《物業管理條例》) in 2003 and Property Law of People's Republic of China (《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, and 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 services a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties.

In the PRC, property management fees may be charged either on a lump sum basis or commission basis. The lump sum model for property management fees is the dominant revenue model in the property management industry in the PRC, especially for residential properties, as it can bring efficiency by dispensing with certain collective decision making procedures for large expenditures by property owners and residents and incentivise property management service providers to optimise their operations to enhance profitability. On the other hand, the commission model is increasingly adopted in non-residential properties to make property owners more deeply involved in the management of their properties with closer supervision over the performance of the property management service providers.

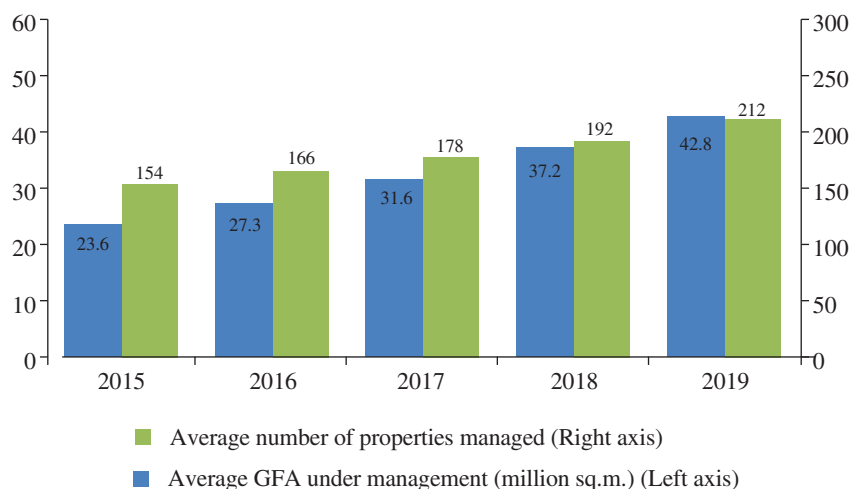
The following chart sets out the historical and projected market size of the property management industry in China in terms of GFA under management for the years indicated:



Source: China Index Academy

INDUSTRY OVERVIEW

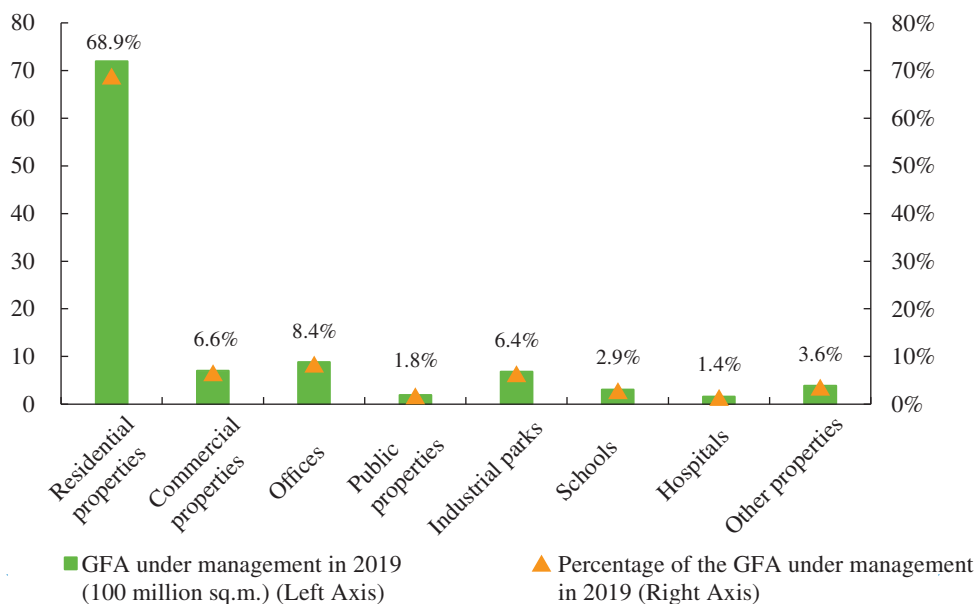
In recent years, the GFA under management and number of properties managed by the Top 100 Property Management Companies have increased rapidly as a result of swift urbanisation and continual growth in per capita disposable income in China. According to China Index Academy, the average GFA under management of the Top 100 Property Management Companies increased to 42.8 million sq.m. in 2019 from 23.6 million sq.m. in 2015, representing a CAGR of 16.0% as the property management scale of the Top 100 Property Management Companies continues to expand and the GFA of commodity housing continues to increase. Meanwhile, the average number of properties managed by the Top 100 Property Management Companies increased to 212 in 2019 from 154 in 2015, representing a CAGR of 8.3%. The following chart sets out the average GFA under management and the average number of properties managed by the Top 100 Property Management Companies for the years indicated:



Source: China Index Academy

INDUSTRY OVERVIEW

While residential properties account for the majority of the total GFA under management of the Top 100 Property Management Companies, property management companies in China have also sought to diversify the types of properties they manage. The following chart sets out the GFA under management of the Top 100 Property Management Companies by property type in 2019:



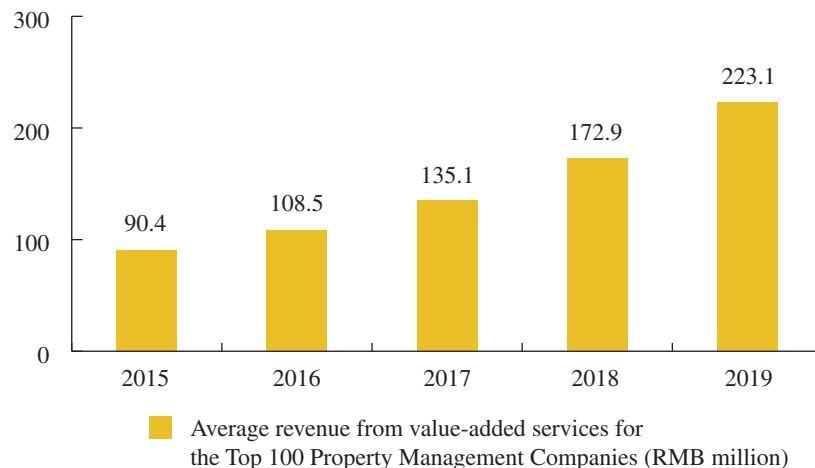
Source: China Index Academy

Driven by customer demands and intense competition, property management companies in the PRC have invested to improve service quality and attend to customer needs. In terms of property management services, property management companies have introduced the concepts of “steward service”, “one-stop service” and “all-round service”, which are aimed to provide comprehensive and one-stop solutions to help customers meet various needs in their daily life. In terms of value-added services, some property management companies in the PRC have established or are in the process of establishing online and offline service platforms to integrate resources of surrounding business circles and diversify offerings of products and services. Improved service quality and diversified services helped maintain or increase the customer retention rates of the property management companies in China.

INDUSTRY OVERVIEW

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: China Index Academy

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 real estate brokerage services. In 2019, percentages of revenue from housekeeping and other household services of total revenue from 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 China Index Academy. In addition, percentages of revenue from community space operations services and real estate brokerage 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 China Index Academy.

Industry Growth Drivers

According to China Index Academy, growth of the property management industry in the PRC depends on the following key drivers:

Favourable policies

The promulgation of the Provisions on Property Management (《物業管理條例》) in June 2003 by the State Council marked as a milestone for the regulatory framework for the property management industry in China. Subsequently, a series of favourable policies supporting the development of the property management industry have come into effect, including but not

INDUSTRY OVERVIEW

limited to the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), which 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 service, and the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading 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 aims to promote, among others, the standardisation of the provision of property management services as part of the industrial upgrading 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 encouraged and indicated customers' need for the upgrade of traditional property management services through digitisation and smart management. It broadens the scope of property management services and brings more development space for property management industry. In addition, the reform of power decentralisation and government function transition leads 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 improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC. For further details, see “Regulatory Overview — Regulations on Property Management Service”.

Rapid urbanisation, increasing per capita disposable income and development of commodity housing

The level of urbanisation and per capita disposable income in the PRC have increased significantly in recent years and have accelerated the growth of the property management industry. According to China Index Academy, the urbanisation rate (being the projected average rate of the size of the urban population over the given period of time) in China increased from 34.8% in 1999 to 60.6% in 2019, with the urban population increasing by approximately 20.6 million each year. The PRC property management industry is expected to continue to grow in tandem with such rising level of urbanisation. Moreover, according to China Index Academy, China's rapid economic growth has spurred continuous growth in the per capita disposable income for the urban population which increased to RMB42,359 in 2019, representing a CAGR of 7.9% since 2015. Consumers in China increasingly demand better living conditions and high-quality property management services, which is another underlying driver for the growth of the PRC property management industry.

Following the rapid urbanisation and continuous growth in per capita disposable income, the supply of commodity residential properties (being residential properties developed for sale) also surged in China. According to China Index Academy, the total GFA of contracted sales from commodity residential properties in China increased from 1.1 billion sq.m. in 2015 to 1.5 billion sq.m. in 2019 at a CAGR of 7.5%. During the same period, the GFA of commodity residential properties under construction increased from 5.1 billion sq.m. in 2015 to 6.3 billion sq.m. in 2019 at a CAGR of 5.2%, according to China Index Academy.

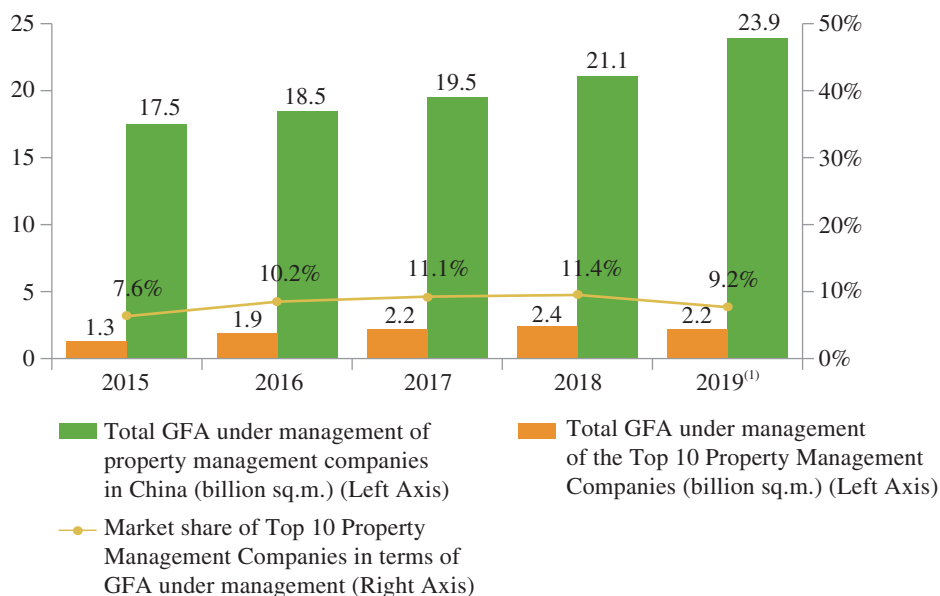
INDUSTRY OVERVIEW

Market Trends

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

- Increasing market concentration.* The property management industry in the PRC is fragmented and competitive. Large-scale property management companies actively accelerate their expansion by means of both organic growth and mergers and acquisitions of small-and medium-sized property management companies, in order to expand the scale of property management and realise economies of scale to improve their market position. Subsequently, the market continues to become more concentrated. According to China Index Academy, the total GFA under management of the Top 10 Property Management Companies increased from 2015 to 2019 at a CAGR of 13.4%. Meanwhile, the total GFA under management of property management companies in the PRC increased from 2015 to 2019 at a CAGR of 8.2%. According to China Index Academy, the GFA under management concentration rate of the Top 10 Property Management Companies among property management companies in China generally increased from 7.6% in 2015 to 9.2% in 2019. According to China Index Academy, benefiting from the increasing market concentration, the average net profit of the Top 10 Property Management Companies increased at a higher CAGR from 2015 to 2019 as compared to the industry average of the Top 100 Property Management Companies.

The following chart sets out the total GFA under management of property management companies in China and the aggregate market share of the Top 10 Property Management Companies in terms of the total GFA under management for the years indicated:



Source: China Index Academy

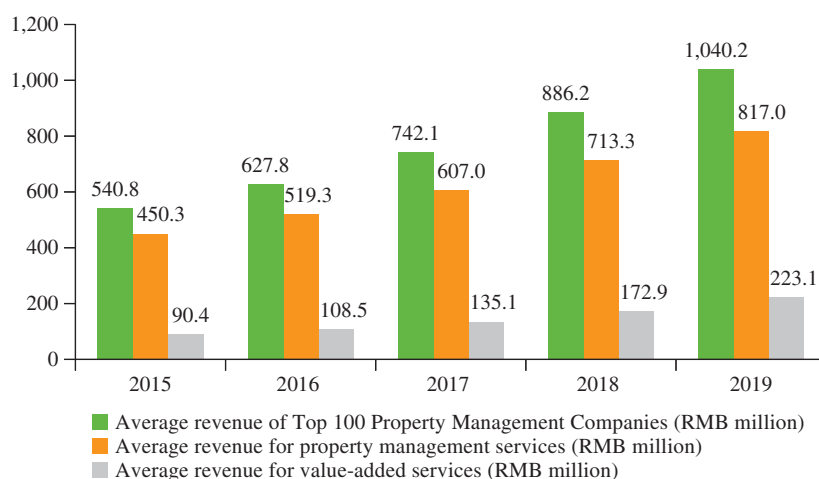
INDUSTRY OVERVIEW

Note:

(1) The market share of the Top 10 Property Management Companies in terms of GFA under management decreased from 11.4% in 2018 to 9.2% in 2019 because 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.

- Diversified managed property types and services.* In response to evolving customer needs and facing increasing operational pressure driven by rising cost, property management companies have become increasingly willing to explore different business models and opportunities. Property management companies are increasingly diversifying the types of managed non-residential properties as management of such properties generally has a higher profit margin as compared to residential properties. Property management companies are also increasingly diversifying their revenue streams by offering various value-added services for higher profitability. These mainly comprise pre-delivery services and consultancy services to property developers and community value-added service to property owners and residents, such as common area operation, property agency, e-commerce, finance, housekeeping and cleaning, elderly care and nursing services and other various bespoke services. According to China Index Academy, the average revenue of Top 100 Property Management Companies increased from 2015 to 2019 at a CAGR of 17.8%. The average revenue of Top 100 Property Management Companies for property management services increased from 2015 to 2019 at a CAGR of 16.1% and the average revenue of Top 100 Property Management Companies for value-added services increased from 2015 to 2019 at a CAGR of 25.3%.

The following chart sets out the average revenue of the Top 100 Property Management Companies by service type for the years indicated:



Source: China Index Academy

INDUSTRY OVERVIEW

- *Emergence of smart communities.* With the prevalent adoption of the Internet, mobile applications, cloud computing, artificial intelligence, and other related technologies, as well as encouragement from the PRC government, property management companies are increasingly developing intelligent and smart management of their property management portfolio which aims to achieve digitalisation, automation, modernisation and synergy of various services through the integration of online-to-offline information and resources and provides a platform for one-stop services to property owners, residents and tenants.
- *Increasing standardisation, adoption of information technology and professionalised staff.* To enhance service quality and reduce labour costs, most of the Top 100 Property Management Companies have set up their own internal standardised operating procedures and are increasingly adopting information technologies. Centralised information technologies enable property management companies to implement technological solutions to automate key business operations, minimise human error in operation and consistently apply internal standardised operating procedures to enhance service quality. Property management companies are also increasingly outsourcing labour-intensive aspects of their operations to sub-contractors while placing greater emphasis on recruiting and training professionalised and skilled employees to facilitate the implementation of smart management and information technologies and promote innovations to maintain their leading market positions.

Industry Risks and Challenges

According to China Index Academy, the risks faced by the property management industry in the PRC mainly include:

- *Increasing labour costs.* The property management industry in the PRC is labour-intensive. The percentage of staff cost to cost of sales of the Top 100 Property Management Companies was 55.8%, 57.8% and 59.1% for the years ended 31 December 2017, 2018 and 2019, respectively, according to China Index Academy. The minimum wage in various regions has increased in recent years. Corresponding to the increasing market concentration, the Top 100 Property Management Companies need to recruit more staff to expand their property management scale and thus are expected to pay increasing staff salaries and benefits, as well as relevant training and management expenses.
- *Shortage of human resources.* The property management industry also faces challenges such as difficulty with recruitment of high quality staff with relatively low salary level to attract the right candidates, while at the same time property management companies are in need of sufficient talents reserves to improve service quality and to ensure the expansion of property management scale and future development. Development of property management companies may be hindered if they are not able to recruit sufficient suitable talents.

For more information on industry related risks, see “Risk Factors — Risks Relating to Our Business and Industry”.

INDUSTRY OVERVIEW

THE OUTBREAK OF COVID-19

Due to the outbreak of COVID-19 since January 2020, the PRC real estate market is expected to experience a downward trend in the short term as a result of overall slowing real estate market development, postponed delivery of real estate projects and disruption of real estate sales activities, according to China Index Academy. However, according to China Index Academy, the outbreak of COVID-19 has a limited impact on the PRC real estate market in the long term and it has presented opportunities for property management companies. Faced with the outbreak of COVID-19, property management companies have endeavoured to provide quality products and services to safeguard the health and well-being of property owners, residents and tenants. Such measures help property management companies win positive recognition and enhance the satisfaction and loyalty of customers. With the increasing adoption of information technology and development of smart management, property management companies can better adapt to challenges and improve service quality and profitability by integrating and allocating resources to provide diversified community value-added services. In addition, a series of policies have been enacted to support property management companies since the outbreak of COVID-19, including, among others, reduction of taxes and increase in government grant. These policies and measures jointly create and will continue to improve a supportive and orderly environment for the industry and property management companies in the PRC. As a result, according to China Index Academy, the property management industry in China is expected to continue its stable growth even after taking into account the outbreak of COVID-19.

HISTORICAL PRICE TRENDS

Property management companies constantly balance ever-rising labour costs with the necessity of providing quality services. The property management business is labour intensive. However, according to China Index Academy, inflation has risen causing an increase in the overall amount of consumer spending, wages and other related labour costs in recent years. Such change places additional pressure on property management companies seeking to expand their business scales.

According to China Index Academy, property management companies may reduce their overall cost of sales by adopting technological solutions and appropriately increasing the proportion of services performed by sub-contractors. In recent years, the Top 100 Property Management Companies have actively employed technological solutions to automate their business operations. By doing so, the Top 100 Property Management Companies are able to increase operational efficiency and raise service quality. According to China Index Academy, subcontracting allows property management companies to reduce overall labour costs as well as leveraging the expertise of sub-contractors in their respective fields to enhance service efficiency. The average cost of sales of the Top 100 Property Management Companies was approximately RMB576.5 million, RMB677.4 million and RMB790.3 million in 2017, 2018 and 2019, respectively. Through diversifying their services and adopting technology, standardisation and automation, the Top 100 Property Management Companies have been able to reduce their operating costs and achieve cost efficiency.

INDUSTRY OVERVIEW

COMPETITION

The property management industry is fragmented and competitive in the PRC with approximately 130,000 property management companies operating in the industry in 2019, according to China Index Academy.

As a leading large-scale property service provider with a diversified property management portfolio, we primarily compete against large national and regional property management companies in the PRC. For value-added services, we also compete against other property management companies as well as relevant industry participants providing similar services.

We are the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies (where there were 36 Top 100 Property Management Companies for 2019 that had either a GFA under management exceeding 50 million sq.m. or a contracted GFA exceeding 100 million sq.m. as at 31 December 2019). The following table sets out the ranking by overall growth rate in 2019 of us and the ten largest of the 2019 Large-Scale Top 100 Property Management Companies:

Ranking	Property management company	Overall growth rate in 2019
1.	Our Group	94.1%
2.	Company A	Over 90%
3.	Company B	Over 90%
4.	Company C	Over 80%
5.	Company D	Around 70%
6.	Company E	Over 60%
7.	Company F	Over 60%
8.	Company G	Close to 60%
9.	Company H	Over 50%
10.	Company I	Over 50%
11.	Company J	Over 40%

According to China Index Academy, our contracted GFA and GFA under management as at 31 December 2019 ranked 11th and 28th, respectively, according to such data of the Top 100 Property Management Companies.

INDUSTRY OVERVIEW

Entry Barriers

According to China Index Academy, entry barriers for the property management industry in the PRC mainly include:

- *Brand.* Brand reputation has been built up among top property management companies in the PRC, including ourselves, through decades of services and operations. In contrast, newer entrants, without an established brand and cultivated business relationships with industry participants, face increasing difficulty in penetrating into the market.
- *Specialisation of operations and management.* In order to better control costs and maintain service quality, standardised and automated operation models are required by properties management companies to improve their capacity to manage more properties. Large-scale property management companies have more resources to invest in standardisation, automation and smart management of their operations than new entrants.
- *Talent specialisation.* With the prevalent adoption of the Internet and other technologies, qualified employees in the property management industry are increasingly sought after. Both recruiting and retaining high-quality professional employees are considered as a main hurdle for new entrants.

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 abovementioned sources which may qualify, contradict or adversely impact on the information contained in this section.

REGULATORY OVERVIEW

This section sets out a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation, and management of corporate entities in the PRC is governed by the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "SCNPC") on 29 December 1993, and came into effect on 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, and 26 October 2018. The Company Law generally governs two types of companies, namely limited liability companies and joint-stock limited companies, both of which have the status of legal persons, and the liability of shareholders of a limited liability company or a joint-stock limited company is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign-invested companies in the form of limited liability company or joint-stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Before 1 January 2020, the establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of foreign invested companies are regulated by, in the case of a wholly foreign-owned enterprise, the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 by the National People's Congress of the PRC (the "NPC") and amended by the SCNPC on 31 October 2000 and 3 September 2016, and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990, by the Ministry of Foreign Trade and Economy Cooperation (repealed and replaced by the MOFCOM and amended by the State Council on 12 April 2001, and 19 February 2014, (the latest revision became effective on 1 March, 2014). On 15 March 2019, the NPC approved the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") and on 26 December 2019, the State Council promulgated the Regulation on the Implementation of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), both of which came into effect on 1 January 2020, and simultaneously replaced the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則). The Foreign Investment Law sets out the definition of foreign investment and the framework for investment promotion, investment protection, and administration of foreign investment activities. On 30 December 2019, the MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures for Reporting of Information on Foreign Investment (外商投資信息報告辦法), which came into effect on 1 January 2020, and pursuant to which, the establishment of the foreign-invested enterprises, including establishment through purchasing the equities of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

REGULATORY OVERVIEW

The Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002, and became effective on 1 April 2002, categorizes all foreign-invested projects into encouraged, permitted, restricted, and prohibited projects. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the “**Negative List**”), which were promulgated by the NDRC and the MOFCOM on 23 June 2020 and became effective on 23 July 2020, and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (鼓勵外商投資產業目錄(2019年版)) (the “**Encouraging Catalogue**”), which were promulgated by the NDRC and the MOFCOM on 30 June 2019, and became effective on 30 July 2019, list the categories of encouraged, restricted, and prohibited foreign-invested projects. Those not listed are permitted foreign-invested projects. According to the Negative List and the Encouraging Catalogue, the property management service does not fall into the encouraged, restricted, or prohibited categories and therefore it shall be classified as permitted foreign-invested projects.

REGULATIONS ON PROPERTY MANAGEMENT SERVICE

Regulations on the Qualification of Property Management Companies

According to the Regulations on Property Management (物業管理條例), which was promulgated by the State Council on 8 June 2003, came into effect on 1 September 2003, and was amended on 26 August 2007, 6 February 2016 and 19 March 2018, a system of joint incentive for honesty and joint punishment for dishonesty shall be improved in the supervision of property management enterprises by the State Council’s construction administration department together with other relevant departments, to strengthen the credit management of the industry.

According to the Measures for the Administration on Qualifications of Property Management Enterprises (物業管理企業資質管理辦法), which was promulgated by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004, was amended on 26 November 2007 and 4 May 2015, and was abolished on 8 March 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise were classified into first, second and third grades.

On 19 November 2015, the General Office of the State Council promulgated the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Personal Service Industry to Promote the Upgrading 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 sets out the general requirements, the main tasks and the policy measures to accelerate the development of personal services and upgrade consumption structures. Such main tasks focus on the development of the living services that are closely related to the people’s livelihood with vast demand potential and strong driving forces, among others, to promote the standardisation developments of the real estate intermediary, house leasing, property management, moving and cleaning, household vehicles maintenance and other personal services.

REGULATORY OVERVIEW

According to the Decision of the State Council on Cancelling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (國務院關於第三批取消中央指定地方實施行政許可事項的決定), which was promulgated by the State Council on 12 January 2017, the examination and approval of second grade or lower qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Cancelling a Group of Administrative Licensing Items (國務院關於取消一批行政許可事項的決定), which was promulgated by the State Council on 22 September 2017, the examination and approval of the first-grade qualification of property management enterprises were cancelled.

According to the Notice of the General Office of 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 by the General Office of the MOHURD on 15 December 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects. The real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal.

Regulations on Appointing the Property Management Enterprise

According to the Property Law, which was promulgated by the NPC on 16 March 2007, and came into effect on 1 October 2007, property owners can either manage the buildings and the ancillary facilities by themselves or entrust to a property management company or other managers. Property owners are entitled to replace the property management company or other managers employed by the developer. Property management companies or other managers should manage the buildings and the ancillary facilities within the building zone in accordance with the commission of the owners, subject to supervision by the owners.

According to the Regulation on Property Management (物業管理條例), the selecting, employing and dismissing of property management enterprise shall be subject to the approval by owners who possess exclusive areas accounting for more than half of the total construction area of buildings and owners who account for more than half of the total number of owners. Before the engagement of a property management company by property owners or the property owners' general meeting, a written preliminary service contract should be entered into between the construction entity (for example, a property developer) and the selected property management company. A sales contract concluded by the construction entity and the realty buyer shall include the contents stipulated in the preliminary service contract. The preliminary service contract will be terminated upon the coming into effect of a property management contract entered into between the property owners' committee and the property management company.

REGULATORY OVERVIEW

According to the Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (前期物業管理招標投標管理暫行辦法), which was promulgated by the Ministry of Construction on 26 June 2003, and came into effect on 1 September 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the property owners or the property owners' committee select a property management enterprise at its own discretion. The construction entity of any residential and the non-residential buildings in the same property management area shall select the property management enterprises with the corresponding qualification through bid-invitation and bidding. In cases where there are no more than three bidders or the residence scale is relatively small, the construction entity may appoint the property management enterprise with the corresponding qualifications through agreement upon approval by the administrative department of real estate of the people's government of the place where the property is located. For projects of newly built and currently marketable commodity housing, the bid-invitation and the bidding shall be completed within 30 days before they are put on sale. For projects of presale commodity housing, the bid-invitation and bidding shall be completed before the acquisition of License for Presale of Commodity Housing (商品房預售許可證). For projects of newly built real estates that are not for sale, the bid-invitation and bidding shall be completed within 90 days before they are delivered for use.

Regulations on the fees charged by Property Management Enterprise

According to the Administrative Measures for Property Service Charges (物業服務收費管理辦法) (the “**Administrative Measures**”), which was jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003, and came into effect on 1 January 2004, property management enterprises are permitted to charge property service fees from property owners for repairing, maintaining and managing houses as well as ancillary facilities, equipment, and relevant sites, and ensuring the sanitation and order of relevant areas according to property management contracts. In addition, property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall take into account the unique nature and characteristics of different property and be priced under the government's guidance and market regulation respectively. Specific pricing rules shall be determined by competent price departments under the people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government, in concert with the competent departments of real estate.

REGULATORY OVERVIEW

According to the Administrative Measures and the relevant local regulations, where property service charges are priced under government guidance, the competent price government department together with the competent real estate department shall set the benchmark prices and the range of variations, depending on such factors as (i) the specific property type, which may include high-rise apartment buildings with elevators and low-rise apartment building without elevators, (ii) service scope, which may specify different types of services, such as landscaping, repair and maintenance for common areas and elevator maintenance, and (iii) the grading criteria of property service charges, and publish these prices and the range of variations at regular intervals. For example:

- In Hangzhou, the service charges on preliminary property management for ordinary residential properties shall be subject to the government guidance prices and the charging standard could be determined within 25% above or below of the guidance prices.
- In Chongqing, the service charges on preliminary property management for residential properties, within the scope of the Chongqing Municipal Residential Property Service Grade Standards (重慶市住宅物業服務等級標準) (the “Standards”), shall be subject to the government guidance prices, while providing services that exceed the scope of the Standards can be adjusted by the market prices.

Accordingly, the specific government guidance prices in different cities vary mainly depending on the property type, the existing condition of the local property management market, and the local government departments’ policies with respect to the property management market.

According to the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (國家發展改革委關於放開部分服務價格意見的通知), which was promulgated by the NDRC on 17 December 2014, and came into effect on the same date, the competent price departments of all provinces, autonomous regions, and municipalities shall perform procedures to liberalize the prices of the following types of services which have possessed competitive conditions (i) property services of non-government-supported houses, including fees charged by a property management enterprise from property owners for the maintenance, conservation and management of non-government supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon the commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported houses, houses under housing reform, old residence communities, and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported

REGULATORY OVERVIEW

subjects shall be considered and a subsidy mechanism shall be established; (ii) Parking services in residential communities. Fees charged by property management service providers or parking service companies from property owners or residents of residential areas for the management of parking spaces and parking facilities.

In recent years, the property management industry has generally seen supportive policies from the central and local governments that are aimed to stimulate the development of the sector, which included policy relaxation by local governments on price guidance. For example:

- In Beijing, property service charges are priced by market in accordance with the Regulations of Beijing on Property Management (北京市物業管理條例).
- In Shanghai, in accordance with the Residential Property Management Regulation of Shanghai (上海市住宅物業管理規定), the price control on the local property management market was loosened by removing the government guidance prices for residential properties in March 2019. Where property service charges are priced by market, property owners and property management enterprises shall agree on the charges in property management service agreements.
- In Henan Province, in accordance with the Opinions on Further Deepening Price Reforms of the People's Government of Henan Province (河南省人民政府關於進一步深化價格改革的意見), the price control of property management services provided to non-government-supported houses was liberalised in June 2015.

Pursuant to the Administrative Measures, as agreed between the property owners and property management enterprise, the fees for property management services can be charged either as lump sum basis (包幹制), in which case property owners pay fixed property management fees to property management enterprise who shall enjoy or assume all the profits or losses as its own risk, or as commission basis (酬金制), in which case property management enterprise may collect its service fees 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 shortage. Property management enterprises shall, pursuant to the applicable rules of the competent price departments under governments, clearly mark the prices of property services, and publish in a prominent position in areas under their management information about services, criteria of services, charging items, charging criteria, etc.

According to the Regulation on Property Management Service Charges with Clear Price Tag (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 19 July 2004, and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (including the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at explicitly marked prices, and

REGULATORY OVERVIEW

display their service items, standards, and other related contents. In case there's any change to the pricing standard, the property management enterprise shall adjust the related content displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Measures on Supervision and Examination over Pricing Cost of Property Management Services (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 10 September 2007, and came into effect on 1 October 2007, the pricing cost of property management services should be the average cost of community property services as verified by the competent price administration department of the people's government. The competent price administration department of the government is responsible for the supervision and examination over and investigation of the pricing of property management services with assistance from the competent property administration department. The pricing cost of property services should be composed of staff costs, the daily operation and maintenance costs of the common area and facilities of the property, gardening maintenance costs, sanitation and hygiene costs, security maintenance costs, insurance costs for the common areas and facilities (including liability insurance), office expenses, management costs apportionment, depreciation of fixed assets, and other costs agreed to by the property owners. The assessment of the pricing cost of property services should base on the annual financial and accounting reports audited by the certified public accounting firm, source documents, account books, or the authentic, complete, and valid cost materials provided by the property management enterprise.

On 15 December 2015, the NDRC, the Ministry of Construction and the Ministry of Transport of the PRC jointly issued the Guiding Opinions on Further Improving the Policies for Motor Vehicle Parking Service Charge (關於進一步完善機動車停放服務收費政策的指導意見), aiming to perfect a parking service charge mechanism with the price mainly determined by the market, promote a more systemized and scientific government pricing administrative system, and to regulate the parking service charge and perfect the supporting supervision measures.

Judicial Interpretation

According to Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in Hearing Cases of Property Management Service Disputes (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), which was promulgated by the Supreme People's Court on 15 May 2009, and came into effect on 1 October 2009, the preliminary property service contract legally entered into by a construction entity and a property management enterprise and the property service contract entered into by the property owners' committee and the property management enterprise lawfully elected by the property owners' committee shall bind the property owners. Where any property owner pleads against such contract as he/she is not the contracting party thereto, it shall not be supported by the people's court.

REGULATORY OVERVIEW

Furthermore, the court shall support if property owners' committee or property owners appealed for the court to confirm the clauses of property service contracts which exempt the responsibility of property management enterprise, or aggravate the responsibility or exempt the rights of property owners' committee or property owners are invalid.

The court shall support when property owner raises a plea on the ground of illicit charges because the property management enterprise, in breach of the property service contract or violation of laws, regulations or departmental rules, extends the scope of charging, raises the charging rate, or makes repeated charging on its own accord.

REGULATIONS ON THE REAL ESTATE BROKERAGE BUSINESS

According to the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) which was issued by the SCNPC on 5 July 1994, and came into effect on 1 January 1995, and revised on 30 August 2007, 27 August 2009 and 26 August 2019, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. A Real estate intermediate agency shall meet the following conditions (i) has their own name and organization; (ii) has a fixed business site; (iii) has the necessary assets and funds; (iv) has a sufficient number of professionals; and (v) has 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) issued by the MOHURD, the NDRC and the Ministry of Human Resources and Social Security (the "MOHRSS") on 20 January 2011, and came into effect on 1 April 2011, and revised on 1 March 2016, real estate brokerage refers to the acts of providing intermediary and agency services and collecting commissions from clients by real estate brokerage institutions and real estate brokers to promote real estate transactions. The establishment of a real estate brokerage institution or a branch of a real estate brokerage institution shall require enough number of real estate brokers, who is engaging in real estate brokerage activities. Furthermore, a real estate brokerage agency and its 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 the business license.

REGULATIONS ON SECURITY AND GUARDING SERVICES

According to the Regulation on the Administration of Security and Guarding Services (保安服務管理條例) (the "Order of State Council No. 564"), which was promulgated by the State Council on 13 October 2009 and became effective on 1 January 2010, guard, patrolling, order maintenance and other services in a property management region conducting by the personnel who are recruited by a property service entity is one of the security service. To apply for the establishment of a service security company, the applicant shall acquire the security service permit granted by the public security authority. Furthermore, an entity recruiting security guards by itself shall, within 30 days after the start of security and guarding services, file with the public security organ of the people's government of the local districted city with the following materials (i) a certificate on the legal person status; (ii) basic information about the legal representative (chief person in charge), the divisional person in charge and the security

REGULATORY OVERVIEW

guards; (iii) basic information about the security and guarding service area; and (iv) information about the establishment of security and guarding service management system, accountability system, and security guard management system. Where such an entity no longer recruits security guards for security and guarding services, it shall, within 30 days from the date of termination of the security and guarding services, cancel the filing of service in the original public security organ.

According to the **Order of State Council No. 564**, where a security service company dispatches security guards to provide security and guarding services for its client across provisions, autonomous regions or municipalities, it shall file for record with the public security organ of people's government of the city with districts where the service is located with its security service permit and industrial and commercial business licence, the security service contact, as well as the basic information of the person in charge of the service project and security guards.

REGULATION ON TRAVEL AGENCIES

According to the Regulation on Travel Agencies (旅行社條例), which was promulgated on 20 February 2009, and was amended on 6 February 2016 and 1 March 2017, to apply for domestic travel and inbound travel businesses, a travel agency shall acquire the status of a legal person and have a registered capital of not less than RMB300,000 and shall apply to the competent travel administration in the province, autonomous region or municipality directly under the Central Government where it is located or the competent travel departments in the city divided into districts which have been entrusted for the travel business license. According to the Regulation on Travel Agencies, in the event that a travel agency has been operating for two years after acquiring the business license and has not been imposed any punishment more serious than fine by administrative organs for infringing on the legitimate rights and interests of tourists, it may apply for outbound travel business.

According to the Regulation on Travel Agencies, the foreign-invested travel agencies shall include Chinese-foreign equity joint venture travel agencies, Chinese foreign cooperative travel agencies, and wholly foreign-owned travel agencies. The establishment of foreign-invested travel agencies shall also be in compliance with the laws and regulations governing foreign investment. Foreign-invested travel agencies shall not engage in outbound travel business (including Hong Kong, Macau and Taiwan) for Chinese mainland residents unless otherwise provided in the decisions by the State Council, free trade agreements and the Mainland and Hong Kong and Macau Closer Economic Partnership Arrangements signed by China.

REGULATORY OVERVIEW

REGULATIONS ON THE INTERNET INFORMATION SERVICES

Regulation on the Internet Information Services

According to the Administrative Measures on the Internet Information Services (互聯網信息服務管理辦法), which was issued by the State Council on 25 September 2000, and revised on 8 January 2011, the Internet information service refers to the provision of information through the Internet to web users, and the Internet information service is divided into two categories: profitable and non-profitable Internet information service. Profitable Internet information service refers to the provision with the charge of payment of information through the Internet to web users or web page designing, etc. Non-profitable Internet information service, on the other hand, refers to the provision free of charge of public, commonly-shared information through the Internet to web users. Furthermore, an entity engaged in providing profitable Internet information service shall apply for a license for value-added telecommunication services from telecommunications administrative authorities. As for the operation of non-profitable Internet information services, record-filing is required. The Internet information service providers shall provide services within the scope of their licenses or filing. Non-profitable internet information service providers shall not provide services with the charge of payment. In case the Internet information service provider changes its services, website address, etc., it shall submit such changes within 30 days in advance at the original approving authority or record-filing authority.

Regulation on Mobile Internet Application Information Services

According to the Provisions on Administration of the Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定), which was issued by the Cyberspace Administration of PRC (國家互聯網信息辦公室) (the “CAPRC”) on 28 June 2016, and came into effect on 1 August 2016, entities providing information services through the mobile Internet applications shall obtain relevant qualifications according to law. The mobile Internet application providers and the Internet application store providers shall not use the mobile Internet applications to carry out illegal activities that endanger national security, disturb public order, and infringe upon other’s legal rights and interests, or use the mobile Internet applications to produce, copy, issue, and spread illegal information prohibited by laws and regulations. In addition, the CAPRC shall be responsible for the supervision and administration of information on mobile Internet applications. The local cyberspace administrative authorities shall be responsible for the supervision and administration of information on the mobile Internet application program within the administrative regions.

Regulations on Information Security and Privacy Protection

According to the Cyber Security Law of the PRC (中華人民共和國網絡安全法), which was promulgated by the SCNPC on 7 November 2016 and came into effect on 1 June 2017, network operators shall comply with laws and regulations and fulfill their obligations to ensure the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures

REGULATORY OVERVIEW

in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality, and availability of network data. In addition, the network operators shall neither collect the personal information irrelevant to the services provided by them nor collect or use the personal information in violation of the provisions of any laws or administrative regulation or the agreement between both parties.

On 28 December 2012, the SCNPC promulgated the Decision on Strengthening Information Protection on Networks (關於加強網絡信息保護的決定) to enhance the protection of information security and privacy on the Internet. On 16 July 2013, the Ministry of Industry and Information Technology (the “MIIT”) promulgated the Provisions on Protection of Personal Information of Telecommunication and the Internet Users (電信和互聯網用戶個人信息保護規定), which became effective on 1 September 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and the Internet information service.

According to the Several Provisions on Regulating the Market Order of the Internet Information Services (規範互聯網信息服務市場秩序若干規定) (the “Provisions”), which promulgated by the MIIT on 29 December 2011, and came into effect on 15 March 2012, without the consent of users, the Internet information service providers shall neither collect information which is relevant to users and can serve to identify users solely or in combination with other information (the “personal information of users”) nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also require that the Internet information service providers shall properly preserve the personal information of users.

Judicial Interpretation

On 9 May 2017, the Supreme People’s Court and the Supreme People’s Procuratorate jointly released the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋) (the “Interpretations”), which became effective on 1 June 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information”, which was prescribed in Article 253 of the Criminal Law of the PRC (中華人民共和國刑法), including the definition of “citizen’s personal information”, “provision” of citizens’ personal information, and “unlawful acquisition” of citizens’ personal information. In addition, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of such crime.

REGULATORY OVERVIEW

REGULATIONS ON FOREIGN CURRENCY EXCHANGE

According to the Administrative Regulation on Foreign Exchange of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996, and last amended on 5 August 2008, RMB is freely convertible for payments of current items such as trade and service-related foreign exchange transactions and dividend payments. However, RMB is not freely convertible for capital items, such as direct investment, loans, or investments in securities outside the PRC unless the approval of the State Administration of Foreign Exchange (the “SAFE”) or its local counterparts.

On 30 March 2015, the SAFE promulgated the Notice on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**Circular 19**”), which took into effect on 1 June 2015. The SAFE further promulgated the Notice 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) (the “**Circular 16**”) on 9 June 2016, which amended certain provisions of the Circular 19. According to the Circular 19 and the Circular 16, the flow and use of the RMB capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such RMB capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the Circular 19 or the Circular 16 could result in administrative penalties.

On 18 January 2017, the SAFE promulgated the Notice on Improving the Examination of Authenticity and Compliance to Further Promote the Reform of Foreign Exchange (關於進一步推進外匯管理改革完善真實合規性審核的通知) (the “**Circular 3**”), which stipulates several capital control measures concerning the outbound remittance of profit from domestic entities to offshore entities, including (i) banks shall examine board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall cover losses in the previous years before remitting the profits. Moreover, according to the Circular 3, domestic entities shall make detailed explanations of the sources of capital and use of funds (use plan) to the banks, and provide board resolutions, contracts, and other proof when completing the registration procedures of outbound investment.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademarks

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”), which was promulgated by the SCNPC on 23 August 1982, and subsequently amended on 22 February 1993, 27 October 2001, 30 August 2013, and 23 April 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (中華人民共和國商標法實施條例) (the “**Implementation Regulation**”) promulgated by the State

REGULATORY OVERVIEW

Council on 3 August 2002, and amended on 29 April 2014. According to the Trademark Law and the Implementation Regulation, the Trademark Office of State Intellectual Property Office (國家知識產權局商標局) (the “**Trademark Office**”) handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. In addition, under the Trademark Law, the trademark registrant may license its registered trademark to another party by entering into a trademark licensing agreement. The trademark licensing agreements must be filed with the Trademark Office to be recorded, while the non-filing of the licensing of a trademark shall not be used as a defense against a good faith third-party. The licensor shall supervise the quality of the commodities on which the licensee uses the registered trademark, and the licensee shall guarantee the quality of such commodities. Furthermore, the Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may neither infringe upon the existing rights of others nor register a trademark, which has already been used by another party and has gained “a sufficient degree of reputation” in advance by illicit means.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of the Internet Domain Names (互聯網域名管理辦法), which promulgated by the MIIT on 24 August 2017, and took effect on 1 November 2017, and the Implementing Rules on Registration of Domain Names (中國互聯網絡信息中心域名註冊實施細則), which was promulgated by the China Internet Network Information Center on 28 May 2012, and took into effect on 29 May 2012. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first-to-file” principle. Applicants for registration of domain names shall provide their true, accurate, and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Copyright

According to the Copyright Law of the PRC (中華人民共和國著作權法) (the “**Copyright Law**”), which was promulgated by the SCNPC on 7 September 1990, and implemented on 1 June 1991, and amended on 27 October 2001 and 26 February 2010, and the Implementing Regulation of the Copyright Law of the PRC (中華人民共和國著作權法實施條例), which was promulgated by the State Council on 2 August 2002, and amended on 8 January 2011 and 30 January 2013, the PRC nationals, legal persons, and other organizations shall enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology, and computer software. The copyright owner enjoys various kinds of rights, including the right of publication, right of

REGULATORY OVERVIEW

authorship, and right of reproduction. Furthermore, any work of a foreigner or stateless person which acquires copyright under an agreement concluded between the PRC and the country to which the author belongs or in which the author permanently resides, or under an international treaty to which both countries are parties, shall be protected by the Copyright Law. Works of a foreigner or stateless person first published in the territory of the PRC shall be protected from the date of the first publication of the works by the Copyright Law.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on 16 March 2007, and became effective on 1 January 2008, and amended on 24 February 2017, and 29 December 2018, and the Implementing Regulation of the Enterprise Income Tax of the PRC (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council on 6 December 2007, and became effective on 1 January 2008, and was amended on 23 April 2019, the enterprise income tax rate shall be 25% and such tax rate shall be applied to domestic enterprises and foreign-invested enterprises. Pursuant to the EIT Law, enterprises are classified as “resident enterprises” and “non-resident enterprises”. Resident enterprises typically pay an enterprise income tax at the rate of 25%. Non-resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%, however, enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located in the PRC are considered as resident enterprises and will generally be subject to enterprise income tax at the rate of 25% of their global income. The Implementing Regulation of the Enterprise Income Tax further defines “de facto management bodies” as “establishments that carry out substantial and overall management and control over production, operations, personnel, accounting, and properties” of the enterprise.

Dividends Withholding Tax

According to the EIT Law and its Implementation Regulation, dividends paid by foreign-invested companies to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangement**”) promulgated on 21 August 2006, and applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007, and in mainland China to any year commencing on or after 1 January 2007, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice

REGULATORY OVERVIEW

of the State Administration of Taxation on Certain Issues Concerning the Enforcement of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通告), which was promulgated and took into effect on 20 February 2009, by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to an arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

According to the Announcement on Issues Concerning “Beneficial Owners” in Tax Treaties (國家稅務總局關於認定稅收協定中“受益所有人”有關問題的公告), which was promulgated by the SAT on 3 February 2018, and came into effect on 1 April 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management, and other activities, the applicant was unlikely to be recognized as a beneficial owner to enjoy tax treaty benefits.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On 10 December 2009, the SAT issued the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by 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) (the “**Circular 698**”). By implementing Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfers 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) (the “**Circular 7**”) on 3 February 2015, to supersede existing provisions in relation to the indirect transfer as set forth in the Circular 698. The Circular 7 introduces a new tax regime that is significantly different from that under the Circular 698. According to the Circular 7, a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognised as a direct transfer in accordance with the provisions of the EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of the Circular 7, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

On 17 October 2017, the SAT promulgated the Announcement on Issues Concerning Withholding and Payment at Source of Income Tax of Non-Resident Enterprises from (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (the “**SAT Circular 37**”), which came into force and replace the Circular 698 and certain other regulations on 1 December 2017. The SAT Circular 37 simplifies procedures of withholding and payment of income tax levied on non-resident enterprises.

REGULATORY OVERVIEW

Value-added Tax

According to the Provisional Regulation on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 13 December 1993, and came into effect on 1 January 1994, and was amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Implementing Rules for the Provisional Regulation 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 Ministry of Finance (the “MOF”) on 25 December 1993, and amended on 18 December 2008 and 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax.

Since 1 January 2012, the MOF and the SAT have implemented the Pilot Plan for Levying Value-Added Tax in Lieu of Business Tax (營業稅改徵增值稅試點方案), which imposes value-added tax in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded the scope of the pilot plan to other regions within the PRC. In accordance with the Notice on Fully Launch of the Pilot Plan 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) which was issued by the MOF and the State Administration of Taxation on 23 March 2016, and came into effect on 1 May 2016, the state started to fully implement the pilot plan from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in the construction industry, real estate industry, financial industry, and living service industry have been included in the scope of the pilot plan and should pay value-added at the rate of 6% instead of paying business tax.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by the SCNPC on 5 July 1994, becoming effect on 1 January 1995, and amended on 27 August 2009, and 29 December 2018, and the Labor Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the SCNPC on 29 June 2007, becoming effect on 1 January 2008, and amended on 28 December 2012, and effective from 1 July 2013, and the Regulation on the Implementation of the Labor Contract Law (中華人民共和國勞動合同法實施條例), which was promulgated by the State Council and came into effect on 18 September 2008, labor relationship between employers and employees must be executed in written form. Where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work. In addition, wages may not be lower than the local minimum wage standard. Employers must establish a system for labor safety and sanitation, strictly abide by State standards, and provide relevant training to the employees. Employees are also required to work in safe and sanitary conditions.

REGULATORY OVERVIEW

Labor Dispatch

According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) promulgated by the MOHRSS on 24 January 2014, and came into effect on 1 March 2014, employers may only employ dispatched workers in temporary, auxiliary or substitutable positions, and shall strictly control the number of dispatched workers which shall not exceed 10% of the total number of the employees.

Social Insurance and Housing Fund

According to the 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 28 October 2010, and came into effect on 1 July 2011 and revised on 29 December 2018, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), which came into effect on 22 January 1999 and revised on 24 March 2019, the Regulation on Work-Related Injury Insurance (工傷保險條例) implemented on 1 January 2004, and amended on 20 December 2010, and the Regulations on Unemployment Insurance (失業保險條例), which was promulgated on 22 January 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法) implemented on 1 January 1995, the employer shall 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-related injury insurance and maternity insurance contributions shall only be paid by employers, and employers who failed 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 prescribed time limit, 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 prescribed time limit, the relevant administrative authorities shall impose a fine ranging from 1 to 3 times the outstanding amount.

According to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) (the “**Regulation on Housing Provident Fund**”), which was promulgated by the State Council and became effective on 3 April 1999, and was amended on 24 March 2002, and 24 March 2019, enterprises in the PRC must register with the competent managing center for housing provident funds and upon the examination by such center, these enterprises shall complete procedures for opening an account at the bank for the deposit of employees’ housing provident funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. Employers that violate Regulation on Housing Provident Fund and fail to process housing provident fund payments or deposit registrations with the housing fund administration center within a designated period are subject to a fine ranging from RMB10,000 to RMB50,000.

REGULATORY OVERVIEW

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on 20 July 2018, from 1 January 2019, all the social insurance premiums, including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, will be collected by the tax authorities. According to the Notice by the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly, and Effective Manner (國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知), which was promulgated on 13 September 2018, and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (人力資源和社會保障部關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知), which was promulgated on 21 September 2018, all the local authorities responsible for the collection of social insurance premiums are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. In addition, the Notice of the State Administration of Taxation on Implementing Measures on Further Support and Serve the Development of Private Economy (國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知), which was promulgated on 16 November 2018, repeats that tax authorities at all levels shall not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

HISTORY AND DEVELOPMENT

History

Our history can be traced back to 2004 when we commenced to provide property management services in Tianjin and Chongqing in the PRC. Our Controlling Shareholder, Sunac China, is a leading real estate developer in China with which we have maintained cooperative relationship over the years. Leveraging our relationship with Sunac Group, we have successfully provided various property management services to projects developed by Sunac Group and its joint ventures and associates and further expanded our services to third-party projects.

In May 2020, we acquired a controlling interest in New Century Property Management, a comprehensive property management service provider in China which manages a wide range of properties mainly developed by independent third-party property developers.

As at 30 June 2020, our contracted GFA increased to 232.1 million sq.m. covering 127 cities in 29 provinces, autonomous regions and municipalities in China. As at the same date, we managed in total 660 properties (including 418 residential properties and 242 non-residential properties) with an aggregate GFA under management of 105.4 million sq.m. covering 78 cities in 26 provinces, autonomous regions and municipalities in China.

With over 16 years of operations, we have built up our brand value and are recognized as the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies.

Business Development Milestones

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

Year	Event
2004	Sunac Property Service (formerly known as Tianjin Sunac Property Management Co., Ltd.) was established in the PRC and has been engaged in the provision of property management services.
2012	We completed the geographic layout of our business covering five core cities in China, namely, Beijing, Tianjin, Shanghai, Chongqing and Hangzhou.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
2015	We implemented centralised management to streamline the group structure with a view to strengthening systematic management, improving service quality and enhancing market competitiveness.
2017	We completed the geographic layout by functional management of our business covering eight regions in China.
2018	We introduced our service philosophy of “commitment to excellence and beauty” (至善•致美).
2019	Our customer satisfaction rate reached 90%, which attained the benchmark level for top industry players; we launched strategic upgrading to enhance efforts for obtaining projects from other sources and expansion through mergers and acquisitions.
2020	We successfully completed our acquisition of New Century Property Management and integration of Chengdu Global Century, which marked a milestone in diversifying our business.

OUR PRINCIPAL SUBSIDIARIES

The major corporate developments of our subsidiaries which were material to our performance during the Track Record Period are set out below:

Sunac Property Services

Sunac Property Services was established in the PRC on 16 January 2004 with an initial registered capital of RMB1,000,000. Sunac Property Services has been engaged in the provision of property management services, value-added services to non-property owners and community value-added services since its establishment. Upon its establishment, Sunac Property Services was owned as to 40% by Tianjin Sunac Investment Co., Ltd. (天津融創投資有限公司), 30% by Sunac Real Estate and 30% by Tianjin Sunac Aocheng Investment Co., Ltd. (天津融創奧城投資有限公司) respectively, each being an indirect wholly-owned subsidiary of Sunac China.

Subsequent to a series of equity transfers and increases in registered capital between 19 February 2004 and 16 March 2016, Sunac Property Services was wholly-owned by Sunac Real Estate with a registered capital of RMB100,000,000.

As part of the Reorganisation, on 6 May 2019, Sunac Real Estate transferred its entire equity interest in Sunac Property Services to Tianjin Rongjia. Upon completion of such transfer, Sunac Property Services became indirectly wholly-owned by our Company. See “— Reorganisation” in this section for details.

On 25 November 2019, the registered capital of Sunac Property Services was increased to RMB300,000,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Chongqing Sunac

Chongqing Sunac was established in the PRC on 10 September 2004 with an initial registered capital of RMB5,000,000. Upon its establishment, Chongqing Sunac was owned as to 90% by Chongqing Olympic Garden Property Co., Ltd. (重慶奧林匹克花園置業有限公司) (currently known as Sunac Southwest Real Estate Development (Group) Co., Ltd (融創西南房地產開發(集團)有限公司) (“**Sunac Southwest Group**”)) and 10% by Chongqing Sunac Property Co., Ltd. (重慶融創置地有限公司), each being an indirect wholly-owned subsidiary of Sunac China. Chongqing Sunac has been engaged in the provision of property management services, value-added services to non-property owners and community value-added services since its establishment.

Subsequent to a series of equity transfers between July 2007 and April 2008, Chongqing Sunac became wholly-owned by Sunac Property Services.

Chengdu Global Century

Chengdu Global Century was established in the PRC on 7 March 2005 with an initial registered capital of RMB5,000,000. Upon its establishment, Chengdu Global Century was owned as to 95% by Chengdu Century Chengxin International Convention Centre Co., Ltd. (成都世紀城新國際會展中心有限公司) (currently known as Global Sunac Convention Cultural Tourism Group Co., Ltd. (環球融創會展文旅集團有限公司) (“**Global Sunac**”)) and 5% by Chengdu International Convention Exhibition Centre Co., Ltd. (成都國際會議展覽中心有限公司), each an Independent Third Party at the material time. Chengdu Global Century has been engaged in the provision of property management services, value-added services to non-property owners and community value-added services since its establishment.

On 27 November 2019, Sunac Southwest Group, an indirect wholly-owned subsidiary of Sunac China, acquired 51% equity interest in Global Sunac by way of public bidding at a consideration of RMB13,561,641,000 which represented the base price of the listing-for-sale of such equity interest. Details of the acquisition by Sunac Southwest Group are set out in Sunac China’s announcements dated 27 November 2019 and 5 December 2019. Upon completion of such acquisition, Chengdu Global Century became a subsidiary of Sunac Southwest Group.

The net assets of Chengdu Global Century have been consolidated in our Group’s historical financial information since 31 December 2019 and the results of operations of Chengdu Global Century were included in our financial information for the period from 1 January 2020 to 30 June 2020 for the Track Record Period. As at 31 December 2019, the net assets of Chengdu Global Century amounted to RMB122,760,000. For further details, see Note 12 of the Accountant’s Report in Appendix 1A to this prospectus.

As part of the Reorganisation, on 3 April 2020, Global Sunac transferred its 95% equity interest in Chengdu Global Century to Chengdu Huanrong. Upon completion of such transfer, Chengdu Global Century became owned as to 95% by Chengdu Huanrong, an indirect subsidiary of our Group. See “— Reorganisation” in this section for details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

ACQUISITION OF NEW CENTURY PROPERTY MANAGEMENT

To expand our property management portfolio, we acquired the controlling interest in New Century Property Management through the following transactions (the “**NCPM Acquisition**”).

On 25 April 2020, Tianjin Rongyue entered into a share transfer agreement (the “**First NCPM SPA**”) with Hangzhou New Century Real Estate Group Co., Ltd. (杭州開元物產集團有限公司) (formerly known as Hangzhou New Century Real Estate Development Group Co., Ltd. (杭州開元房地產開發有限公司)) (“**New Century Real Estate**”), a company ultimately controlled by Mr. Chen Miaolin, an Independent Third Party. Pursuant to the First NCPM SPA, Tianjin Rongyue agreed to acquire, and New Century Real Estate agreed to transfer, 22,425,000 shares of New Century Property Management, representing approximately 54.61% of its entire share capital, at a consideration of RMB819,088,319. The consideration was fully settled in May 2020 by our internal resources.

On the same day, Tianjin Rongyue also entered into a share transfer agreement (as amended by a supplemental agreement, collectively the “**Second NCPM SPA**”) with Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) (杭州君健晟陽投資管理合夥企業(有限合夥)) (“**Hangzhou Junjian**”) and Mr. Xie Jianjun (謝建軍), who was the general manager of New Century Property Management at the relevant time and is currently the vice president of our Group. Pursuant to the Second NCPM SPA, Tianjin Rongyue agreed to acquire, and Hangzhou Junjian and Mr. Xie Jianjun agreed to transfer, in aggregate 16,575,000 shares of New Century Property Management, representing approximately 40.36% of its entire share capital, at a total consideration of RMB605,413,105, including as to (i) 8,775,000 shares held by Hangzhou Junjian at a consideration of RMB320,512,820; and (ii) 7,800,000 shares held by Mr. Xie Jianjun at a consideration of RMB284,900,285. The consideration will be paid by three instalments. As at the Latest Practicable Date, the first installment of approximately RMB181.6 million, representing 30% of the consideration, had been paid by our internal resources. The second installment of approximately RMB242.2 million (the “**Second Installment**”), representing 40% of the consideration, is expected to be settled by our internal resources in 2021 upon and subject to satisfaction of conditions precedent in relation thereto, including the completion of transfer of all remaining shares held by Mr. Xie Jianjun, and the fulfillment of the profit guarantee for the financial year ending 31 December 2020. The balance of approximately RMB181.6 million (the “**Third Installment**”), representing 30% of the consideration, is expected to be settled by our internal resources in 2022 upon and subject to satisfaction of condition precedent in relation thereto, namely the fulfillment of the profit guarantee for the financial year ending 31 December 2021.

On 14 May 2020, Tianjin Rongyue entered into a share transfer agreement (the “**Third NCPM SPA**”) with New Century Holdings Group Co., Ltd. (開元控股集團有限公司) (“**New Century Holdings**”), a company controlled by Mr. Chen Miaolin to further acquire 1,726,200 shares of New Century Property Management, representing approximately 4.20% of its entire share capital, at a consideration of RMB63,050,625. The consideration had been fully settled in June 2020 by our internal resources.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The consideration for the NCPM Acquisition was approximately RMB1,487.6 million in aggregate and was determined after arm's length negotiations and taking into account the financial performance (including the profit guarantee set out under "Profit guarantee and adjusted consideration" below) and the status of the business and operations of New Century Property Management, as well as with reference to the valuation result adopting an income approach and verified with a market approach as further elaborated in "Financial Information — Our Acquisition of New Century Property Management". The implied price-to-earnings ratio (being the total consideration of approximately RMB1,487.6 million divided by the profit guarantee of RMB115 million for the year ending 31 December 2021 as set out under "Profit guarantee and adjusted consideration" below) is approximately 13 times, which is within the range of the price-to-earnings ratio of peer companies and comparable transactions identified for the purpose of the aforesaid market approach. Based on the contracted GFA of New Century Property Management as at 31 March 2020 of approximately 50.5 million sq.m., the total consideration of approximately RMB1,487.6 million implies a consideration of approximately RMB29.5 per sq.m..

As advised by our PRC Legal Advisers, under the applicable PRC laws, the shares of New Century Property Management which may be transferred by Mr. Xie Jianjun each year during his term of office as a director and member of the senior management of New Century Property Management shall not exceed one-fourth of the total number of shares held by him, and no shares of New Century Property Management shall be disposed of by Mr. Xie Jianjun within six months after his termination of office in New Century Property Management. Given that the transfer of shares of New Century Property Management by Mr. Xie Jianjun was subject to the above restriction under the applicable PRC laws, a share entrustment arrangement was entered into between Mr. Xie Jianjun and Tianjin Rongyue on 8 May 2020, pursuant to which Mr. Xie Jianjun will hold approximately 14.25% of the shares of New Century Property Management on trust for Tianjin Rongyue pending completion of the transfer of those shares by him in accordance with the Second NCPM SPA. As advised by our PRC Legal Advisers, such share entrustment agreement is valid and legally binding between the parties. To facilitate the transfer of shares, Mr. Xie has resigned from his office as director and senior management of New Century Property Management in June 2020, so that the above restriction shall cease to apply to him upon the expiry of six months from the date of his resignation. Under the Second NCPM SPA, Mr. Xie Jianjun shall complete the transfer of the remaining shares of New Century Property Management held by him within 30 days after the above regulatory restrictions have expired. It is expected that Mr. Xie will complete the transfer of the remaining shares of New Century Property Management held by him to Tianjin Rongyue in or around January 2021.

Our Group has retained the key management of New Century Property Management, including but not limited to (i) Mr. Xie Jianjun who has been involved in the management of New Century Property Management since 2005. Mr. Xie Jianjun is currently our vice president and is responsible for the overall business operations and management of New Century Property Management. Details of Mr. Xie Jianjun's biography are set out in the section headed "Directors and Senior Management" of this prospectus; and (ii) 13 other individuals identified as key employees of New Century Property Management under the Second NCPM SPA, 12 of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

whom were still employed by New Century Property Management as at the Latest Practicable Date. There is also synergy of management as a result of the NCPM Acquisition. In particular, New Century Property Management has considerable experience in the management of a variety of non-residential properties, including landmark projects such as the Hangzhou International EXPO Centre (which was the main venue for the 2016 G20 Summit) and Qianjiang Century Park, as well as projects such as the Third People's Hospital of Hangzhou and the First People's Hospital of Xiaoshan. New Century Property Management also has substantial experience in procuring projects from Independent Third Parties. We believe the NCPM Acquisition and our retention of the key management of New Century Property Management would help to further enhance our market development capability. Further details of the benefits of the NCPM Acquisition are set out in the section headed "Business — Acquisition of New Century Property Management" of this prospectus.

Pursuant to the NCPM Acquisition, New Century Property Management became an indirect subsidiary of our Company in May 2020. As at the Latest Practicable Date, New Century Property Management was owned as to 84.92% by Tianjin Rongyue, 14.25% by Mr. Xie Jianjun on trust for Tianjin Rongyue, and 0.83% by Independent Third Party shareholders including New Century Holdings.

Profit guarantee and adjusted consideration

Pursuant to the Second NCPM SPA, in the event that the operating net profit of New Century Property Management for (i) the year ending 31 December 2020 (the "**2020 NCPM Actual Profit**") is less than RMB100 million (the "**2020 NCPM Profit Target**"), and/or (ii) the year ending 31 December 2021 (the "**2021 NCPM Actual Profit**") is less than RMB115 million (the "**2021 NCPM Profit Target**"), Tianjin Rongyue shall have the right to downward adjust the amount of the relevant installment of the consideration payable to Hangzhou Junjian and Mr. Xie Jianjun. The consideration payable to Hangzhou Junjian and Mr. Xie Jianjun under the Second NCPM SPA is not subject to any upward adjustment. The adjustment formulae in respect of the Second Installment and the Third Installment under the Second NCPM SPA are set out below:

(a) For the Second Installment:

- (i) *If the 2020 NCPM Actual Profit is less than 100%, but not less than 80%, of the 2020 NCPM Profit Target:*

$$\text{Adjusted amount of the Second Installment} = 15 \times 2020 \text{ NCPM Actual Profit} \\ \times 40.36\%^{(\text{Note 1})} \times 40\%^{(\text{Note 2})}$$

- (ii) *If the 2020 NCPM Actual Profit is less than 80%, but not less than 60%, of the 2020 NCPM Profit Target:*

$$\text{Adjusted amount of the Second Installment} = 10 \times 2020 \text{ NCPM Actual Profit} \\ \times 40.36\%^{(\text{Note 1})} \times 40\%^{(\text{Note 2})}$$

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(iii) *If the 2020 NCPM Actual Profit is less than 60% of the 2020 NCPM Profit Target:*

Adjusted amount of the Second Installment = Zero

(b) For the Third Installment:

(i) *If the 2021 NCPM Actual Profit is less than 100%, but not less than 80%, of the 2021 NCPM Profit Target:*

Adjusted amount of the Third Installment = 13.04 x 2021 NCPM Actual Profit x 40.36%^(Note 1) x 30%^(Note 3)

(ii) *If the 2021 NCPM Actual Profit is less than 80%, but not less than 60%, of the 2021 NCPM Profit Target:*

Adjusted amount of the Third Installment = 10 x 2021 NCPM Actual Profit x 40.36%^(Note 1) x 30%^(Note 3)

(iii) *If the 2021 NCPM Actual Profit is less than 60% of the 2020 NCPM Profit Target:*

Adjusted amount of the Third Installment = Zero

Notes:

1. Being the percentage of equity interest in New Century Property Management as transferred under the Second NCPM SPA.
2. Being the Second Installment as a percentage of the total consideration payable under the Second NCPM SPA.
3. Being the Third Installment as a percentage of the total consideration payable under the Second NCPM SPA.

The profit guarantee above does not constitute a profit forecast of New Century Property Management 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 New Century Property Management for the relevant financial years.

Background and corporate development of New Century Property Management

New Century Property Management was established in the PRC on 26 June 2001 with an initial registered capital of RMB1,000,000. Upon its establishment, New Century Property Management was owned as to 60% by New Century Real Estate and 40% by Zhejiang Xiaoshan Kaiyuan Investment Property Co., Ltd. (浙江蕭山開元投資置業有限公司), both of which were ultimately controlled by Mr. Chen Miaolin, an Independent Third Party. New Century Property Management has been engaged in the provision of property management services and other related value-added services in the PRC since its establishment.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Subsequent to a series of increases in registered capital and equity transfers between December 2003 and August 2013, New Century Property Management became owned as to 80% by New Century Real Estate and 20% by Mr. Xie Jianjun, who was the general manager of New Century Property Management at the relevant time and is currently the vice president of our Group, with a registered capital of RMB10,000,000. In contemplation of its then proposed listing on The National Equities Exchange and Quotations (“NEEQ”), on 12 June 2014, the shareholders of New Century Property Management passed a resolution approving, among other matters, its conversion from a limited liability company into a joint stock company with limited liability. Upon completion of the conversion, the share capital of New Century Property Management was RMB10,000,000 divided into 10,000,000 shares with a nominal value of RMB1.00 each, of which New Century Real Estate held 8,000,000 shares and Mr. Xie Jianjun held 2,000,000 shares, representing 80% and 20% of the share capital of New Century Property Management, respectively. On 10 February 2015, the shares of New Century Property Management became listed on NEEQ.

Subsequent to a series of share transfers and increases in registered capital during its quotation on NEEQ, New Century Property Management became owned as to 54.61% by New Century Real Estate, 21.37% by Hangzhou Junjian, 18.99% by Mr. Xie Jianjun and 5.03% by other Independent Third Party shareholders, with a registered capital of RMB41,067,000. Hangzhou Junjian is a limited liability partnership established for employee incentive purpose, whose general partner is ultimately controlled by Mr. Chen Miaolin and whose limited partners are employees of New Century Property Management.

New Century Property Management submitted an application for listing on the ChiNext market of the Shenzhen Stock Exchange (the “**ChiNext Application**”) in December 2018. To the best of our knowledge, in late 2019, in view of the increasing valuation of property management companies listed on the Stock Exchange in recent years, the then controlling shareholder of New Century Property Management made the strategic decision for New Century Property Management to withdraw the ChiNext Application and delist from NEEQ in anticipation of a potential listing on the Stock Exchange. As a result of the aforesaid changes to its strategic direction, New Century Property Management voluntarily withdrew the ChiNext Application in December 2019 and commenced delisting from NEEQ which was completed on 24 March 2020 (the “**NEEQ Delisting**”).

Our Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries (i) there was no material outstanding comment from the relevant regulators and there is no matter that needs to be brought to the attention of the Stock Exchange and investors in relation to the voluntary withdrawal of the ChiNext Application by New Century Property Management; and (ii) New Century Property Management was not involved in any material non-compliance with the applicable rules of NEEQ during the period of quoting on NEEQ, and there is no matter that needs to be brought to the attention of the Stock Exchange and investors in relation to New Century Property Management’s listing on and delisting from NEEQ mentioned above. Based on the relevant due diligence performed, the Joint Sponsors concur with the Directors’ view that New Century Property Management was not involved in any material non-compliance with the applicable rules of NEEQ during the period of its listing on NEEQ.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

At the time of the NEEQ Delisting, the market capitalisation of New Century Property Management (based on the last trading day of its shares on NEEQ as of 20 January 2020) was approximately RMB866.51 million and its price-to-earnings ratio (based on the profit for the year ended 31 December 2019 attributable to the owners of New Century Property Management of approximately RMB61.25 million) was approximately 14 times.

As part of the NEEQ Delisting, New Century Holdings, as the designated entity by New Century Real Estate, the then controlling shareholder of New Century Property Management, undertook that within 90 days after the NEEQ Delisting, it would repurchase any dissenting or abstaining shareholders' shares at an agreed repurchase price upon their request. In this connection, a total of 2,067,000 shares shall be repurchased at RMB30 per share, representing a total repurchase amount of RMB62,010,000. Among the shares repurchased, New Century Holdings transferred 1,726,200 shares, representing approximately 4.20% of the then entire issued share capital of New Century Property Management, to Tianjin Rongyue in May 2020 pursuant to the Third NCPM SPA as part of the NCPM Acquisition.

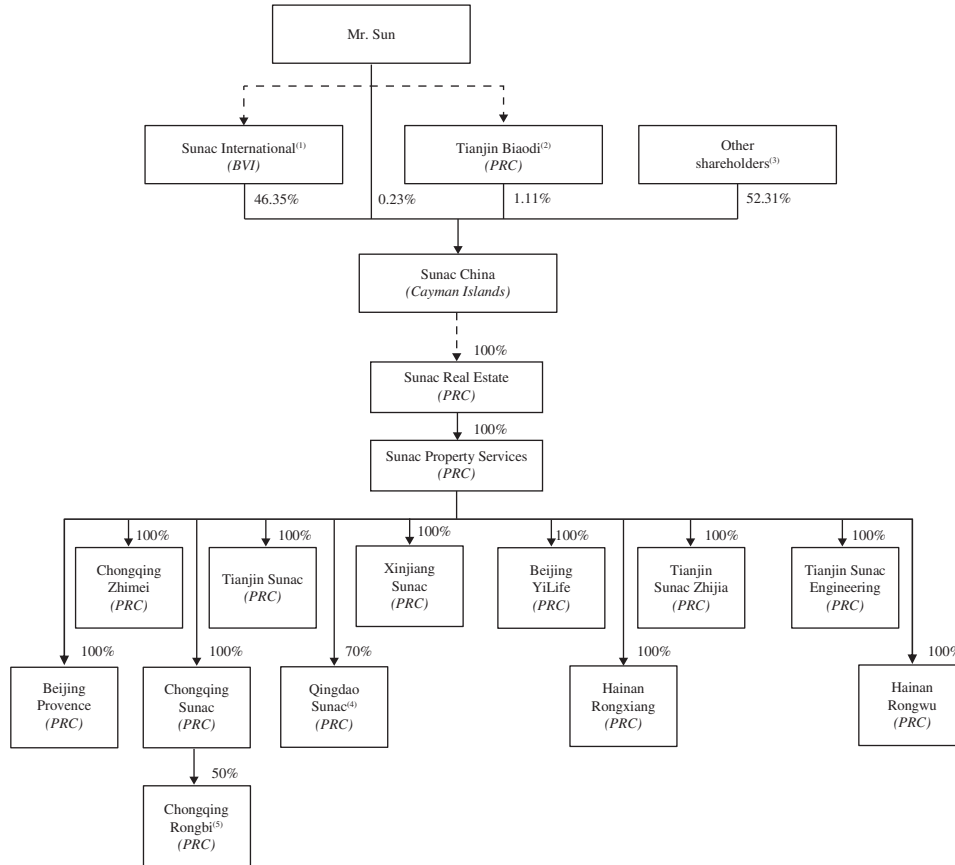
ACQUISITIONS AFTER THE TRACK RECORD PERIOD

In order to expand our business, since the end of the Track Record Period, our Group has acquired or agreed to acquire the entire equity interests in Beijing Jintaihe, 54% equity interest in Shijiazhuang Ronghong, 24.1726% equity interest in Tianjin Fengwu and the entire equity interest in Tianjin Yushun. For details, see “Waivers from Strict Compliance Requirements under the Listing Rules — D. Equity Interests Acquired after the Track Record Period”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The following diagram illustrates our shareholding structure before the Reorganisation:



Notes:

1. Sunac International is wholly-owned by Sun family trusts, 70% of which is held by a family trust established by Mr. Sun in December 2018 and the remaining 30% is held by two family trusts established in May and June 2018, respectively. The beneficiaries of the family trusts are Mr. Sun and/or his family members.
2. Tianjin Biaodi is indirectly wholly owned by Mr. Sun.
3. Including (i) public shareholders of Sunac China who held in aggregate approximately 51.72% of the issued shares in Sunac China; and (ii) five directors of Sunac China who held in aggregate approximately 0.59% of the issued shares in Sunac China.
4. The remaining equity interest is held by Qingdao Longhai Property Services Co., Ltd. (青島隆海物業服務有限公司), an Independent Third Party save for its equity interest in Qingdao Sunac.
5. The remaining equity interest is held by Country Garden Life Services Group Co., Ltd. (碧桂園生活服務集團股份有限公司), an Independent Third Party save for its equity interest in Chongqing Rongbi.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

1. Incorporation of our Company

On 10 January 2019, our Company was incorporated in the Cayman Islands under the Cayman Company Law as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of our Company was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, among which one share was issued to an initial subscriber who is an Independent Third Party fully paid at par and transferred to Sunac Services Investment at par on the same day.

On 27 March 2020, our Company issued and allotted 9,999 shares of US\$1.00 each to Sunac Services Investment at a consideration of RMB1,200,000,000.

2. Incorporation of offshore holding companies

On 8 January 2019, Sunac Services Investment I was incorporated under the laws of the BVI with limited liability. As at the date of incorporation, Sunac Services Investment I was authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 10 January 2019, one share was issued to our Company at par value. Upon completion of such issue, Sunac Services Investment I became directly wholly-owned by our Company.

On 11 January 2019, Sunac Life Services was incorporated in the Cayman Islands under the Cayman Company Law as an exempted company with limited liability. Since its incorporation, Sunac Life Services has been a direct wholly-owned subsidiary of Sunac Services Investment I.

On 8 January 2019, Grace Home BVI was incorporated under the laws of the BVI. Grace Home BVI has been a direct wholly-owned subsidiary of Sunac Life Services since the initial issue of one share to Sunac Life Services on 11 January 2020.

On 4 February 2019, Grace Home HK was incorporated under the laws of Hong Kong. Since its incorporation, Grace Home HK has been a direct wholly-owned subsidiary of Grace Home BVI.

3. Establishment of Tianjin Rongjia and its acquisition of Sunac Property Services

On 28 March 2019, Tianjin Rongjia was established in the PRC as a wholly foreign-owned enterprise with an initial registered capital of RMB10,000,000. Since its establishment, Tianjin Rongjia has been wholly-owned by Grace Home HK.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 6 May 2019, Tianjin Rongjia acquired the entire equity interest in Sunac Property Services from Sunac Real Estate at a consideration of RMB50,000,000, which was determined with reference to the then paid-up registered capital of Sunac Property Services. The consideration was fully settled in April 2020.

4. Restructuring of Sunac Property Services

As part of the Reorganisation, to consolidate the entities engaging in our business into our Group, the following transactions were effected:

- *Acquisition of Zhejiang Sunac*

On 19 August 2019, Sunac Property Services acquired the entire equity interest in Zhejiang Sunac from Hangzhou Rongxinheng Investment Co., Ltd. (杭州融鑫恒投資有限公司), an indirect wholly-owned subsidiary of Sunac China, at nil consideration with reference to the then registered capital of Zhejiang Sunac, which had not been paid up at the time of such transfer.

- *Establishment of Chengdu Huanrong to acquire Chengdu Global Century*

On 3 April 2020, Chengdu Huanrong was established in the PRC with an initial registered capital of RMB5,000,000. Since its establishment, Chengdu Huanrong has been owned as to 70% by Sunac Property Services, 29% by Mr. Deng Hong (鄧鴻) and 1% by Mr. Liu Yang (劉楊), both being directors of Chengdu Huanrong.

On 3 April 2020, Global Sunac transferred its 95% equity interest in Chengdu Global Century to Chengdu Huanrong at a consideration of RMB8,672,370.48, which was determined with reference to the business and financial performance of Chengdu Global Century. Such consideration was fully settled in August 2020. Upon completion of such transfer, Chengdu Global Century became owned as to 95% by Chengdu Huanrong and 5% by a company controlled by Mr. Deng Hong (鄧鴻), a director of Chengdu Huanrong.

- *Acquisition of Sunac Tourism Property*

On 9 April 2020, Sunac Property Services acquired the entire equity interest in Sunac Tourism Property from Sunac Real Estate 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 Sunac Tourism Property, and was fully settled in June 2020. Sunac Tourism Property is engaged in the sales agency business for tourism-themed properties.

5. Incorporation of Sunac Shine

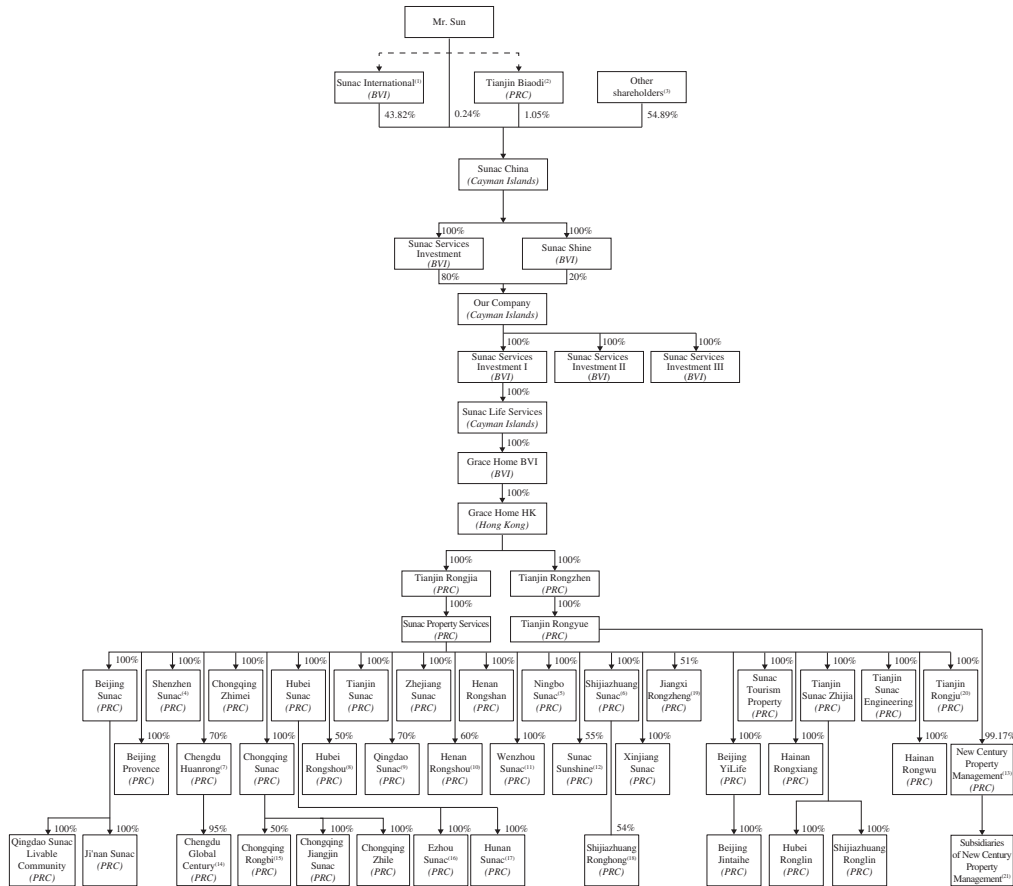
For the purpose of incentivising and motivating the key management of our Group and any other person who made contributions to our Group, it is intended that a share award scheme will be adopted by our Company. On 31 March 2020, Sunac Shine was incorporated in the BVI as a special purpose vehicle to hold Shares to be granted to eligible grantees under the aforesaid share award scheme, which is expected to be adopted at least six months after the Listing. As at the date of incorporation of Sunac Shine, one share was issued to Sunac China at par. On 18 May 2020, our Company issued and allotted 2,500 shares of US\$1.00 each to Sunac Shine, as the then proposed trustee of the Sunac Services Share Award Scheme Trust, at par, following which our Company became owned as to 80% and 20% by Sunac Services Investment and Sunac Shine, respectively.

Prior to and after the establishment of the aforesaid share award scheme, Sunac Shine shall consider any instructions or recommendations from Sunac China with respect to the exercise of the voting rights of the Shares which are held by it as trustee, including Shares which are not yet awarded to any awardees and Shares which are awarded but not yet vested onto the relevant awardees in accordance with the terms of the share award scheme. After the actual vesting, the awardees will be entitled to exercise the voting rights attached to the vested Shares. An advisory committee will be established under the Sunac Services Share Award Scheme Trust who will, after the establishment of the share award scheme, make determinations in relation to the grant of share awards thereunder. As at the Latest Practicable Date, the detailed terms of the share award scheme and the relevant grantees had not been confirmed.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR GROUP'S SHAREHOLDING STRUCTURE AFTER THE REORGANISATION

The following diagram illustrates our shareholding structure after the Reorganisation and immediately prior to the completion of the Capitalisation Issue, the Distribution and the Global Offering (assuming there will be no change in the shareholding structure of Sunac China from the Latest Practicable Date up to the Listing):



Notes:

1. Sunac International is wholly-owned by Sun family trusts, 70% of which is held by a family trust established by Mr. Sun in December 2018 and the remaining 30% was held by two family trusts established in May and June 2018, respectively. The beneficiaries of the family trusts are Mr. Sun and/or his family members.
2. Tianjin Biaodi is indirectly wholly-owned by Mr. Sun.
3. Including (i) public shareholders of Sunac China who held in aggregate approximately 53.85% of the issued shares in Sunac China; and (ii) seven directors of Sunac China who held in aggregate approximately 1.04% of the issued shares in Sunac China.
4. Shenzhen Sunac was established by Sunac Property Services in the PRC on 12 December 2019 with an initial registered capital of RMB30,000,000.
5. Ningbo Sunac was established by Sunac Property Services in the PRC on 4 September 2019 with an initial registered capital of RMB5,000,000.
6. Shijiazhuang Sunac was established by Sunac Property Services in the PRC on 3 April 2019 with an initial registered capital of RMB2,000,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

7. The remaining equity interest is held as to 29% by Mr. Deng Hong (鄧鴻) and 1% by Mr. Liu Yang (劉楊), both being directors of Chengdu Huanrong.
8. The remaining equity interest is held by Shoujin Minzhi (Tianjin) Property Development Co., Ltd. (首金敏志(天津)置業發展有限公司), an Independent Third Party save for its equity interest in Hubei Rongshou and Henan Rongshou.
9. The remaining equity interest is held by Qingdao Longhai Property Services Co., Ltd. (青島隆海物業服務有限公司), an Independent Third Party save for its equity interest in Qingdao Sunac.
10. The remaining equity interest is held by Shoujin Minzhi (Tianjin) Property Development Co., Ltd. (首金敏志(天津)置業發展有限公司), an Independent Third Party save for its equity interest in Hubei Rongshou and Henan Rongshou.
11. Wenzhou Sunac was established by Sunac Property Services in the PRC on 8 January 2020 with an initial registered capital of RMB5,000,000.
12. The remaining equity interest is held by Beijing Sunshine Property Services Co., Ltd. (北京陽光郡物業服務有限公司), an Independent Third Party save for its equity interest in Sunac Sunshine.
13. New Century Property Management was owned as to 84.92% by Tianjin Rongyue, 14.25% by Mr. Xie Jianjun held under a share entrustment arrangement for Tianjin Rongyue pending the transfer of such interest to Tianjin Rongyue, and 0.83% by Independent Third Party shareholders including New Century Holdings.
14. The remaining equity interest is held by a company controlled by Mr. Deng Hong (鄧鴻), a director of Chengdu Huanrong.
15. The remaining equity interest is held by Country Garden Life Services Group Co., Ltd. (碧桂園生活服務集團股份有限公司), an Independent Third Party save for its equity interest in Chongqing Rongbi.
16. Ezhou Sunac was established by Hubei Sunac in the PRC on 3 August 2020 with an initial registered capital of RMB1,000,000.
17. Hunan Sunac was established by Hubei Sunac in the PRC on 10 August 2020 with an initial registered capital of RMB2,000,000.
18. The remaining equity interest is held by Hebei Shuangchuang Ping'an Investment Co., Ltd. (河北雙創平安投資有限公司), an Independent Third Party save for its equity interest in Shijiazhuang Ronghong.
19. The remaining equity interest is held by Nanchang Municipal Public Asset Management Co., Ltd. (南昌市政公用資產管理有限公司), an Independent Third Party.
20. Tianjin Rongju was established by Sunac Property Services in the PRC on 11 September 2020 with an initial registered capital of RMB5,000,000.
21. See note 14 to the accountant's report on New Century Property Management as set out in Appendix IB to this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REDENOMINATION OF OUR SHARES AND INCREASE OF AUTHORISED SHARE CAPITAL OF OUR COMPANY

On 27 October 2020, the authorised share capital of our Company was increased by HK\$380,000 by the creation of 38,000,000 shares of HK\$0.01 each. On the same date, our Company allotted and issued 7,600,000 Shares and 1,900,000 Shares to Sunac Services Investment and Sunac Shine respectively at par. Our Company then repurchased the 10,000 shares of US\$1.00 each and 2,500 shares of US\$1.00 each from Sunac Services Investment and Sunac Shine respectively at par and cancelled the same following the repurchase. Thereafter, our Company cancelled all the 50,000 authorised but unissued shares of US\$1.00 each in our Company. As a result of the foregoing actions, the authorised share capital of our Company became HK\$380,000 divided into 38,000,000 Shares. The shareholding percentages of our then Shareholders remained unchanged after the above changes in the authorised and issued share capital of our Company.

On 28 October 2020, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares with par value of HK\$0.01 each.

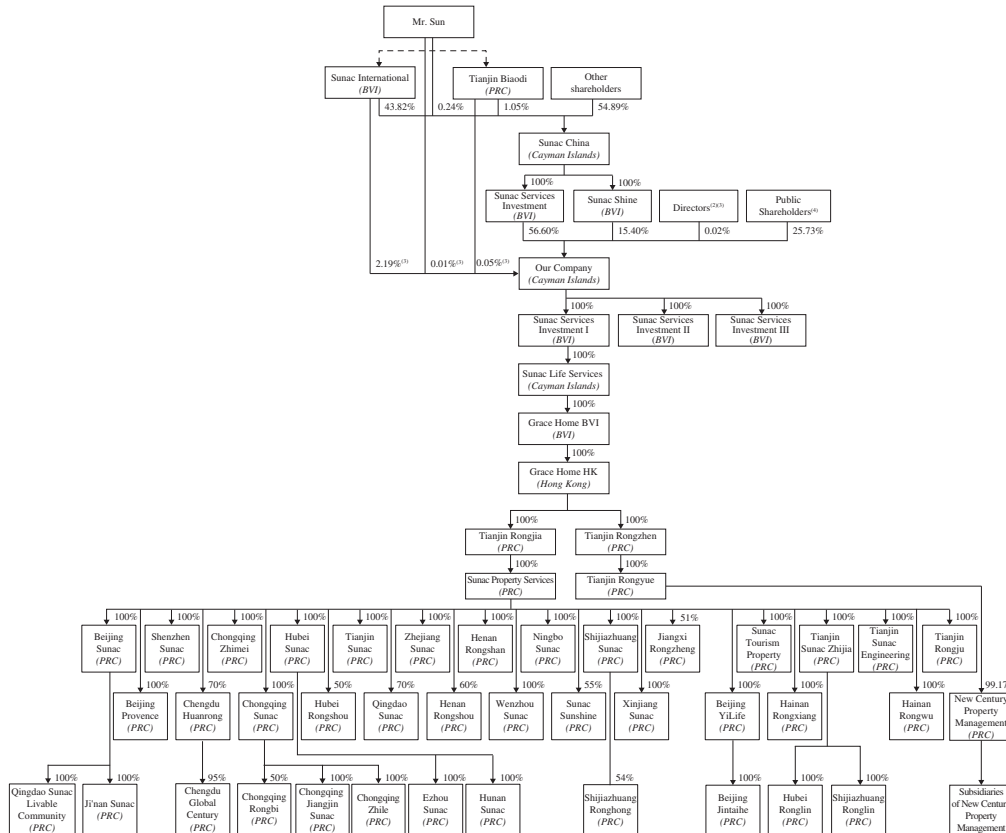
CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 28 October 2020, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise HK\$23,005,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 2,300,500,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR GROUP'S SHAREHOLDING STRUCTURE AFTER THE GLOBAL OFFERING

The shareholding structure of our Group immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering (assuming the Over-allotment Option is not exercised and there will be no change in the shareholding structure of Sunac China from the Latest Practicable Date up to the Listing and without taking into account any Employee Reserved Shares that may be subscribed by any Eligible Directors in the Employee Preferential Offering) is set out as follows:



Notes:

1. Please see the notes set out under “Our Group’s Shareholding Structure after the Reorganisation” above.
2. Including (i) Mr. Wang Mengde, an executive director of Sunac China and our non-executive Director, who will be interested in approximately 0.016% in our Shares; (ii) Ms. Cao Hongling, our executive Director, who will be interested in approximately 0.003% in our Shares; (iii) Ms. Wang Lihong, our independent non-executive Director, who will be interested in approximately 0.00003% in our Shares; and (iv) certain director of our subsidiary (not being Director of our Company), who will be interested in less than 0.0001% in our Shares, in each case following completion of the Capitalisation Issue, the Distribution and the Global Offering and assuming the Over-allotment Option is not exercised.
3. By way of the Distribution.
4. As to (i) approximately 2.73% by way of the Distribution; and (ii) approximately 23.00% by way of the Global Offering and without taking into account any Employee Reserved Shares that may be subscribed by any Eligible Directors in the Employee Preferential Offering.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers have confirmed that all necessary approvals in relation to the share transfers and disposals in respect of the PRC companies in our Group as described above had been obtained and the procedures involved had been carried out in accordance with applicable PRC laws and regulations. Our PRC Legal Advisers have confirmed that the share transfers in respect of the PRC companies have been properly and legally completed.

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 Sunac China.

The board of directors of Sunac China considers that the Spin-off is in the interests of Sunac China and the shareholders of Sunac China taken as a whole based on the following reasons:

- (a) Sunac China is optimistic about the future development and potential of the property management industry, and the Spin-off will enable our Group to leverage on the capital market and will improve our competitive strength in the market;
- (b) the Spin-off will enable our Group to have a separate fund-raising platform and to establish a separate and broad investor base through the Global Offering. The Spin-off would allow our Group to gain direct access to the capital market for equity and/or debt financing to fund our future development independent of Sunac China, thereby facilitating the business development and improving our profitability;
- (c) the Spin-off will enable a more focused development, strategic planning and better allocation of resources for Sunac Group and our Group with respect to their respective businesses, which will improve our overall operational capabilities and market competitiveness and contribute to improved employee incentive mechanism as well as our ability to attract, retain and motivate talent; and
- (d) as members of our Group are expected to remain as subsidiaries of Sunac China upon completion of the Spin-off, Sunac China will continue to benefit from the future development of our Group through consolidation of our Group's financial accounts and receipt of dividend income from our Group.

The Spin-off by Sunac China complies with the requirements of Practice Note 15 of the Listing Rules.

SHAREHOLDING ARRANGEMENT IN RESPECT OF ZHEN LIVING

Tianjin Sunac Zhen Living Services Co., Ltd. (天津融創臻生活服務有限公司) (“**Zhen Living**”), a company established in the PRC with limited liability on 20 April 2018, is a member of Sunac Group. Zhen Living principally engages in providing property inspection and maintenance services to other members of Sunac Group including (i) property inspection prior to and during delivery and (ii) carrying out inspection, repair and maintenance works during the post-delivery quality warranty period on behalf of the property developer in respect of property units that have been delivered to the buyers (collectively, the “**Relevant Services**”).

Prior to the establishment of Zhen Living, the Relevant Services were provided by the customer relationship department of Sunac Group, which was managed as part of the property development business.

Zhen Living was structured under Sunac Property Services upon its establishment as it was initially contemplated that the Relevant Services would be managed under Sunac Property Services to potentially leverage on the direct interaction function that the property management business would have with property owners. However, as the Relevant Services were considered to be directly relevant to the property sales operations, the staffing, remuneration system and operational management of Zhen Living had continued to be managed as a part of the property development business, instead of the property management business, of Sunac Group. As Sunac Property Services was a wholly-owned subsidiary of Sunac China at that time, transfer of Zhen Living from Sunac Property Services was not considered necessary from a group perspective. On this basis, Sunac Property Services merely acted as the registered shareholder of Zhen Living and all corporate decisions and exercise of shareholder’s rights in respect of Zhen Living were made at the direction of Sunac China as the beneficial owner.

On 2 April 2020, at the request of Sunac China, Sunac Property Services transferred the entire equity interest in Zhen Living to an indirect wholly owned subsidiary of Sunac China (the “**Transfer**”). As Zhen Living has been accounted for as a subsidiary of Sunac China at all times and is not part of our Group, the Transfer does not constitute a part of the Reorganisation.

To the best of our Directors’ knowledge, information and belief, Zhen Living has not been the subject of any material non-compliant incidents, claims, litigation or legal proceeding (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

We are the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies. In pursuit of our service philosophy of “commitment to excellence and beauty” (至善·致美), we offer a full range of high-quality property services to our customers and are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

We are engaged in three business lines, namely (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services. We have been providing property management services in China for more than 16 years with a geographic focus on first- and second-tier cities in China. In addition to property management services, we offer value-added services to non-property owners (such as consulting, pre-delivery and sales assistance services), which are provided mainly to property developers. We also offer a variety of community value-added services, which are provided mainly to the owners and residents of the properties we manage.

On 8 May 2020, we acquired a controlling interest in New Century Property Management, a comprehensive property management service provider which manages a wide range of properties primarily developed by independent third-party property developers. Due to our business expansion, including the acquisition of New Century Property Management, our contracted GFA increased to 232.1 million sq.m. as at 30 June 2020, covering 127 cities in 29 provinces, autonomous regions and municipalities in China. As at the same date, we managed 660 property projects, including 418 residential projects and 242 non-residential projects, with a total GFA under management of 105.4 million sq.m. and covering 78 cities in 26 provinces, autonomous regions and municipalities in China. As at the Latest Practicable Date, our property management portfolio covered residential properties and a wide range of non-residential properties, including commercial properties (such as office buildings, shopping malls, serviced apartments and hotels) and public and other properties (such as schools, hospitals, amusement parks, convention centres and government facilities). As at 30 June 2020, our GFA under management for residential properties, commercial properties and public and other properties was 77.4 million sq.m., 13.9 million sq.m. and 14.1 million sq.m., respectively, representing 73.4%, 13.2% and 13.4%, respectively, of our total GFA under management.

We experienced robust growth during the Track Record Period. Our revenue increased from RMB1,111.5 million in 2017 to RMB1,841.5 million in 2018 and further to RMB2,827.4 million in 2019, representing a CAGR of 59.5% from 2017 to 2019, and continued to increase by 52.9% from RMB1,171.4 million for the six months ended 30 June 2019 to RMB1,790.6 million for the same period in 2020. Meanwhile, our profit for the year increased from RMB43.0 million in 2017 to RMB98.3 million in 2018 and further to RMB269.9 million in

BUSINESS

2019, representing a CAGR of 150.7% from 2017 to 2019, and our profit for the period continued to increase by 367.6% from RMB53.6 million for the six months ended 30 June 2019 to RMB250.8 million for the same period in 2020.

The consolidated financial information of our Group for the Track Record Period only includes that of New Century Property Management and its subsidiaries since the financial results thereof were consolidated into ours on 8 May 2020 upon the acquisition of New Century Property Management.

Total consolidated revenue of New Century Property Management was RMB556.7 million, RMB725.5 million and RMB867.9 million for 2017, 2018 and 2019, respectively, and RMB279.4 million and RMB328.3 million for the periods from 1 January to 7 May of 2019 and 2020, respectively. For the same periods, the consolidated profit of New Century Property Management was RMB51.6 million, RMB65.6 million, RMB62.9 million, RMB20.9 million and RMB32.4 million, respectively.

COMPETITIVE STRENGTHS

With a strong focus on select major cities and leading service quality, we are the fastest-growing large-scale comprehensive property management service provider in China. Our competitive strengths include our project reserves, service quality, brand reputation, a wide range of property types under management, management team capabilities, management systems and the strong and full support of our Controlling Shareholder. We believe these competitive strengths have laid a good foundation for us to continue gaining market share in the future, to enhance our business performance and to develop into one of the most competitive high-quality comprehensive property management service providers in China.

We have established a strong focus on select major cities and have created a leading service brand by capitalising on our strong market presence developed over the years

As at 30 June 2020, we managed property projects in 78 cities, and 86.1% of our GFA under management was located in first- and second-tier cities. We have developed a strong market presence in some of these cities, in which we manage a significant amount of GFA and an increasing number of projects. The table below sets out the GFA and number of projects which we were contracted for and managed, respectively, as at 30 June 2020 in those cities indicated below. By contrast, for the Top 100 Property Management Companies in 2019, the amount of GFA managed by a company, on average, per single city was 1.4 million sq.m. and the number of projects managed by a company, on average, per single city was 6.8 projects, according to China Index Academy.

BUSINESS

<u>City</u>	<u>Contracted GFA</u>	<u>Number of contracted projects</u>	<u>GFA under management</u>	<u>Number of projects under management</u>
	('000 sq.m.)		('000 sq.m.)	
Hangzhou	19,988	169	15,010	139
Chongqing	18,232	69	12,093	45
Tianjin	10,942	59	7,559	38
Wuxi	6,614	25	4,882	16
Beijing	2,814	13	2,446	11
Chengdu	6,476	42	3,161	14
Shanghai	2,971	25	2,145	21
Hefei	3,452	20	1,896	15
Xi'an	3,756	20	1,766	10
Kunming	5,624	33	1,425	11
Wuhan	5,755	21	1,354	8
Zhengzhou	5,698	34	1,496	9
Qingdao	8,536	40	1,011	10

Over the years, we have established a strong focus on select major cities and we proactively sought to grow our business in those cities. By capitalising on our strong market presence, we have established a brand image for high-quality services and a good reputation for our services. For example, we were ranked by China Index Academy as a “Top 3 Leading Brand for Service Quality of China Property Service Companies” (「中國物業服務品質領先品牌 Top 3」) in 2019, and we have received various widely recognised awards and accolades, including the “2019 Leading Brand for Professional Operations of China Property Service Companies” (「2019年中國物業服務專業化運營領先品牌企業」) and the “2018 Featured Service Brand of China Property Service Companies – High-End Property Services” (「2018年中國物業服務特色品牌企業 – 高端物業服務」) from the China Index Academy. Moreover, according to a survey conducted by FG Consulting, an independent professional consultancy, our customer satisfaction rate reached 90% in 2019, a level far above the average rate of 73% for the property management industry, and our customer satisfaction rate also attained the benchmark level for top industry players. We believe that having a leading brand image and a good reputation for services will enhance our competitiveness and help us obtain more and better-quality service engagements from Independent Third Parties. This will also better position us to pursue the further growth and development of our community value-added services as we obtain more service engagements.

We have established industry-leading service capabilities through developing the “Sunac Livable Community” services system and our high-quality service standards and management system

We have established a strong focus on select major cities and are committed to delivering high-quality services as our service strategy. These have allowed us to gain strong recognition and achieve high satisfaction among our customers. Our overall average property management fee was approximately RMB3.03 per sq.m. per month (of which the average property management fee charged for residential properties was approximately RMB2.70 per sq.m. per month) as at 30 June 2020. Of our contracted property management projects for residential properties as at 30 June 2020, eight projects located in first-tier cities each charged an average property management fee exceeding RMB5.0 per sq.m. per month and 108 projects located in new first-tier and second-tier cities each charged an average property management fee exceeding RMB3.0 per sq.m. per month. We also maintained a very high contract retention rate for our property management services, which reached 99.7% for the year ended 31 December 2019.

We have established the “Sunac Livable Community” (融創歸心) service system, which is centred on having a high-quality living environment in our community, convenient and hassle-free daily services, and a pleasant and harmonious neighbourhood. Through this service system, we aim to create a high-quality community services environment, featuring “**Pleasant Home, Enjoyable Life and Companionship**” (有家、有生活、有知己), for our customers and to build a lively community together with our customers.

Pleasant Home. Good housing, together with good community facilities and environment, reflects the expectations of our customers for home and better life:

- We provide consultancy services from the perspective of customers. Moreover, we strictly monitor the various key steps during the pre-delivery stage, such as pre-delivery inspection of common areas, to ensure quality assurance upon delivery of properties.
- We maintain a community engineering services and maintenance system guided by lean management to ensure our customers can use the community facilities and equipment in an orderly, carefree manner at any time.
- We continue to upgrade technologies and implement smart technologies in the areas of access control for people, access control for vehicles, and security and surveillance, and have built a smart system management platform. Meanwhile, our security officers are bound by the service principles of “zero delay and zero distance” to safeguard our property owners and residents.
- Our cleaning staff is bound by the service principles of “zero dirt and zero annoyance”, providing a clean, tidy and comfortable living environment for our property owners and residents.

BUSINESS

Enjoyable Life. We provide convenient and hassle-free daily services to property owners and residents, with our team of stewards serving as their most reliable assistants in daily life in the community:

- We provide assistance to promptly resolve daily trivial matters through our comprehensive online and offline service platforms. Through the “Sunac Livable Community” (融創歸心) mobile application, our 400 toll-free service hotline and the “Livable Community Centre” (歸心服務中心), we provide customers with convenient and timely online services, as well as offline face-to-face communications and interactions to meet the dynamic needs of different customer groups or for specific matters.
- Convenient and hassle-free community value-added services are essential. We provide property owners and residents with ancillary services, such as utility bill payment, home delivery by courier, housekeeping and cleaning, home repair and maintenance, second-hand leasing and sales, renovation and decoration, and cultural and tourism services. Through the integration of a regularly upgraded daily services platform and the abundant service resources, we provide convenient services to better meet the daily needs of property owners and residents in the community.
- Through a comprehensive service enabling system, our team of stewards strive to achieve the service standard of “knowing customers and understanding life” and allow property owners and residents to enjoy a hassle-free life by serving as their most reliable assistants in daily life.

Companionship. We strive to build a civilised and harmonious new-era community neighbourhood relationship and create a “Livable Community” featuring cooperation, sharing and prosperity:

- Community convention: We recruit “Livable Community Public Ambassadors” (歸心共建大使) and promote the “Sunac Community Convention” (《融創社區公約》), with a view to jointly creating an open, transparent, respectful and harmonious community environment and maintaining and safeguarding civilised and friendly social behaviour.
- Community activities: We organise a wide range of community activities to create a delightful environment. These include, among other community activities, Walking Future (健走未來), Shell Programme (果殼計劃), Neighbourhood Programme (鄰里計劃), Talent Show (業主達人秀) and Spring Festival Gala (業主春晚), which have become our signature activities.

BUSINESS

- Social activities: With the objectives of “fun, gathering and love”, we organise various interest groups and leverage the community space to build a social platform for property owners and residents. We aim to create enjoyment and facilitate self-expressions, with a view to promoting neighbour exchanges and building social harmony.
- Social welfare: We actively organise and promote participation by property owners and residents in the “Sunac Student Subsidies Programme” (融創英苗助學計劃). We aim to collaborate with our property owners and residents in jointly meeting our social responsibilities.

We have established a comprehensive quality management system to effectively safeguard our high-quality service capabilities and the “Sunac Livable Community” service system. We have obtained certifications of ISO9001:2015 Quality Management System, ISO14001:2015 Environmental Management System and ISO45001:2018 Occupational Health and Safety Management System. We emphasise and implement dynamic quality management controls by using various comprehensive quality management systems, including the mystery customer visit mechanism, three-tier inspection and self-checking mechanism, 400 toll-free service centre client review mechanism, employee training and work assessment and incentives mechanisms, to ensure the effective implementation of high-quality service standards.

Through mergers and acquisitions, as well as integration of acquired businesses, we have established sub-brands under “Sunac Services” to support our overall future development with multiple brands and a wide variety of properties

Leveraging the “Sunac” brand’s reputation in mergers and acquisitions and its acquisitive brand perception, we have continued to seek attractive opportunities for mergers and acquisitions, with a particular focus on target companies that have a sizeable business scale, manage a wide variety of properties and are highly complementary to our business. We have successfully completed the acquisition of New Century Property Management and the business integration with Chengdu Global Century:

- New Century Property Management operates primarily in select major cities in eastern China. As at 31 March 2020, New Century Property Management managed 290 projects with a GFA under management of 37.3 million sq.m., of which non-residential properties, including public properties, office buildings, hospitals and commercial properties, accounted for 32.6%. As at 30 June 2020, the contracted GFA of New Century Property Management, together with its joint ventures and associates, reached 78.9 million sq.m., of which residential, commercial, public and other properties accounted for 49.4%, 8.5% and 42.2%, respectively. As at 30 June 2020, New Century Property Management (including its subsidiaries) had a GFA under management of 38.6 million sq.m. and the GFA under management of the joint ventures and associates of New Century Property Management was 27.1 million sq.m., of which non-residential properties accounted for more than 90%. Through this acquisition, we have significantly expanded the scale of our property management business and further strengthened our capabilities and experience in

BUSINESS

managing a comprehensive range of properties. As at 31 March 2020, 90.0% of New Century Property Management's contracted GFA was sourced from independent third parties. We believe its substantial experience and capabilities in obtaining new engagements from independent third parties will help further strengthen our market development capabilities.

- Chengdu Global Century operates primarily in southwestern China. As at 30 June 2020, its GFA under management was 4.1 million sq.m., of which non-residential properties accounted for 91.2%. As at 30 June 2020, the contracted GFA of Chengdu Global Century reached 7.9 million sq.m., of which residential, commercial, public and other properties accounted for 46.6%, 20.4% and 33.1%, respectively. Chengdu Global Century has been operating many years in servicing mega city complexes, comprising commercial properties, office buildings, hotels and entertainment and recreational properties, and in convention and exhibition services. It has in the past serviced a large number of large-scale conferences and exhibitions, including the Fortune Global Forum and China-Japan-Korea Trilateral Summit.

We believe the respective brands of New Century Property Management (“Kaiyuan Property” (開元物業)) and Chengdu Global Century (“Global Sunac Services” (環球融創服務)) have become highly competitive sub-brands of our Group in connection with various types of properties, which will help support the continuous overall growth of our businesses in connection with servicing a wide variety of properties and customers in the future.

We benefit from the full support of Sunac China

Our Controlling Shareholder Sunac China is one of the leading property developers in China. It has a large number of high-quality projects in select first- and second-tier cities in China and has substantial competitive advantages over many other industry players. Sunac China is engaged in six strategic segments, namely Sunac Real Estate, Sunac Services, Sunac Cultural and Tourism, Sunac Culture, Sunac Conference and Exhibition, and Sunac Golden Life. These cover a variety of businesses, including property development; property services; tourism and vacations, theme parks, commercial operations and hotel operations; development and operations of intellectual property and production and distribution of film and television content; conferences and exhibitions; and medical and healthcare services.

With the benefit of our Controlling Shareholder's strong support, we are well positioned to acquire various project resources to continue to grow our GFA under management and our business scale. Its diversified business lines also allow us to pursue continual growth in multiple areas, thereby significantly increasing our competitiveness in the industry and our business expansion rate. After completion of the Spin-off, we expect to continue to benefit from the continuous development of Sunac China:

- **Continued robust sales growth.** The contracted sales of Sunac China grew at a CAGR of 69.0% from 2015 to 2019, which was significantly higher than the average growth CAGR of 17.7% in total sales of residential properties in China during the

BUSINESS

same period, according to China Index Academy. In each of the years from 2017 to 2019, Sunac China ranked consistently among the four largest property developers in terms of contracted sales, according to China Index Academy.

- **Substantial annual increases in land bank.** Sunac China and its joint ventures and associates from time to time acquire a substantial amount of land by various means for its land bank. In 2019, the amount of land acquired by Sunac China reached approximately 100 million sq.m. As at 25 August 2020, Sunac China and its joint ventures and associates had a total land bank of approximately 256 million sq.m.
- **Diverse scope of businesses to support our business expansion.** As a large cultural and tourism owner-operator in China, Sunac China currently operates nine “cultural and tourism towns” of theme parks and resorts (文旅城), with a total GFA of approximately 5.3 million sq.m., and is developing and plans to develop more cultural and tourism projects. Sunac China is also a well-established convention and exhibition project operator in China. It operates four convention and exhibition centres and expects to undertake more convention and exhibition centre projects in the future. Moreover, Sunac China is developing and has planned many healthcare projects, as well as town development projects featuring distinctive themes and features. The diverse scope of businesses of Sunac China has helped us broaden the variety of managed properties and continually develop and enhance our overall management capabilities, laying a solid foundation for our business expansion to service different types of properties.
- **Resourceful in partnership opportunities.** Sunac China has cooperated with more than 400 business partners in undertaking its property development projects. In recent years, Sunac China has continued to develop and grow in the area of sector-specific properties and has gradually established itself as a co-developer in urban development. As such, Sunac China has established a good relationship with many business partners and local governments, which will provide significant opportunities for our further development and expansion.
- **An industry-leading brand.** In addition to robust sales growth and a large land bank, Sunac China has a clear product positioning for its high-end, fine properties, which is well recognised in the industry and by its customers. In 2019, Sunac China ranked first in the “Top 100 China Real Estate Companies by Product Strength” (「中國房地產企業產品力 Top 100」) list published by CRIC (克而瑞), a leading real estate data and consulting services provider in China. In addition, Sunac China has developed a large number of landmark projects in select major cities. By managing these high-end properties, we believe we can further strengthen and enhance our brand and its influence.

BUSINESS

We adopt a comprehensive incentives mechanism and a talent development system to facilitate the establishment of a professional, ambitious, diligent and pragmatic team delivering high performance and underpinning our strategic development

As a labour-intensive business, we value the importance of setting up a comprehensive and integrated incentives mechanism and a talent development system for our entire team to address and support the needs arising from our rapid development. After years of consolidation and continual adjustments, we have established a competitive incentives mechanism and a talent development system:

- **Comprehensive incentives mechanism.** In addition to providing our management team with competitive remuneration and significant development prospects, we have planned to adopt a share award scheme, which is expected to be of a relatively large scale as compared to other companies in the industry and provide attractive incentives to employees. We believe this will help maintain the stability of our key management team and attract and recruit talent in the industry. With respect to frontline staff, we have formulated clear mechanisms for giving rewards and penalties and for defining staff requirements, based on the specific nature of the business and the type of work involved. Through the offering of timely incentives and recognition of outstanding performers, we aim to motivate our employees to work efficiently and actively towards high standards and performance.
- **Talent development system.** We have set up a multi-dimensional, comprehensive talent development system, which caters to employees of different positions and at different stages of development, to foster their continuous growth and enable them to address the evolving needs of our rapidly developing business. We have established the “Sunac management trainee” (融譽生) programme, which aims to select, recruit and nurture excellent, high-calibre candidates with a strong sense of identity to join our talent pool to become our future key management. We believe this programme will continually provide strong support of talent resources for our business development.

BUSINESS STRATEGIES

We will continue to focus on select major cities for our further growth and development. We will strive to develop and enhance our systemic capability in providing high-quality community services and to establish the best reputation and brand in the industry. With the objectives of continuing to move towards lean management and technology utilisation, we aim to further enhance our systemic capability in community operations, continue to expand our business scale in connection with quality communities, and promote the development of our property management and other services for commercial properties and public properties. We are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

BUSINESS

Continue to focus on select major cities, actively expand services to mid-to high-end residential communities, actively seize opportunities to service commercial properties and public properties, and expand our management scale, brand influence and overall competitiveness

Currently, the property management industry in China is fragmented. The industry is undergoing an early stage of consolidation from which leading players are gaining increasing market shares. We have worked for years to develop and grow our business in select major cities that have higher population density and per-capita income. We have also established a strong brand and good reputation among customers. In the future, we will continue to focus on mid- to high-end residential communities in select major cities. We aim to continue to increase the number of managed projects to capitalise on our existing geographic focus on select major cities, as well as the synergies to be created from the growth of business scale and cost control.

We intend to continue to grow and enhance the capabilities of our market development team and enhance performance assessment on their marketing efforts in obtaining new engagements from Independent Third Party property developers. By fully leveraging the reputation of our services and our strong brand, we will seek to obtain more engagements from Independent Third Party property developers. We will also seek to identify high-quality targets and prudently acquire high-quality property management companies at reasonable price. Furthermore, we will strive to seize project opportunities for commercial properties and public properties. We intend to capitalise on the service systems and market recognition developed by our sub-brands, “Kaiyuan Property” and “Global Sunac Services”, in those areas. These are expected to help us further expand our business scale in those areas as a large-scale comprehensive property management service provider, and further enhance our overall strength and market position in the property management industry.

Furthermore, we will continue to leverage the abundant land reserves held by Sunac China in select major cities. We plan to actively secure projects to be developed by Sunac China in the future to achieve rapid growth in our business scale. We will strive to capitalise on the abundant resources of Sunac China in introducing us to prospective business partners, as well as opportunities arising from its rapid development in cultural and tourism and sector-specific properties. We will proactively seek to obtain engagements for comprehensive property projects in the residential, commercial and public service areas.

Continue to implement our high-quality service strategy, further enhance our systemic capability in high-quality community services, and reinforce and enhance the influence and reputation of our brand as a high-quality services brand in the industry

Maintaining the capability, brand and reputation of our high-quality services is one of our core competitive strengths. We will continue to adhere to our service philosophy of “commitment to excellence and beauty” and will seek to further enhance our comprehensive system capabilities, including the “Sunac Livable Community” service system, quality control standardisation system, and employee training, assessment and incentives system. Through

continuing to offer high-quality community services to create an environment of “Pleasant Home, Enjoyable Life and Companionship”, we intend to reinforce and increase our brand influence and customer satisfaction as a high-quality service brand. We believe this will help increase the loyalty of existing customers and attract new customers and will lay a solid foundation for us to gain further market shares and explore the potential of offering more community value-added services.

Continue to promote standardisation and lean management and devote more resources to smart technology and information technology, thereby enhancing user experience, lowering costs and increasing efficiency

Property management is a labour-intensive industry. In light of the rapid expansion of our scale, we not only have to develop sophisticated capability in managing our high-quality services system, but also have to continue to increase the effectiveness of intensive management on cost items, to control cost effectively and to improve operational efficiency. Meanwhile, investing in smart technology and information technology will remain crucial for the property management industry. We therefore intend to continue to enhance our standardised management system and adhere to the approach of lean management. We need to ensure effective implementation of high-quality business standards and satisfactory user experience among customers, and to effectively identify inefficient operations, minimise wastage and control costs reasonably. We intend to promote increased technology utilisation to enhance user experience and service satisfaction among our customers, effectively reduce the amount of and deviation caused by manual work, enhance operational efficiency and results, and strengthen on-site control efficiency and quality. We plan to also further make use of customer data and management data to develop effective operational strategies, which we believe will provide support for the further enhancement of our existing business and development of new businesses.

Satisfy the needs of property owners and residents and leverage our own advantages as top priority, and substantially increase our operation capability in providing community value-added services

Community value-added services have become an increasingly important part of property management services for modern communities. In particular, demand for community value-added services in the mid-to high-end communities in our select major cities has become more inelastic. In light of our growing management scale and density, there is increasing room for our development of community value-added services.

We intend to focus on offering community value-added services in the daily life scenario that have inelastic demand, are in frequent use or can generate high revenue. Leveraging our established relationship with customers, we will devote more efforts to key business areas such as property interior decoration services, community living services, real estate brokerage services and community space operation services, according to our stage of business

BUSINESS

development in different cities. We will speed up our improvement of the online daily services platform and utilise external service suppliers to provide property owners and residents with convenient, quality-assured community value-added services so as to create more diversified sources of revenue.

Continue to build a professional, ambitious, diligent and pragmatic team and establish competitive incentives and talent development mechanisms

We intend to continue to build a professional, ambitious, diligent and pragmatic team, and formulate competitive incentives and talent development mechanisms. Through systematic training and development mechanisms, we plan to nurture teams of competent employees at different levels. We intend to formulate and continually adjust targeted performance assessment and incentives mechanisms and promotion mechanisms, based on the development stage and the specific nature of the business, with a view to promoting positive competition internally. In addition, by continually reviewing and considering market changes and our own needs, we will seek to create a competitive environment and talent development platform to attract more talent from the property management industry or other industries. We believe this will help to form a competitive talent pool to support our continuous rapid development.

BUSINESS MODEL

Our business is classified as the following three business lines:

- **Property management services.** We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services for the operation of common area facilities. Our property management portfolio covers residential properties, in particular, mid- to high-end ones, and a wide range of non-residential properties, including (i) commercial properties, such as office buildings, shopping malls, serviced apartments and hotels, and (ii) public and other properties, such as schools, hospitals, amusement parks, convention centres and government facilities. During the Track Record Period, we charged almost all of our property management fees for property management services on a lump sum basis, with the remaining insignificant portion charged on a commission basis.
- **Value-added services to non-property owners.** We provide value-added services to non-property owners, including (i) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, (ii) consultancy and other value-added services to non-property owners, such as consultancy, pre-delivery and engineering services, mainly to property developers with a small portion to other property management companies, and (iii) property agency services to property developers (mainly in respect of tourism and vacation projects).

BUSINESS

- **Community value-added services.** We provide community value-added services mainly to property owners and residents of our managed properties to address their daily lifestyle needs, which mainly consist of: (i) property interior decoration services, (ii) community space operation services, (iii) real estate brokerage services and sale of use rights of car park spaces, and (iv) community living services such as housekeeping, group purchase and tourism services.

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

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property management services	574,757	51.7	760,067	41.3	1,148,198	40.6	494,621	42.2	1,052,708	58.8
Value-added services to non-property owners	524,119	47.2	1,028,700	55.8	1,572,496	55.6	648,363	55.4	676,343	37.8
Community value-added services . . .	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Total revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0

PROPERTY MANAGEMENT SERVICES

Our history can be traced back to 2004 when we started to provide property management services in Tianjin and Chongqing in the PRC. As at 30 June 2020, our contracted GFA was 232.1 million sq.m. covering 127 cities across 29 provinces, autonomous regions and municipalities in China. As at the same date, we managed 660 properties in total, including 418 residential properties and 242 non-residential properties, with an aggregate GFA under management of 105.4 million sq.m covering 78 cities across 26 provinces, autonomous regions and municipalities in China. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated from property management services amounted to RMB574.8 million, RMB760.1 million, RMB1,148.2 million, RMB494.6 million and RMB1,052.7 million, respectively, representing 51.7%, 41.3%, 40.6%, 42.2% and 58.8%, respectively, of our total revenue during the same periods.

BUSINESS

The following table sets out the breakdowns of (i) contracted GFA, (ii) GFA under management, (iii) number of properties for contracted GFA, and (iv) number of properties for GFA under management of our Group as at the relevant dates for the Track Record Period respectively:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Contracted GFA				
('000 sq.m.)	57,437	96,896	157,710	232,123
GFA under management				
('000 sq.m.)	19,988	28,559	52,963	105,399
Number of properties for contracted GFA	256	419	691	1,201
Number of properties for GFA under management . .	85	137	268	660

General Scope of Property Management Services

The property management services we provide can be grouped into the following categories:

- **Security services.** We seek to ensure that the properties we manage are safe and in good order and we also endeavour to enhance the quality of our security services through equipment upgrades and smart management. The security services that we provide primarily consist of preserving general order, patrolling, electronic access control, video surveillance, car park security, visitor management, fire safety management and emergency response. We staff our security services with both our own employees and third-party sub-contractors.
- **Cleaning, greening and gardening services.** We provide general cleaning, garbage clearance, pest control, greening and gardening services to the common areas of the properties we manage, mostly through sub-contractors. Such common areas may include, among others, staircases, railings, hallways, basements and gardens.
- **Repair and maintenance services.** The scope of our property repair and maintenance services typically includes (i) common area equipment and facilities, such as elevators, air conditioning and lighting systems, (ii) fire and safety facilities, (iii) utility facilities, such as power supply and distribution, water supply and drainage systems, and (iv) security facilities, such as surveillance equipment and entrance gates control. During the Track Record Period, we outsourced to sub-contractors substantially all of the specialised repair and maintenance services in relation to elevators and fire protection facilities.

BUSINESS

Geographic Coverage

The following table sets out the breakdowns of our (i) GFA under management, and (ii) number of properties under management by geographic region, as at the dates indicated:

	As at 31 December								As at 30 June			
	2017		2018		2019		2020		2020			
	Number of properties		Number of properties		Number of properties		Number of properties		Number of properties			
GFA under management	under management	GFA under management	under management	GFA under management	under management	GFA under management	under management	GFA under management	under management	GFA under management	under management	
('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	
Southwestern region ⁽¹⁾	7,917	39.6	30	9,303	32.6	36	17,434	32.9	59	19,969	18.9	80
Northern region ⁽²⁾	8,315	41.6	36	10,714	37.5	49	13,185	24.9	64	15,105	14.3	79
Eastern region ⁽³⁾	2,722	13.6	10	4,795	16.8	24	12,113	22.9	70	50,152	47.6	381
Southern region ⁽⁴⁾	349	1.7	3	1,377	4.8	11	3,673	6.9	29	6,624	6.3	42
Central region ⁽⁵⁾	343	1.7	4	1,349	4.7	9	2,984	5.6	20	7,098	6.7	42
Northeastern region ⁽⁶⁾	343	1.7	2	530	1.9	4	1,784	3.4	14	4,075	3.9	23
Northwestern Region ⁽⁷⁾	-	0.0	-	490	1.7	4	1,790	3.4	12	2,374	2.3	13
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660

Notes:

- (1) “Southwestern region” refers to Chongqing, Sichuan province, Yunnan province and Guizhou province;
- (2) “Northern region” refers to Beijing, Tianjin, Shandong province, Hebei province and Shanxi province;
- (3) “Eastern region” refers to Shanghai, Zhejiang province, Jiangsu province and Anhui province;
- (4) “Southern region” refers to Guangxi Zhuang autonomous region, Fujian province, Guangdong province and Hainan province;
- (5) “Central region” refers to Hubei province, Hunan province, Henan province and Jiangxi province;
- (6) “Northeastern region” refers to Liaoning province, Heilongjiang province and Jilin province; and
- (7) “Northwestern region” refers to Gansu province, Ningxia Hui autonomous region, Shaanxi province, Xinjiang Uygur autonomous region and Inner Mongolia autonomous region.

Types of Properties under Management

We manage a diverse portfolio of properties covering residential properties, in particular, mid- to high-end ones, and non-residential properties, including (i) commercial properties, such as office buildings, shopping malls, serviced apartments and hotels, and (ii) public and other properties, such as schools, hospitals, amusement parks, convention centres and government facilities.

BUSINESS

The following tables set out the breakdowns of our (i) revenue from property management services, (ii) GFA under management, and (iii) number of properties under management by property type, for the periods or as at the dates indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Residential properties	463,467	80.6	621,441	81.8	941,549	82.0	401,110	81.1	757,516	72.0
Non-residential properties										
– Commercial properties	102,937	17.9	126,409	16.6	192,138	16.7	86,926	17.6	244,166	23.2
– Public and other properties	8,353	1.5	12,217	1.6	14,511	1.3	6,585	1.3	51,026	4.8
Sub-total	111,290	19.4	138,626	18.2	206,649	18.0	93,511	18.9	295,192	28.0
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0

	As at 31 December						As at 30 June					
	2017		2018		2019		2020					
	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management				
	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)	('000 sq.m.)	(%)				
Residential properties	17,776	88.9	72	25,698	90.0	118	44,809	84.6	230	77,391	73.4	418
Non-residential properties												
– Commercial properties	1,933	9.7	11	2,495	8.7	17	5,059	9.6	32	13,890	13.2	153
– Public and other properties	279	1.4	2	366	1.3	2	3,095	5.8	6	14,118	13.4	89
Sub-total	2,212	11.1	13	2,861	10.0	19	8,154	15.4	38	28,008	26.6	242
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our property management revenue for non-residential properties generated from Sunac Group (and its joint ventures and associates) were RMB16.8 million, RMB38.3 million, RMB82.4 million and RMB80.7 million, respectively, and such revenue from non-related customers amounted to RMB94.5 million, RMB100.3 million, RMB124.3 million and RMB214.5 million, respectively.

BUSINESS

Sources of Projects

During the Track Record Period, the properties under our management were principally developed by Sunac Group and its joint ventures and associates while the rest were developed by other property developers or obtained from property owners of certain non-residential properties which are Independent Third Parties. For information concerning the business delineation between Sunac Group and us, see “Relationship with Controlling Shareholders — Delineation of Business”.

The following tables set out the breakdowns of our (i) revenue from property management services, (ii) GFA under management, and (iii) number of properties under management by source of projects for the periods or as at the dates indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Properties developed										
by Sunac Group										
(and its joint										
ventures and										
associates)										
– by Sunac										
Group ⁽¹⁾	479,374	83.4	584,570	76.9	846,733	73.7	365,908	74.0	676,974	64.3
– by joint ventures										
and associates of										
Sunac Group ⁽²⁾	91,752	16.0	168,701	22.2	297,151	25.9	126,501	25.6	235,161	22.3
Sub-total	571,126	99.4	753,271	99.1	1,143,884	99.6	492,409	99.6	912,135	86.6
Other sources of										
projects ⁽³⁾⁽⁴⁾	3,631	0.6	6,796	0.9	4,314	0.4	2,212	0.4	140,573	13.4
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0

BUSINESS

	As at 31 December								As at 30 June				
	2017		2018		2019		2020		2020				
	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	GFA under management	Number of properties under management	
(<i>'000 sq.m.</i>)	(%)	(<i>'000 sq.m.</i>)	(%)	(<i>'000 sq.m.</i>)	(%)	(<i>'000 sq.m.</i>)	(%)	(<i>'000 sq.m.</i>)	(%)	(<i>'000 sq.m.</i>)	(%)		
Properties developed													
by Sunac Group (and its joint ventures and associates)													
– by Sunac Group ⁽¹⁾	15,911	79.6	60	21,255	74.4	92	38,397	72.5	178	48,554	46.1	252	
– by joint ventures and associates of Sunac Group ⁽²⁾	4,008	20.1	23	7,131	25.0	44	14,237	26.9	89	16,599	15.7	97	
Sub-total	19,919	99.7	83	28,386	99.4	136	52,634	99.4	267	65,153	61.8	349	
Other sources of projects ⁽³⁾⁽⁵⁾	69	0.3	2	173	0.6	1	329	0.6	1	40,246	38.2	311	
Total	19,988	100.0	85	28,559	100.0	137	52,963	100.0	268	105,399	100.0	660	

Notes:

- (1) Refer to properties solely developed by Sunac Group or jointly developed by Sunac Group and other parties in which Sunac Group held a controlling interest.
- (2) Refer to properties jointly developed by Sunac Group and other parties in which Sunac Group did not hold a controlling interest.
- (3) “Other sources of projects” refers to projects not developed by Sunac Group, either solely or jointly with other parties.
- (4) Our revenue of property management service for the six months ended 30 June 2020 only includes those of New Century Property Management for the period from 8 May to 30 June 2020 which was derived from other sources of projects.
- (5) Our GFA under management and number of properties under management as at 30 June 2020 include those of New Century Property Management as at the same date, respectively, which were all with respect to other sources of projects.

BUSINESS

Starting from 2019, we proactively reinforced our efforts to seek property management engagements for projects developed by property developers that are Independent Third Parties, in order to benefit more from economies of scale, gain additional revenue sources and diversify our property management portfolio. As at 30 June 2020, our contracted GFA from other sources of projects was 55.8 million sq.m.

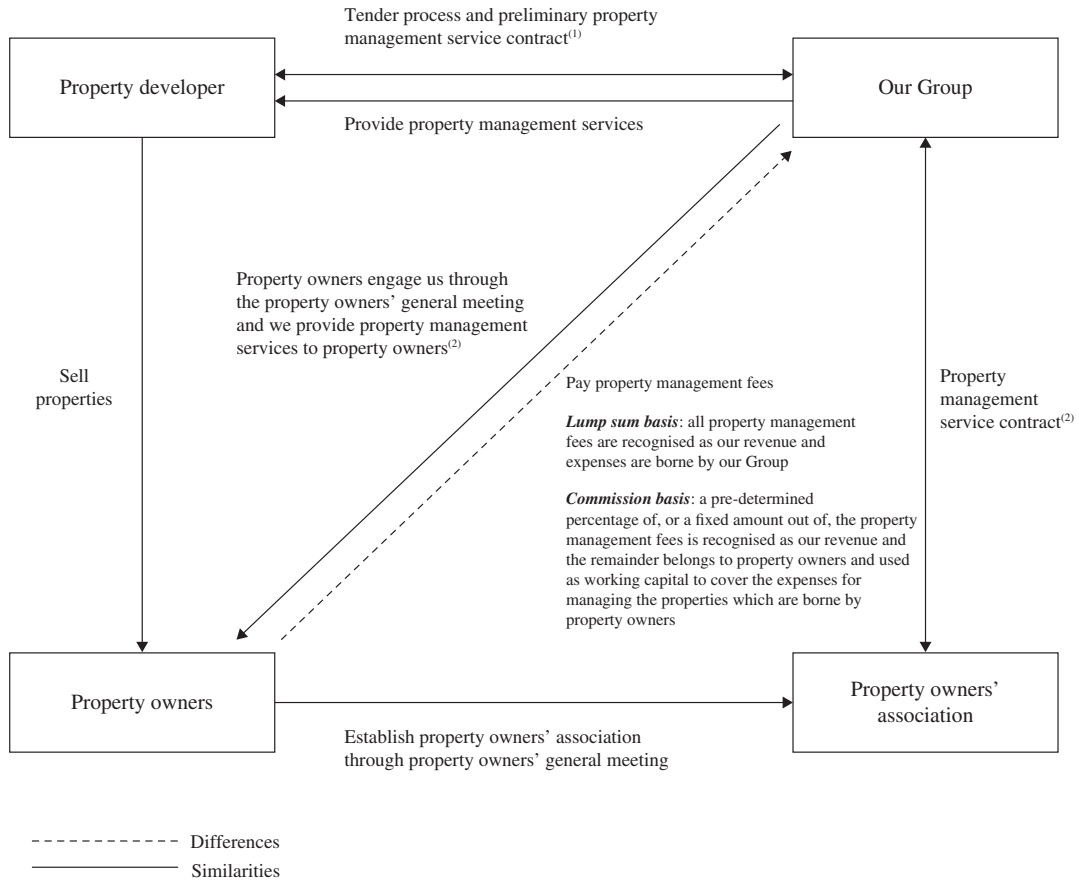
Revenue Model of Property Management Services

During the Track Record Period, we charged almost all of our property management fees on a lump sum basis, with the remaining insignificant portion charged on a commission basis. Our property management revenue generated from services charged on a lump sum basis accounted for 100.0%, 100.0%, 99.9%, 99.9% and 99.9% of our total revenue from property management services for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

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 the types and stages of properties under management, the local regulations and market conditions and the nature and requirements of individual properties on a case by case basis. We conduct assessments of our prospective customers by evaluating key factors such as the estimated costs of managing the property, historical property management fee collection rate, projected profitability, fee rates charged by competitors as well as whether the property was previously managed on a lump sum basis or a commission basis.

BUSINESS

The following diagram illustrates the major differences between managing residential communities under the two revenue models:



Notes:

- (1) The property developer can enter into a preliminary property management service contract with us and such contract is legally binding on the property owners.
- (2) The property owners can select to engage us through the property owners' general meeting. Once we are selected, the property owners' general meeting can authorise the property owners' association to enter into a property management service contract with us on behalf of the property owners and such contract is legally binding on all the property owners.

BUSINESS

The differences between lump sum basis and commission basis are explained in more details below:

- ***Property management fees charged on a lump sum basis***

On a lump sum basis, we generally charge a pre-determined property management fee on a monthly basis which represents “all-inclusive” fees for all of the property management services we provide in accordance with the property management service contract we entered into. We are entitled to retain the full amount of property management fees receivable from customers such as property owners, property developers and residents, as the case maybe, as our revenue. According to China Index Academy, the lump sum basis revenue model is the dominant method of collecting property management fees in China, especially in relation to residential properties.

On a lump sum basis, we bear the costs of managing properties, and recognise such costs as our cost of sales. These costs generally include expenses associated with our staff directly providing property management services, as well as our sub-contracting costs for third-party services. As a result, reducing the costs incurred in the provision of management services to a property on a lump sum basis has a direct impact on our profitability. Prior to negotiating and entering into our property management service contracts, we seek to form as accurate-as-possible an estimate of our cost of sales. If the amount of property management fees we are entitled to collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request customers to pay us the shortfall. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had 41, 50, 61 and 67 property management projects managed on a lump sum basis which had incurred losses during the Track Record Period and such projects had an aggregate GFA under management of 9.7 million sq.m., 9.6 million sq.m., 10.0 million sq.m. and 7.9 million sq.m. as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The 67 loss-making projects as at 30 June 2020 included 32 projects managed by New Century Property Management. Based on our unaudited management accounts, the loss-making projects had incurred losses amounting to RMB61.6 million, RMB56.0 million, RMB49.6 million and RMB14.7 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively, and property management service revenue from such projects accounted for 21.7%, 10.3%, 5.8% and 3.1% of our total revenue for the respective periods. Losses incurred for these projects were due to various reasons that affected the profitability level of the relevant projects. For example, when we first enter into a new geographic region or a local market, we are likely to incur relatively higher cost for a single project as economies of scale is yet to be achieved. Similarly, when we are at the preliminary stage of a multi-phase project, we would need to recruit and reserve employees and resources not only for the current phase(s) of the project but also in preparation for the later phases to be delivered, thereby leading to losses incurred at the preliminary stages. Many of these projects are expected to become profitable as we gradually expand our presence in a new region and/or as more phases of a project are delivered. Moreover, some projects had a relatively low property management fee level as we first obtained those engagements years ago and the fee level had not been raised at such extent to fully cover the increases in costs. We continue to manage certain of those projects with a view to gradually improving their

profitability through various cost-saving measures. For more details, see “Risk Factors — Risks relating to Our Business and Industry — We may be subject to losses and our profit margins may decrease if we fail to control costs or raise the property management fee in performing our property management services on a lump sum basis”. To maintain the profitability of our managed properties, we have undertaken various cost-saving measures. For details, see “— Standardisation and Smart Management”.

- ***Property management fees charged on a commission basis***

During the Track Record Period, we derived property management services revenue from a limited number of property management projects on a commission basis, representing nil, nil, 0.1%, 0.1% and 0.1% of our revenue from property management services for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. On a commission basis, we recognise as revenue a pre-determined property management commission fee representing a fixed percentage, generally ranging from 10% to 15%, of, or a fixed amount out of, the property management fees received or receivable from customers while the remainder of such property management fees are used as working capital to cover the expenses we incur for managing such properties.

When we are contracted to manage residential communities on a commission basis, we essentially act as an agent of our customers. For such residential communities, the management offices have no separate bank accounts and settle transactions through our treasury. On a commission basis, we do not recognise any direct cost under property management service contracts charged on a commission basis in general. Such costs are borne by our customers, such as property owners, property developers and residents, as the case maybe. As at the end of a reporting period, if the working capital of a management office accumulated in our treasury is insufficient to cover the expenses incurred by the management office in arranging for property management services, we would recognise the shortfall as other receivables subject to impairment. For more information, see “Risk Factors — Risks Relating to Our Business and Industry — We may fail to recover payments on behalf of property owners of the properties managed on a commission basis”.

Property Management Fees

Pricing of Property Management Fees

We generally price our property management services based on a number of factors, including (i) the types and geographic locations of the properties, (ii) the scope of the services to be provided, (iii) our budgeted expenses, (iv) our target profit margins, (v) years of operating history of the projects and profiles of the property owners and residents, (vi) the local government’s guidance price on property management fees (where applicable), and (vii) competition from peer companies (including the pricing of property management services provided to comparable properties). In addition, we consider the potential cost savings and optimised allocation of resources we can achieve through standardisation and smart management, which allow us to propose property management fees acceptable to customers.

BUSINESS

We regularly evaluate our financial information to assess whether we are collecting sufficient property management fees to sustain our profit margins. We may propose to raise our property management fee rates during renewal negotiations for our property management service contracts or otherwise as approved by a requisite number of property owners under applicable PRC laws and regulations.

In the PRC, property management fees charged for certain properties, such as residential communities, are regulated and supervised by the relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow PRC government guidance prices in different regions in China. During the Track Record Period and up to the Latest Practicable Date, based on the advice from our PRC Legal Advisers, 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. For further information, see “Regulatory Overview — Regulations on Property Management Service — Regulations on the fees charged by Property Management Enterprise”.

After taking into account the local price control policies and relevant government regulations, 65 out of the 418 residential properties we managed as at 30 June 2020 are located in cities in the PRC which, as advised by our PRC Legal Advisers, are no longer subject to local government guidance price with respect to property management services. Amongst the remaining 353 residential properties which are located in cities that are still subject to such guidance price and after comparing the average property management fees of these properties with the highest guidance price enforced by the local PRC authorities in the cities where such properties are located, it is estimated by us that 43 residential properties have room to increase their average property management fees by over 30%; 21 residential properties have room to increase their average property management fees by 20% to 29%; 20 residential properties have room to increase their average property management fees by 10% to 19%; 38 residential properties have room to increase their average property management fees by below 10%. However, our ability to increase property management fees for a project is generally subject to negotiations upon contract renewal and a number of factors such as pricing of comparable projects and market conditions. There can be no guarantee that we will be able to increase property management fees for any of the aforementioned properties as estimated.

During the Track Record Period, with respect to our property management projects other than package price projects, we charged property management fees with reference to their revenue-bearing GFA. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had revenue-bearing GFA of 15.7 million sq.m., 21.8 million sq.m., 37.7 million sq.m. and 61.3 million sq.m., respectively, accounting for 78.6%, 76.4%, 74.9% and 73.9% of our GFA under management (excluding that of package price projects) as at the respective dates.

BUSINESS

For certain of the properties we manage, such as hospitals, schools and government facilities, we charge a package price of property management fees on a per project basis without reference to any GFA. Such package price is charged by taking into account factors such as the nature and scope of the specific property management services to be provided, our cost expected to be incurred, reasonable target profit margins and competition from peer companies (including pricing of property management services provided to comparable properties).

Our overall average property management fee was approximately RMB3.21, RMB3.15, RMB3.40 and RMB3.03 per sq.m. per month as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The property management fees we charged during the Track Record Period were determined in accordance with normal commercial terms.

Our average property management fee charged for residential properties was approximately RMB2.93, RMB2.85, RMB2.89 and RMB2.70 per sq.m. per month as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The decrease of our average property management fee for residential properties to RMB2.70 per sq.m. per month as at 30 June 2020 as compared to RMB2.89 per sq.m. per month as at 31 December 2019 was mainly due to the addition of projects managed by New Century Property Management which were located in lower-tier cities that charged relatively lower property management fees as compared to our existing residential projects.

Our average property management fee charged for non-residential properties was approximately RMB5.51, RMB5.88, RMB7.83 and RMB7.72 per sq.m. per month as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The average property management fees we charged for non-residential properties increased from 2018 to 2019 mainly due to the addition of non-residential properties managed by Chengdu Global Century. Chengdu Global Century had a higher property management fee as compared to our other non-residential properties primarily because of the relatively high property management fees of RMB14.1 per sq.m. per month that it charged on a landmark mega city complex project in Chengdu with a revenue-bearing GFA totaling more than 700,000 sq.m. Excluding the impact of this project, our average property management fee charged for non-residential properties would have been approximately RMB6.37 and RMB6.31 per sq.m. per month as at 31 December 2019 and 30 June 2020, respectively.

Under our property management service contracts, we can negotiate with property owners to raise the property management fees upon contract renewal or through obtaining approval from the requisite number of property owners under applicable PRC laws and regulations. In practice, as it takes time to communicate with the property owners and to go through the necessary procedures to obtain their requisite approval, we would evaluate the situation on a case-by-case basis and generally would propose to adjust the property management fees when we consider it necessary in conducting our business and in accordance with our internal policies and procedures. Our business department for the management of residential properties would be in charge of a fee raise evaluation, together with our finance department and the relevant regional offices, and determine to proceed with a fee raise process after considering

BUSINESS

factors including without limitation: (i) the guidance price by the local authorities, if applicable, and local policies regarding property management fee adjustment, (ii) the fee level of comparable neighbouring projects in the local market, and (iii) the operating status of our projects and whether our fee level corresponds with our scope of services. As at the Latest Practicable Date, we were going through the internal evaluation process for the proposed fee adjustment of several property management projects. Despite our efforts to adjust our property management fees, there is no assurance that we would succeed in achieving such fee increases whenever needed. For further details, see “Risk Factors — Risks relating to Our Business and Industry — We may be subject to losses and our profit margins may decrease if we fail to control costs or raise the property management fee in performing our property management services on a lump sum basis”.

Taking into account the property management fees charged to our customers and the time and procedures it takes to adjust such fees from time to time, we have undertaken various internal measures to reduce cost and maintain profitability for our property management services. For instance, to reduce our operational costs, we have outsourced certain labour-intensive services such as cleaning, greening, security, as well as specialised services such as repair and maintenance of elevator and fire protection systems, to third-party sub-contractors. Moreover, we also focus on implementing standardisation and smart management measures to reduce our reliance on manual labour and enhance our operational efficiency. For details, see “— Standardisation and Smart Management”.

Collection of Property Management Fees

When properties to be managed by us become deliverable in accordance with the property management service contracts or otherwise agreed in writing with the customers, we would begin to charge property management fees from customers, such as property owners, residents and property developers. We generally charge property management fees on a monthly basis and we typically do not grant credit terms to customers for the property management fees we charge. For further details on our trade receivables, see “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Trade Receivables”.

During the Track Record Period, we charged property management fees from property developers, primarily Sunac Group (and its joint ventures and associates), for completed but unsold property units as well as sold and completed property units prior to the delivery date as agreed between property developers and property purchasers (the “**vacant properties**”). Unless required by the applicable local PRC authorities, we generally do not offer a discount to the property developers for the property management fees charged for such property units. The property management fees we charge for vacant properties to property developers such as Sunac Group (and its joint ventures and associates) are the same as the property management fees we charge individual property owners for the same projects, a practice in line with industry norms, according to China Index Academy. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, property management services revenue

BUSINESS

from Sunac Group (and its joint ventures and associates) for the aforementioned vacant properties amounted to RMB60.6 million, RMB79.5 million, RMB106.2 million, RMB36.5 million and RMB55.9 million, respectively.

We primarily accept payments for property management fees through bank transfers, auto-pay, credit card or third-party online payment platforms such as WeChat Pay and AliPay which are linked to our online service platform, such as “Sunac Livable Community” mobile application. To a limited extent, payment of property management fees can also be made to us in cash.

According to the Administrative Measures for Non-commercial Institutions Payment Service (《非金融機構支付服務管理辦法》), online payment service providers who provide fund transfer services as an intermediary between payees and payers are required to obtain payment licenses. During the Track Record Period and up to the Latest Practicable date, (i) the third party online payment service providers, including WeChat Pay and Alipay, are used on our online service platform and such online payment service providers have obtained the requisite payment licenses; and (ii) we did not develop and do not have our own electronic payment tools for the provision of fund transfer services on our online service platform. Based on the above, our PRC Legal Advisers are of the view that no licenses are required for our collection of fees through our online service platform.

We have undertaken various measures to enhance the timeliness of the collection of property management fees. When property management fees become overdue, we will send overdue payment notices to customers by phone, messages, through our online service platform or delivery in person or to the mailboxes of the property owners and residents and follow up by frequent payment reminders. We may also offer incentive gifts to encourage residents and property owners to pay property management fees on a timely basis. In the event of significant payment delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect the property management fees.

Our collection rates of property management fees from customers, calculated as the property management fees collected by the end of the relevant period (including any such fees received for previous period(s) and any prepaid fees received for future period(s)) divided by the corresponding total property management fees receivable for the same period, were 100.2%, 109.4%, 111.7%, 90.1% and 78.6% for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. The relatively lower collection rate of property management fees for the six months ended 30 June 2019 and 2020 as compared to the full-year collection rates during the Track Record Period were mainly attributable to seasonal fluctuations of such rates which we believe reflects certain of our customers, tendency to pay their property management fees toward the year-end out of payment preference and convenience, which, according to China Index Academy, is in line with industry norm. Our Directors believe that, benefiting from the satisfactory services provided to customers coupled with our continual fee collection efforts, we had maintained a reasonable property management fee collection level during the Track Record Period.

BUSINESS

Property Management Service Contracts

The following table sets out the breakdowns of the number of our property management service contracts by source of project and project stage, respectively, as at the dates indicated:

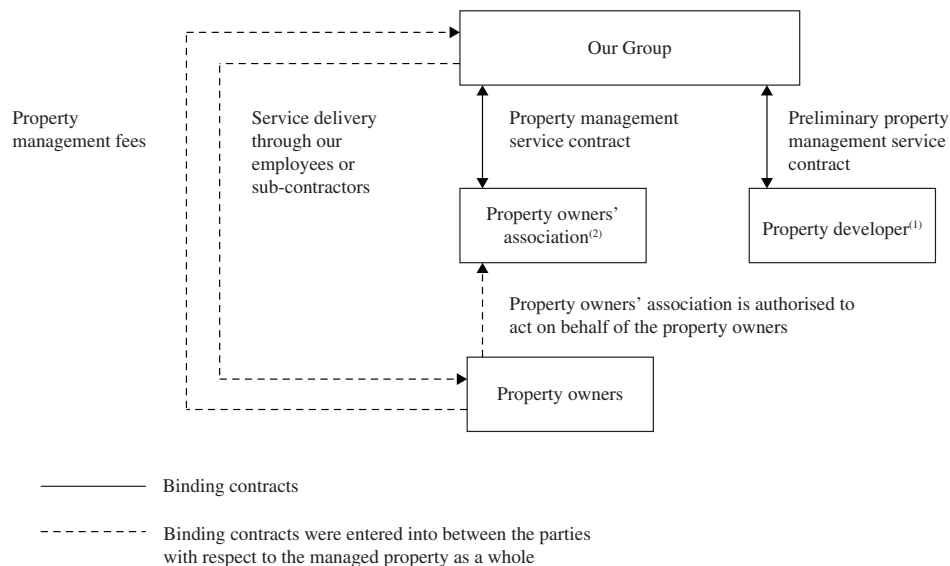
	As at 31 December			As at 30 June	As at 30 September
	2017	2018	2019	2020	2020
	2017	2018	2019	2020	2020
Properties developed by Sunac Group (and its joint ventures and associates)					
<i>Residential properties</i>					
– preliminary property management service contracts	277	462	716	792	834
– property management service contracts with property owners’ associations	2	3	7	7	8
<i>Non-residential properties</i>					
– property management service contracts of non-residential properties	37	46	75	136	153
Sub-total	316	511	798	935	995
Other sources of projects					
<i>Residential properties</i>					
– preliminary property management service contracts	1	4	10	155	165
– property management service contracts with property owners’ associations	–	–	–	68	71
<i>Non-residential properties</i>					
– property management service contracts of non-residential properties	2	–	–	164	174
Sub-total	3	4	10	387	410
Total	319	515	808	1,322	1,405

BUSINESS

Property management service contracts for residential communities

For the provision of our property management services of residential communities, we enter into (i) preliminary property management service contracts with property developers at the construction or pre-sale stage of property development projects, or (ii) property management service contracts with property owners' associations (on behalf of the property owners) after formation thereof.

The diagram below illustrates our relationships with various contracting parties under our property management service contracts for residential communities:



Notes:

- (1) Property developer enters into the preliminary property management service contract with us. Such contracts are legally binding on future property owners in accordance with PRC laws.
- (2) Property owners' association enters into property management service contract with us on behalf of property owners and such contracts are legally binding on all property owners in accordance with PRC laws.

Property developers typically engage property management service providers through a tender and bidding process or in other manners as allowed under applicable PRC laws and regulations. Property developers would contract directly with property management service providers before newly developed properties are sold to property owners. The tender and bidding process to select a property management company for a property development project would generally be initiated by a property developer after it has obtained the state land use certificates, construction land use permits, planning permits for construction engineering and construction permits for that project. Property developers, within a prescribed period upon the confirmation of the winning bidder for property management services, are required to file such bidding results with the relevant local PRC authorities where the property project is located and such filing, as required by the local PRC authorities, generally has to be made prior to the approval of property pre-sale permits for the property developers by the local PRC authorities.

BUSINESS

Upon engagement by the property developers, property management companies will generally need to make registration of the preliminary property management service contracts (together with the proposed property management fees) with the local PRC authorities. The aforementioned process for obtaining property management services engagements applies to projects developed by Sunac Group (and its joint ventures and associates) and independent third party property developers alike.

Under PRC laws, although neither the property owners' associations nor property owners are parties to the preliminary property management service contracts, these contracts are nonetheless legally binding on the future property owners as the property sale and purchase agreements that property owners enter into with property developers shall incorporate the content of the preliminary property management service contracts. Accordingly, property owners are obligated to pay property management fees directly to us under these contracts.

After delivery of the properties by property developers to the property owners, property owners may, under PRC laws, initiate a property owners' general meeting and vote for the establishment of a property owners' association to manage the properties on behalf of the property owners, including handling the daily communication with property management service providers. Under PRC laws, property owners may engage a property management company through the property owners' general meeting. The property owners' association will then be authorised by the property owners to enter into a property management service contract with the property management service provider engaged on behalf of the property owners. The property owners' association may either hire a property management service provider through the tender and bidding process or select one based on specific standards to do with terms and conditions of service, quality and price. The property owner associations are independent from us. In order to secure and/or continue to secure property management service contracts, we must consistently provide quality services at competitive prices.

At times, the preliminary property management service contracts may have expired their fixed contract terms and the relevant property owners' general meetings of such properties are yet to be convened or the property owners' associations are yet to be formed to renew our property management service contracts or to select a replacement property management service provider, or that we are in the negotiation process with the property owners' association for the renewal of our engagement. In such cases and as advised by our PRC Legal Advisers, so long as we continue to provide property management services to the relevant properties, we are entitled to receive the property management fees for the continued services we provide despite the expired contract terms of the preliminary property management service contracts.

Under PRC laws, property owners' associations represent the interests of property owners in matters concerning property management. Decisions of the property owners' association are binding on all property owners. Contracts between property owners' associations and property management service providers are valid and legally binding on all property owners concerned, irrespective of whether or not the property owners are individual parties to such contracts. Thus, we have legal claim rights against property owners for outstanding property management fees.

BUSINESS

For our residential properties under management as at 30 June 2020 which had established property owners' associations, it took on average approximately five years for the relevant projects to form property owners' associations. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, 0.7%, 0.2%, 0.5% and nil of the preliminary property management services contracts of residential properties had turned into property management service contracts entered into with property owners' associations, respectively.

The key terms and arrangements of our preliminary property management service contracts entered into with property developers for residential communities typically include the following:

- **Scope of services.** We provide standard property management services including security, cleaning, greening, gardening, repair and maintenance of the operation of common area facilities. We may also be responsible for providing other auxiliary property management services such as services in relation to the usage of car park spaces.
- **Performance standards.** The contract sets out the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities in the common areas.
- **Property developer's obligations.** The property developer is primarily responsible for, among other things, (i) ensuring that its property purchasers understand and commit to their obligations under the preliminary property management service contract, (ii) providing a readily available office space for us to use as our on-site property management office, (iii) ensuring the quality of the common area equipment and facilities delivered to a property and assuming warranty responsibility within the warranty period as required under PRC laws, (iv) providing us with blueprints, other construction design documents and completion inspection and warranty documents, and (v) providing other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services.
- **Property management fees.** The contract sets out the property management fee to be collected which generally begin to accrue when the purchased property becomes deliverable as agreed under the property management service contracts. The property developer is generally responsible for paying the property management fees for completed but unsold property units as well as sold and completed property units prior to the delivery date as agreed between the property developer and property purchaser.

BUSINESS

- **Sub-contracting.** We are allowed to outsource individual components of the property management services to specialised third-party sub-contractors. For example, we may choose to outsource services such as security, cleaning, greening and repair and maintenance services for elevators and fire protection systems to third-party sub-contractors and only conduct the overall coordination and planning ourselves for these outsourced services. We may need to post notices in the communities to inform the property owners and residents of the third-party sub-contractors we engage. For arrangements with our third-party sub-contractors, see “— Our Suppliers — Sub-contracting”.
- **Term of service.** Our preliminary property management service contracts generally do not have a fixed term and can be terminated when the property owners select another property management service provider through the property owners’ general meeting and a replacing property management service contract entered into by the property owners’ association takes effect.

The key terms and arrangements of our property management service contracts entered into with property owners’ associations for residential communities typically include the following:

- **Scope of services.** We provide standard property management services including security, cleaning, greening, gardening, repair and maintenance of the operation of common area facilities. We may also be responsible for providing other auxiliary property management services such as services in relation to the usage of car park spaces.
- **Performance standards.** The contract sets out the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities in the common areas.
- **Property owners’ association’s obligations.** The property owners’ association is primarily responsible for, among other things, (i) procuring that the property owners and residents understand and commit to their obligations under the property management service contract, (ii) daily communication with the property management service provider on behalf of the property owners and residents, (iii) providing a readily available office space for us to use as our on-site property management office, and (iv) providing other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services.
- **Property management fees.** The contract sets out the property management fee rates to be collected which generally begin to accrue upon delivery of the purchased property as agreed under the property management service contracts. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against customers to collect the fees.

BUSINESS

- **Sub-contracting.** We are allowed to outsource individual components of the property management services to specialised third-party sub-contractors and only conduct the overall coordination and planning ourselves for these outsourced services. For arrangements with our third-party sub-contractors, see “— Our Suppliers — Sub-contracting”.
- **Term of service.** Property owners’ associations are generally authorised by the property owners to enter into property management service contracts with us on behalf of the property owners which typically have fixed terms of no less than two years.

Property management service contracts for non-residential properties

We enter into property management service contracts with customers, such as property owners or property developers, for the management of non-residential properties. In practice, it is not common in the PRC for owners of non-residential properties to form property owners’ association. The following summarised the general terms of our property management service contracts for non-residential properties:

- **Scope of services.** We provide standard property management services including security, cleaning, greening, gardening, repair and maintenance of the operation of common area facilities. We may also provide other auxiliary property management services, such as conference services for office buildings.
- **Performance standards.** The contract sets out the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities of the managed properties.
- **Customers’ obligations.** The customers of our property management service contracts for non-residential properties are primarily responsible for, among other things, (i) payment, or procurement of payment, of property management fees in the agreed manner, (ii) providing a readily available office space for us to use, (iii) ensuring the quality of the common area equipment and facilities; and (iv) providing other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services.
- **Property management fees.** The contract sets out the property management fees generally payable on a quarterly or annual basis. Apart from some of the non-residential properties for which we charge the property management fees based on the revenue-bearing GFA, we may also charge a package price of property management fees without reference to revenue-bearing GFA, in particular, for non-residential properties such as hospitals, schools and government facilities. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the customers to collect the fees.

BUSINESS

- **Sub-contracting.** We are allowed to outsource individual components of the property management services to third-party sub-contractors and only conduct the overall coordination and planning ourselves for these outsourced services.
- **Term of service.** Our property management service contracts for non-residential properties generally have a fixed contract term of five years, or as the case may be, can be terminated when the property owners general meeting selects another property management service provider.

Expiration schedule of property management service contracts

The following table sets out the expiration schedule of our property management service contracts for residential properties, including both (i) preliminary property management service contracts, and (ii) property management service contracts entered into with property owners' associations, as at 30 June 2020:

	Property management service contracts for residential properties			
	Contracted GFA		Number of contracts	
	<i>('000 sq.m.)</i>	<i>(%)</i>		<i>(%)</i>
Property management service contracts without fixed term ⁽¹⁾	140,850	71.5	726	71.0
Property management service contracts under which we provided services beyond contract expiration ⁽²⁾	1,928	1.0	13	1.3
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020 . . .	7,431	3.8	37	3.6
– Year ending 31 December 2021 . . .	12,223	6.2	66	6.5
– Year ending 31 December 2022 and beyond	34,572	17.5	180	17.6
Sub-total	<u>54,226</u>	<u>27.5</u>	<u>283</u>	<u>27.7</u>
Total	<u>197,004</u>	<u>100.0</u>	<u>1,022</u>	<u>100.0</u>

Notes:

- (1) A property management service contract without fixed term primarily refers to a preliminary property management service contract entered into with the property developer which does not have a fixed term and can be terminated when the property owners' association is formed and the property owners select the property service provider with a replacing property management service contract entered into by the property owners' association.

BUSINESS

- (2) We continued to provide services under these property management service contracts despite their expired contract terms as at 30 June 2020. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened or the property owners' associations are yet to be formed to renew our property management service contracts or to select a replacing property management service provider, or that we are still in the negotiation process with the property owners' associations for the renewal of our engagement.

The following table sets out the expiration schedule of our property management service contracts for residential properties entered into with property owners' associations as at 30 June 2020:

	Property management service contracts for residential properties entered into with property owner's associations			
	<u>Contracted GFA</u>		<u>Number of contracts</u>	
	<i>('000 sq.m.)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Property management service contracts without fixed term	2,705	18.5	12	16.0
Property management service contracts under which we provided services beyond contract expiration	1,466	10.0	10	13.3
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020 . . .	4,525	31.0	20	26.7
– Year ending 31 December 2021 . . .	3,001	20.6	18	24.0
– Year ending 31 December 2022 and beyond	<u>2,907</u>	<u>19.9</u>	<u>15</u>	<u>20.0</u>
Sub-total	<u>10,433</u>	<u>71.5</u>	<u>53</u>	<u>70.7</u>
Total	<u>14,604</u>	<u>100.0</u>	<u>75</u>	<u>100.0</u>

BUSINESS

The following table sets out the expiration schedule of our property management service contracts for non-residential properties as at 30 June 2020:

	Property management service contracts for non-residential properties			
	Contracted GFA		Number of contracts	
	('000 sq.m.)	(%)		(%)
Property management service contracts without fixed term . . .	8,722	24.8	60	20.0
Property management service contracts under which we provided services beyond contract expiration	1,947	5.6	12	4.0
Property management service contracts with fixed terms expiring in				
– Year ending 31 December 2020	12,588	35.8	121	40.3
– Year ending 31 December 2021	4,594	13.1	72	24.0
– Year ending 31 December 2022 and beyond	7,268	20.7	35	11.7
Sub-total	24,450	69.6	228	76.0
Total	35,119	100.0	300	100.0

For the six months ended 30 June 2020, we had eight property management service contracts which had expired in accordance with their respective contract terms. As at 30 September 2020, four of these contracts had been terminated and four had been subsequently renewed.

As at 30 September 2020, save from one contract which was terminated, all of the property management service contracts without fixed contract terms as at 30 June 2020 were still operating without being terminated, turning into contracts with property owners' associations or otherwise renewed.

BUSINESS

We maintained relatively high contract retention rates for our property management services during the Track Record Period. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our property management service contracts retention rates (being the number of property management service contracts effective as at the relevant period end divided by the number of property management service contracts existing during the same period) were 99.2%, 98.9%, 99.7% and 99.6%, respectively. For the above calculation of contract retention rates, property management service contracts effective as at a period end refer to property management service contracts still operating as at such date, including those contracts which had expired but we had continued to provide property management services despite of and beyond their expired contract terms. Property management service contracts existing during a period refer to (i) property management service contracts effective as at a period end, and (ii) property management service contracts terminated during such period without turning into contracts with property owners' associations or otherwise renewed. According to China Index Academy, our calculation of retention rates for property management service contracts is in line with the industry norm in the PRC.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we ceased to provide property management service for one, two, one and three projects, respectively, and the revenue contribution from these projects was minimal during the Track Record Period. During the Track Record Period, one, nil, nil and two of these terminated projects were those with property owners' associations formed for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. The terminated projects were mainly those that were loss-making with rather limited room for improvement as determined by our management. Therefore, these projects were terminated so that we are able to optimise the allocation of our resources for more profitable projects. Under PRC laws, the property owners' general meeting of a residential community has the right to change property management companies pursuant to certain procedures. Our property management service contracts for non-residential properties are also subject to renewal or can be terminated pursuant to the relevant contract clauses. In the event of termination or non-renewal of property management service contracts, we may be adversely affected. See "Risk Factors — Risks relating to Our Business and Industry — Termination or non-renewal of our property management service contracts for a significant number of properties could have a material adverse effect on our business, financial position and results of operations".

For the year ended 31 December 2019 and the six months ended 30 June 2020, our renewal rates of property management service contracts with fixed terms, calculated as the number of property management service contracts with fixed contract terms expired and subsequently renewed by us during a period divided by the number of property management service contracts with fixed contract terms expired during such a period, were 100% and 75.0%, respectively. We did not have any property management service contract with fixed terms that expired during 2017. We only had one property management service contract with fixed terms which had expired during 2018. Considering the loss-making status of this project, we did not renew its property management service contract upon expiry.

BUSINESS

The following table sets out our retained property management service contracts for residential properties as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Preliminary property management service contracts without fixed terms and retained by virtue of invoking automatic contract renewal clauses	246	392	591	714
Preliminary property management service contracts turning into contracts with property owners' associations	2	1	4	0
Total	248	393	595	714

For the years ended 31 December 2017, 2018 and 2019, our renewal rates of preliminary property management service contracts for residential properties into contracts with property owners' associations, calculated as the number of property management service contracts entered into with property owners' associations during a period divided by the number of preliminary property management service contracts with which property owners' associations had effected procedures to replace the preliminary property management service contracts during such a period, were 66.7%, 100% and 100%, respectively. For the six months ended 30 June 2020, we did not have any property owners' association which effected any procedure to replace the existing preliminary property management service contract(s).

Growth of our Property Management Project Portfolio

We have been expanding our property management services business in the past primarily through obtaining new service engagements from property developers or property owners' associations, as well as through mergers and acquisitions of other property management companies with complementary business profile and industry experience.

Chengdu Global Century is a property management company which operates primarily in southwestern China. As at 31 December 2019, Chengdu Global Century managed five projects with a GFA under management of 4.1 million sq.m., which were all sourced from its parent company before it became our subsidiary. As at 30 September 2020, it managed seven projects with a GFA under management of 4.5 million sq.m. Pursuant to the acquisition of Chengdu Global Century by Sunac China in 2019 and as part of the Reorganisation, the financial information of Chengdu Global Century has been included in the financial information of our

BUSINESS

Group since 31 December 2019 for purposes of the Accountant's Report. As such, the total identifiable net assets of Chengdu Global Century were consolidated into our historical financial information since 31 December 2019 and the results of operations of Chengdu Global Century were included in our financial information for the period from 1 January to 30 June 2020 for the Track Record Period. For further details, see Note 12 of the Accountant's Report in Appendix IA to this prospectus. Certain of our operational data disclosed in this prospectus, such as GFA under management and number of projects under management, as at 31 December 2019 and 30 June 2020 includes such operational data of Chengdu Global Century as at these dates, while the results of operations of Chengdu Global Century, such as revenue, were consolidated into our statement of profit or loss for the six months ended 30 June 2020.

In May 2020, we completed the acquisition of a controlling interest in New Century Property Management. For details, see “— Acquisition of New Century Property Management”.

We conduct market research and evaluate target properties based on various factors, including their background and development timetable. We conduct feasibility analyses and financial projections before taking on a new engagement, taking into account a variety of factors, such as the profile and size of the property, estimated costs of managing the property, historical property management fee collection rate, projected profitability, competitive landscape of the local market, any applicable regulatory requirement and potential synergy with our other business lines, such as value-added services.

Under PRC laws, property developers are typically required to select property management service providers and enter into preliminary property management service contracts for residential properties through a tender and bidding process. In circumstances where there are not enough bidders or the size of the managed property is small, property developers are permitted under PRC laws to select property management service providers without conducting any tender and bidding process, subject to approval by the competent PRC authorities. For details, see “Regulatory Overview — Regulations on Property Management Service — Regulations on Appointing the Property Management Enterprise”.

A typical tender and bidding process for the aforementioned engagement of a property management service provider primarily involves the following stages:

- **Invitation.** The property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders setting out the specifications and requirements for the tendered property management project. Tender invitation related documents and governmental approvals in relation to the property project are required to be submitted and filed in advance with the competent local real estate administration department in the PRC.

BUSINESS

- **Tender submission.** Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.
- **Evaluation.** The property developer will establish a tender evaluation committee to review and rank the submitted tenders. The tender evaluation process and the composition of the tender evaluation committee must comply with the requirements of relevant PRC laws and regulations. The tender evaluation committee generally takes into account factors such as credentials, service quality, availability of capital and proposed fee levels when it evaluates the proposals.
- **Selection.** Based on its evaluation, the tender evaluation committee recommends no more than three bidders as qualified candidates with ranking to the property developer. The property developer will generally confirm the top one bidder as the winner and proceed to arrange for necessary notification.
- **Award and contract signing.** The property developer must file the result of the tender with the relevant local authorities within 15 days upon confirmation of the award. The property management contract so awarded to the winner is expected to be signed within 30 days upon issuing the notification of the award.

A public tender process may also be required under PRC laws and regulations for PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public service facilities.

As at the Latest Practicable Date, we were not aware of any administrative penalties or any notice of potential administrative penalties from the relevant competent authorities on us in relation to any required tender and bidding process for our preliminary property management service contracts.

BUSINESS

The following table sets out the details of our tender bids submitted and tender success rates for property management service engagements for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June		For the three months ended 30 September	
	2017		2018		2019		2020		2020	
	Number of bids submitted	Tender success rate (%)	Number of bids submitted	Tender success rate (%)	Number of bids submitted	Tender success rate (%)	Number of bids submitted	Tender success rate (%)	Number of bids submitted	Tender success rate (%)
To Sunac Group (and its joint ventures and associate)	157	100.0	176	100.0	241	100.0	76	100.0	51	100.0
To Independent Third Party property developers or property owners	1	100.0	3	100.0	9	66.7	37	29.7	61	41.0
To property owners' associations	1	100.0	–	–	3	100.0	5	40.0	8	12.5
Total/overall	159	100.0	179	100.0	253	98.8	118	75.4	120	64.2

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Leveraging our property management expertise and capitalising on our brand recognition, we offer value-added services to non-property owners, such as property developers and other property management companies, to address their various needs arising throughout various stages of property development and management.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our revenue from value-added services to non-property owners amounted to RMB524.1 million, RMB1,028.7 million, RMB1,572.5 million, RMB648.4 million and RMB676.3 million, respectively, accounting for 47.2%, 55.8%, 55.6%, 55.4% and 37.8% of our total revenue for the respective periods. We generally do not give a credit term to customers of our value-added services to non-property owners.

BUSINESS

The following table sets out the breakdown of our revenue from value-added services to non-property owners by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Sales assistance										
services	352,070	67.2	674,652	65.6	928,753	59.1	402,863	62.1	435,741	64.4
Consultancy and other										
value-added services										
to non-property										
owners										
– pre-delivery										
services	73,540	14.0	158,092	15.4	305,109	19.4	98,250	15.2	105,156	15.5
– consultancy										
services	95,686	18.3	141,268	13.7	157,737	10.0	54,158	8.4	65,190	9.6
– engineering										
delivery services .	–	–	5,228	0.5	26,846	1.7	12,143	1.9	16,476	2.4
Sub-Total	169,226	32.3	304,588	29.6	489,692	31.1	164,551	25.4	186,822	27.6
Property agency										
services	2,823	0.5	49,460	4.8	154,051	9.8	80,949	12.5	53,780	8.0
Total	524,119	100.0	1,028,700	100.0	1,572,496	100.0	648,363	100.0	676,343	100.0

During the Track Record Period, we generated almost all of our revenue of value-added services to non-property owners from Sunac Group and its joint ventures and associates. As we further promoted our brand and industry presence over the years with a view to diversifying our customer base for this business line, we have also begun to serve other property developers. We believe the provision of such services to other property developers would cultivate our relationships with these customers at an early stage of property development so as to enable us to obtain subsequent property management engagements from them.

Sales Assistance Services

During the Track Record Period, we provided value-added services to non-property owners mainly through the provision of sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units so as to create a good service brand for property developers to potential property purchasers. We deploy on-site staff at the property sales venues and display units to provide sales assistance services generally including visitor reception and management, cleaning, security inspection, maintenance and other customer related services for potential property purchasers. Under our sales assistance service contracts, we are obligated to follow the service standards specified by our customers, while our customers are obligated to provide us with the facilities and equipment necessary to provide our services. We provide our sales assistance services through our own employees and sub-contractors. We have implemented quality standards for our sales assistance services and regularly assess the quality of such services.

Our sales assistance service contracts generally have a term of one year and can be renewed by our customers upon prior notice. We typically charge a fixed fee for the provision of sales assistance services for the contract term which is payable by customers on a monthly basis. Such fee is determined on a cost plus basis by taking into consideration factors such as the nature and scope of the services, the headcount and positions of the staff we deploy and the size, location and positioning of the properties involved.

Consultancy and Other Value-added Services to Non-property Owners

Our consultancy and other value-added services to non-property owners during the Track Record Period mainly consisted of:

- **Consultancy services.** We provide consultancy services to property developers, primarily Sunac Group (and its joint ventures and associates), from the perspective of property management with respect to property development site selection, positioning, preliminary planning and design, engineering and construction. Property developers engage us for such consulting services to improve their own project design and performance more from the end users' perspective as we have closer access to property owners and residents' needs and requirements through our provision of property management and community value-added services on a daily basis and we possess the full-cycle operating data of property facilities throughout the management of the projects. As such, our consultancy services can enable property developers to design and adapt their properties for the convenience, and to suit the needs, of end users, reduce the likelihood for defective delivery of properties, and strengthen the operation and maintenance of the property facilities in the long run. Our consultancy services involve on-site consulting during construction to facilitate the understanding of the needs of end-users of properties, so that property developers may design buildings that conform as much as possible to expected standards. We will participate in the creation and review of blueprints and other construction planning documents. The scope of our assessment covers

BUSINESS

individual units, common areas and facilities and landscapes. During construction, we will conduct on-site inspections from time to time and follow up on any quality issues we may find from the property management service provider's perspective. We also provide relatively small portion of our consultancy services to properties managed by other property management companies leveraging our experiences to help improve their operation standard and efficiency. We generally charge a lump sum fee for the consultancy services provided to non-property owners calculated based on the unit price and areas of each project and taking into account the nature and scope of the specific project and the services provided.

- **Pre-delivery services.** We provide pre-delivery services to property developers prior to delivery of properties mainly in relation to (i) site clearing and cleaning of common areas, (ii) assistance with preparatory work and maintenance of order for property developers to carry out pre-delivery inspection of properties, and (iii) assistance to property developers at property delivery venues with respect to site layout and archives of customer information and delivery documents. Our pre-delivery services fee charged to customers is typically determined based on a fixed fee rate per sq.m. of GFA delivered with respect to the property management project.
- **Engineering services.** We provide engineering services mainly to property developers for the hardware upgrade of smart management of property projects, which mainly consist of design, installation, construction, renovation and maintenance services of intelligent security equipment and light current systems. We normally charge a fixed amount of fee for our engineering services on a per-transaction basis based on the scope and work schedule of the project.

Property Agency Services

We provide property agency services to property developers with respect to (i) tourism and vacation projects, and (ii) car park spaces, developed by such property developers. We act as a sales agent for property developers, sourcing potential property purchasers and assisting property developers in entering into property sale and purchase agreements with the buyers. Upon the consummation of a property sale transaction, we generally charge the seller, being the property developer, a commission calculated at a fixed percentage of the actual purchase price.

During the Track Record Period, for the value-added services we provided in connection with the car park spaces developed by Sunac Group (and its joint ventures and associates), we generally engaged in the purchase of use rights of such car park spaces and the subsequent sale thereof to third-parties. To adopt a more flexible business model, we had, since 30 June 2020, entered into exclusive property agency services agreements, respectively, with entities of Sunac Group (and its joint ventures and associates) (the "**Car Park Agency Agreements**") pursuant to which, we shall (i) transfer our inventories of use rights of unsold car park spaces as at 30 June 2020 to Sunac Group (or its joint ventures or associates) and shall, in lieu thereof, provide car park agency services with respect to the use rights of car park spaces so transferred.

BUSINESS

Such inventories so transferred were re-designated as other receivables as at 30 June 2020. Any outstanding trade payables for purchase of such inventories shall be re-designated as deposit to be paid by us under other payables to related parties, or (ii) directly provide car park agency services for additional car park spaces and shall place a deposit with Sunac Group (or its joint ventures or associates) in respect of the relevant car park spaces to be sold. Upon completion or termination of each such agreement, the remaining balance of the deposits in respect of any unsold car park spaces shall be refunded to us by Sunac Group (or its joint ventures or associates) in full.

Pursuant to the Car Park Agency Agreements, we would generally charge Sunac Group (and its joint ventures and associates) the difference between the actual sales price of the car park spaces sold by them and a pre-determined minimum sales price which is equal to the deposit in respect of the relevant car park spaces as agreed with Sunac Group (or its joint ventures or associates). At the date of the sale of each individual car park space, we would receive the sale proceeds at the actual sales price of the car park space from the third-party customer which would cover the related deposit in respect of such car park space whereas the remainder thereof shall be recognised as our revenue from such car park agency services. We did not recognise any revenue or income for the aforementioned transfer of inventories of the use rights of unsold car park spaces. As such inventories were transferred on 30 June 2020, we did not recognise any revenue or income pursuant to the Car Park Agency Agreements prior to 30 June 2020. For the two months ended 31 August 2020, our revenue from such car park agency services pursuant to the Car Park Agency Agreements was RMB4.3 million, which is derived from the unaudited financial information of our Group for the eight months ended 31 August 2020 that has been reviewed by our reporting accountant in accordance with HKSRE 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

As a result of the foregoing, our inventories of use rights of car park spaces became nil as at 30 June 2020 and such inventories were re-designated as other receivables as at 30 June 2020 of which there was no cash flow effect as at the same date. Our other receivables from related parties as at 30 June 2020 included present values of the refundable deposits in connection with the Car Park Agency Agreements of RMB101.8 million, out of which (i) RMB57.6 million was re-designated from our inventories of unsold car park spaces as at 30 June 2020. To the extent these inventories involved outstanding trade payables for the purchase thereof, such trade payables were re-designated as deposit payables under other payables to related parties, and (ii) RMB44.2 million represented present values of refundable deposits to be paid by us in respect of additional car park spaces of Sunac Group (and its joint ventures and associates) whereby we were to directly provide property agency services for the term of the Car Park Agency Agreement(s). As at 30 June 2020, the refundable deposits of RMB101.8 million were measured at their present values by discounting the expected cash flow based on our management’s best estimation for the utilisation of these deposits upon sale of the relevant car park spaces and the entity’s incremental borrowing rates. Non-current portion for other receivables from related parties is derived from the best estimation of utilisation of these deposited sales of car park spaces for over one year pursuant to the Car Park Agency Agreements. The difference between the present values of the refundable deposits and the

BUSINESS

contractual amounts of deposits was recognised as exclusive operating rights and included in our intangible assets with a balance of RMB5.2 million as at 30 June 2020. Our other payables to related parties as at 30 June 2020 also included deposit payables to Sunac Group (and its joint ventures and associates) in connection with the Car Park Agency Agreements. For the three months ended 30 September 2020, such deposits paid by us was RMB16.8 million pursuant to the deposit payment schedule of the Car Park Agency Agreements.

We consider that the aforementioned adjustment in our business direction would afford us more flexibility because under the sale of use rights of car park spaces model, we act as a principal and need to assume the full loss and responsibility with respect to any car park space that failed to be subsequently sold which, in turn, became obsolete inventories. Whereas under the agency model, we would be entitled to the agreed difference between the actual sales price and the pre-determined minimum sales price, being the agreed deposit in respect to the relevant car park space, with each successful sale. In the event that the sales of car park spaces failed to materialise or the relevant Car Park Agency Agreement(s) were otherwise terminated, we would still be fully refunded with the remaining deposits for the unsold car park spaces.

For further details regarding the Car Park Agency Agreements, see “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Inventories”, “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Intangible Assets” and “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Prepayments and Other Receivables” and Note 20 to the Accountant’s Report set out in Appendix IA to this prospectus.

COMMUNITY VALUE-ADDED SERVICES

As an extension of our property management services business, we provide community value-added services mainly to property owners and residents of our managed properties to address their lifestyle and daily needs, enhance customer experience, satisfaction and loyalty, and to create a more convenient community environment for our customers. These services are provided primarily through our daily contact and interaction with our customers during the process of providing traditional property management services, as well as through our online service platform.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated from our community value-added services amounted to RMB12.6 million, RMB52.8 million, RMB106.7 million, RMB28.4 million and RMB62.6 million, respectively, accounting for 1.1%, 2.9%, 3.8%, 2.4% and 3.4% of our total revenue for the respective years.

BUSINESS

The following table sets out the breakdown of our revenue from community value-added services by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property interior decoration services . . .	2,973	23.5	2,785	5.3	11,920	11.2	4,121	14.5	7,581	12.3
Community space operation services . . .	7,549	59.7	9,557	18.1	18,362	17.1	8,262	29.2	26,583	43.2
Real estate brokerage services and sale of car park spaces	1,063	8.4	37,481	71.0	72,379	67.9	14,337	50.5	24,266	39.4
Community living services	1,064	8.4	2,952	5.6	4,019	3.8	1,650	5.8	3,143	5.1
Total	12,649	100.0	52,775	100.0	106,680	100.0	28,370	100.0	61,573	100.0

Property Interior Decoration Services

We cooperate with third-party decoration companies to provide property owners and residents of our managed properties with interior home design, decoration and turnkey furnishing services to create a move-in ready residence, for which we act as an agent. We assist the property owners and residents of our managed properties in identifying suitable third-party decoration companies to decorate and furnish the property units and purchasing furniture, home appliances and accessories. We may provide venues for such interior decoration service providers to promote their services in our communities and we would generally charge a pre-determined fee for offering the sites and other assistance with respect to such promotional activities. We may also charge the interior decoration service providers a commission representing a pre-negotiated percentage on, or a fixed amount out of, the contract amount such interior decoration service providers charge our property owners and residents and we would typically set a minimum amount of such commission as agreed with the interior decoration service providers.

BUSINESS

Community Space Operation Services

We are devoted to increasing our income from the operation of common area resources of the properties we manage, including (i) publishing advertisement in common area, such as exterior wall, lobby, elevator room, light box and parking lot entry, (ii) leasing community properties and facilities, such as space for delivery storage cabinets, function rooms of clubhouses and venues of fitness centres within the community, and (iii) leasing common areas for third-party commercial activities.

For community space operation services, we are authorised under the property management service contracts or under property owners' consents of a certain scale as required by the PRC laws to lease out the common areas on behalf of the property owners. The income generated from such services is shared between us and the property owners generally in a proportion (i) calculated in accordance with applicable local regulations, (ii) agreed in the property management service contracts or (iii) otherwise consented to by the property owners.

Real Estate Brokerage Services and Sale of Car Park Spaces

We provide real estate brokerage services to property owners and residents for secondary sales or rental transactions of properties. Upon the closing of a secondary sale of property, we charge a commission equal to a pre-determined percentage of the purchase price, which is typically borne by both the purchaser and the seller. Upon the closing of a rental transaction, we typically charge a pre-determined commission from either the landlord or the tenant.

During the Track Record Period, we purchased use rights of car park spaces from Sunac Group and subsequently sold the use rights of such car park spaces to third-parties, including property owners and residents of properties under our management. To adopt a more flexible business model, we had in 2020 adjusted our business direction toward providing property agency services of car park spaces as compared to purchase of use rights thereof for subsequent direct sales. For more information, see “— Value-added Services to Non-property Owners — Property Agency Services” and “Financial Information — Description of Selected Consolidated Statement of Financial Position Line Items — Inventories”.

Community Living Services

Leveraging our long-term experience and professional teams for property management services, we provide a variety of community living services to property owners and residents of the communities we manage focusing on their daily needs, which mainly include: (i) housekeeping and cleaning services to property units, (ii) group and individual purchase in collaboration with third-party merchants of groceries, seasonal products and other daily necessities, (iii) tourism services where we generally act as an intermediary between our customers and local travel agencies, including offering trips to the vacation properties of Sunac Group, and (iv) storage and collection assistance for express deliveries in collaboration with delivery cabinet operators. We either charge the customers a fixed fee on a per-transaction basis or charge the third-party merchants a pre-negotiated fixed fee or a percentage on the contract amount as commission for our community living services.

Third-party Merchants for Community Value-added Services

For the provision of community value-added services, we screen and select suitable merchants based on a number of factors including, amongst others, price competitiveness, quality of products or services and responsiveness to demands of customers. We may select the various third-party merchants to provide certain products or services to managed communities within the same region, considering the nature of the product or service in question and the operating scale and capability of the merchant to cater to the different needs and preferences of the residents in such communities. We adopt strict entry threshold and quality control measures to ensure the quality of products or services provided by third-party merchants. We typically enter into written collaboration agreements with merchants, setting forth, among other things, fees or commissions we charge, settlement mechanisms, logistics for deliveries of products or services and liability for compensation. We may replace a third-party merchant prior to agreed contract expiry dates in the event of substandard performance.

ACQUISITION OF NEW CENTURY PROPERTY MANAGEMENT

On 8 May 2020, we acquired a 84.92% equity interest in New Century Property Management with an additional 14.25% of the equity interest held by Mr. Xie Jianjun under share entrustment arrangement for our Group. The financial results of New Century Property Management and its subsidiaries have been consolidated into ours since the same date. The aggregate consideration paid and payable for the acquisition is RMB1,487.6 million, which was determined after arm's-length negotiations taking into account the financial performance (including the profit guarantee in connection with the acquisition) and the status of business and operations of New Century Property Management, as well as with reference to the valuation result adopting an income approach and verified with a market approach as further elaborated in "Financial Information — Our Acquisition of New Century Property Management". As at the Latest Practicable Date, the remaining shareholders of New Century Property Management comprised of 23 individual investors each with a minimal shareholding of no more than 0.22%. For further details of our acquisition of New Century Property Management, see "History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management".

New Century Property Management was established in the PRC in 2001 and is a reputable property management company mainly operating in eastern China. During the Track Record Period, New Century Property Management was engaged in the provision of (i) property management services for both residential and non-residential properties, generally covering security, cleaning, gardening, repair and maintenance services, (ii) value-added services to non-property owners mainly comprising sales assistance services to property developers and engineering services of light current systems and intelligent equipment for hotels and residential communities, and (iii) community value-added services, mainly value-added services for the rental and operation of common area site and facilities.

BUSINESS

The total consolidated revenue of New Century Property Management was RMB556.7 million, RMB725.5 million, RMB867.9 million, RMB279.4 million and RMB328.3 million for 2017, 2018 and 2019, and the periods from 1 January to 7 May of 2019 and 2020, respectively. For the same periods, the consolidated net profit of New Century Property Management was RMB51.6 million, RMB65.6 million, RMB62.9 million, RMB20.9 million and RMB32.4 million, respectively. The consolidated financial information and the accompanying notes of New Century Property Management (including its subsidiaries) prior to our acquisition thereof are set out in Appendix IB to this prospectus.

The following table sets out the breakdowns of New Century Property Management's (i) contracted GFA, (ii) GFA under management, (iii) number of properties for contracted GFA, and (iv) number of properties for GFA under management, as at the dates indicated:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	Contracted GFA (‘000 sq.m.)	34,622	42,510	50,170
GFA under management (‘000 sq.m.)	29,204	33,581	36,585	37,306
Number of properties for contracted GFA	227	280	351	356
Number of properties for GFA under management . .	200	234	285	290

As at 31 March 2020, New Century Property Management had a contracted GFA of 50.5 million sq.m. and managed 290 properties (including 156 residential properties and 134 non-residential properties) with an aggregate GFA under management of 37.3 million sq.m. covering 28 cities in ten provinces, autonomous regions and municipalities in China.

BUSINESS

The following table sets out the breakdown of New Century Property Management's (i) GFA under management, and (ii) number of properties under management by property type as at the dates indicated:

	As at 31 December						As at 31 March					
	2017		2018		2019		2019		2020		2020	
	GFA under management ('000 sq.m.)	Number of properties under management (%)	GFA under management ('000 sq.m.)	Number of properties under management (%)	GFA under management ('000 sq.m.)	Number of properties under management (%)	GFA under management ('000 sq.m.)	Number of properties under management (%)	GFA under management ('000 sq.m.)	Number of properties under management (%)	GFA under management ('000 sq.m.)	Number of properties under management (%)
Residential properties	23,086	79.1	125	24,267	72.3	137	24,612	67.3	153	25,140	67.4	156
Non-residential properties												
– Commercial properties	2,504	8.6	39	3,115	9.3	50	4,341	11.9	67	4,540	12.2	70
– Public and other properties	3,614	12.3	36	6,199	18.4	47	7,632	20.8	65	7,626	20.4	64
Sub-total	6,118	20.9	75	9,314	27.7	97	11,973	32.7	132	12,166	32.6	134
Total	29,204	100.0	200	33,581	100.0	234	36,585	100.0	285	37,306	100.0	290

The following table sets out the property management revenue of New Century Property Management by property type for the periods indicated:

	For the year ended 31 December						For the period from 1 January to 7 May			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Residential properties	325,528	63.7	421,338	62.2	469,035	57.8	158,784	60.2	180,297	57.4
Non-residential properties										
– Commercial properties	59,210	11.6	94,890	14.0	130,445	16.1	39,411	14.9	59,631	19.0
– Public and other properties	126,196	24.7	161,231	23.8	211,734	26.1	65,737	24.9	74,200	23.6
Sub-total	185,406	36.3	256,121	37.8	342,179	42.2	105,148	39.8	133,831	42.6
Total	510,934	100.0	677,459	100.0	811,214	100.0	263,932	100.0	314,128	100.0

BUSINESS

As at 31 December 2017, 2018 and 2019 and 31 March 2020, 20.9%, 27.7%, 32.7% and 32.6%, respectively, of the GFA under management of New Century Property Management was for non-residential properties, covering property types such as hospitals, shopping malls, office buildings, convention centres, government facilities and parks. As at the same dates, 84.1%, 85.5%, 87.2% and 87.1%, respectively, of its GFA under management was of properties developed by property developers, or obtained from property owners, which were independent third parties of New Century Property Management. During the Track Record Period, New Century Property Management provided substantially all of its property management services on a lump sum basis.

None of the customers of New Century Property Management for the Track Record Period were related to Sunac Group or any of its joint ventures or associates. A small portion of its customers for the Track Record Period were related to the former shareholders of New Century Property Management.

We believe the acquisition of New Century Property Management will benefit us in the following ways:

- **Expansion of property management scale.** The acquisition of New Century Property Management helped increase our property management scale and solidified our market share in the industry. Our contracted GFA increased from 157.7 million sq.m. as at 31 December 2019 to 232.1 million sq.m. as at 30 June 2020. Likewise, our GFA under management increased from 53.0 million sq.m. as at 31 December 2019 to 105.4 million sq.m. as at 30 June 2020.
- **Diversification of property type under management.** The acquisition of New Century Property Management will further enrich our property management types. In addition to residential properties, New Century Property Management possessed considerable experience in the management of a variety of non-residential properties, including landmark projects such as the Hangzhou International EXPO Centre (which was the main venue for the 2016 G20 Summit) and Qianjiang Century Park, as well as projects such as the Third People's Hospital of Hangzhou and the First People's Hospital of Xiaoshan. Our percentage of GFA under management for non-residential properties increased from 15.4% as at 31 December 2019 to 26.6% as at 30 June 2020.
- **Market development capability for other sources of projects.** A substantial part of the GFA under management of New Century Property Management during the Track Record Period was from projects by property developers or property owners that were independent third parties of New Century Property Management. We believe that New Century Property Management's abundant experience in obtaining projects from other sources will contribute to strengthening our market development capability for diversification of project sources. Our percentage of GFA under management from other sources of projects increased from 0.6% as at 31 December 2019 to 38.2% as at 30 June 2020.

BUSINESS

For more information regarding the acquisition of New Century Property Management, see “History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management”, “Financial Information — Financial Information of New Century Property Management” and Appendix IB to this prospectus.

OUR BRAND

We are committed to building our “Sunac Services” (融創服務) brand to be an industry-leading brand in China. In pursuit of our service philosophy of “commitment to excellence and beauty” (至善·致美), we offer a full range of high-quality property services to our customers and are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

Over the years, we have received various awards in the PRC in recognition of, among other things, our brand and reputation, business scale and development, service quality and customer satisfaction in the PRC property management industry. A number of the residential communities under our management have been awarded as exemplary projects or star-level communities at provincial or municipal level by the relevant PRC authorities.

In an effort to create a vibrant community life for the property owners and residents and to enhance our brand awareness, we had carried out a variety of brand and community activities during the Track Record Period. We organised the Walking Future (健走未來) relay races to raise charitable funds for primary schools in rural areas and to promote a healthy life style amongst our property owners and residents. Youngsters from our communities are offered with a wide range of extracurricular activities under our Shell Program (果殼計劃), such as summer camps, sports competitions, interest-oriented classes and other community activities enhancing parent-children interaction. We introduced our Neighbourhood Program (鄰里計劃) offering a series of cultural and leisure activities for all age groups, such as film viewing, spring outings, fruit picking, community flea market and body checks for the elderly. We believe these brand and community activities can enhance interactions with the communities under our management which in turn improves the relationships among our property owners and residents. These activities not only have enhanced the quality of life and fostered a sense of belonging within our communities but also increased our brand recognition and customer satisfaction.

STANDARDISATION AND SMART MANAGEMENT

We have been implementing upgrades of information technology to strengthen our competitiveness and to reduce operational costs and reliance on manual labour. Our professional team have been focusing on implementing standardisation and smart management to continuously improve operation procedures, maximise operation efficiency and optimise customers’ experience for the management of smart communities.

Standardisation

We have standardised and optimised our service procedures, strengthened our ability at headquarters, regional offices and branch offices levels to manage our projects based on a comprehensive quality management system. With the improvement of our service ability, we continuously issue and update internal standards to meet the ever changing requirements of customers. We have formulated a series of internal guidelines and rules laying out detailed guidance on key standards and procedures for property management and related services, supervision of service procedures and project evaluation, so as to ensure consistent and high-quality services covering a wide spectrum of property types and targeting various types of customers along the value chain of property development and management. We also established and implemented a set of control and supervision measures to coordinate our standard operating procedures for property management services to further enhance operation and management efficiency and improve service quality. In addition, we have implemented standards and procedures to conduct comprehensive evaluation of our projects to identify problems and improve service quality. We believe such standards and procedures enable us to improve our management efficiency without compromising our service quality.

Online Service Platform

We utilise our online service platform, mainly comprising our “Sunac Livable Community” (融創歸心) mobile application, together with WeChat mini programme, as the gateway for users to access our services both online and offline with a view to enhancing customer experience and loyalty, as well as our brand recognition. Registered users can access our services through our online service platform, primarily including: (i) reporting repair and housekeeping requests and arranging for such services, (ii) contacting our property management customer service staff for assistance and complaints, (iii) paying property management fees, parking fees and utility fees, reviewing and tracking property management fee statements and receiving payment reminders from us, (iv) accessing notices about community activities, (v) browsing community value-added services and products information, and (vi) placing orders for and arranging deliveries of daily necessity products and goods we sourced from third party suppliers and sold on such online service platform (but we do not sell products or services of third party merchants). We do not charge users any fees for the provision of any of the aforesaid services through our online service platform.

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), which were issued by the State Council and became effective on 25 September 2000, as amended on 8 January 2011, the provision of information to web users through the Internet is classified into commercial and non-commercial Internet information services. Commercial Internet information services refer to paid services for providing information to or creating web pages for web users through the Internet. Non-commercial Internet information services refer to free services for providing public, commonly-shared information to web users through the Internet. Whether an Internet information service is regarded as commercial or non-commercial depends on whether the provision of Internet information is free or charged. We have completed the requisite filings of non-commercial Internet information services for

the “Sunac Livable Community” mobile application and WeChat mini programme, respectively, in respect of the relevant services, given that during the Track Record Period the business conducted by our online service platform was regarded as non-commercial Internet information services because we used our online service platform as a tool to facilitate the provision of the relevant services and we did not generate any revenue directly from such online service platform in the form of paid Internet information services. Based on the foregoing, our PRC Legal Advisers are of the view that we are not required to obtain any licences, permits or approvals for the operation of our online service platform other than the filings of non-commercial Internet information services.

Deployment of Intelligent Devices for Smart Community Management

As part of our smart community establishment and operation, we are dedicated to deploying intelligent devices as well as Internet of Things equipment to reduce labour costs, improving property management efficiency and creating better and safer living environments for property owners and residents. We equip our car park entrances and exits with automatic licence plate detection and recognition systems which identify and allow entry of vehicles that have their licence plate details stored in our system. Our community and building entry-exit system is upgraded with face recognition systems, cloud intercoms, Bluetooth function and QR code scanners. Property owners and residents who have stored facial images in our system can enter the community and apartment building without stopping at the gate. We install cameras above main roads, public activity areas and elevators in communities, where smart sensors and cameras operate to enable real-time operating data monitoring and automatic inspection for significant equipment and facilities. We will keep expanding the coverage of smart devices among the properties under our management.

Smart Office and Management

Our employees can utilise comprehensive systems to improve work efficiency. For example, Xinrong E (新融E) is a platform which enables our employees to perform smart office work such as document review, order approval, email sending and receiving and internal communications through mobile phone. We also have comprehensive information systems to support our financial staff.

As a large-scale enterprise with business operations covering various geographic locations, we take full advantage of information technologies to integrate resources and realise efficient and smart management and create better living environment for property owners and residents. We have deployed and are continuously upgrading our smart community management platform (智慧社區管理中台), which aims to support not only the efficient operations of our on-site staff but also the remote management and coordination of our project managers, regional offices and the headquarters.

Our “Zhenxin” (臻心) mobile application was implemented to enable our employees to carry out smart management conveniently and effectively. Our on-site staff have online access to status information of properties under management, equipment or facilities within their

BUSINESS

scope of duty, their working tasks and new orders to be dealt with through Zhenxin mobile application. Our systems can effectively reduce labour costs and improve safety of our utility facilities and equipment. We believe these measures effectively help further improve our operational efficiency and ensure the delivery of consistent and high-quality services.

Privacy and Data Security Protection

We have adopted various internal control measures to protect data stored in the internal information system and network from different types of threats, interference and destruction, and ensure the availability, confidentiality and reliability of the data. We have established an anti-Trojan virus system consisting of anti-Trojan software, firewall anti-virus interception, intrusion prevention system, and host auditing system to keep servers from unstable operation, and protect the data from modification, destruction or loss. We conduct server-side patch management to ensure IT security, which includes purchasing patches, downloading, testing and installing patches by server administrators, and prioritising patch installation according to risk levels and value levels. We formulate different control strategies for system access with different risk levels and restrict access to important systems. We classify our staff based on their positions and responsibilities and grant them different access rights and adopt password control and other technical means to IT system so that only necessary staff could access certain confidential information. Staff need to apply for a designated account when working remotely and can only access limited systems. In addition, we monitor account permissions, networks, servers, and emails of important systems, and promptly alert users in case there are data leakage or risks of data leakage. We actively detect and repair system vulnerabilities to further ensure server security.

OUR CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management and community value-added services, (ii) property developers for our value-added services to non-property owners and property management service, and (iii) other customers such as advertising companies for our community value-added services. We generally do not grant a credit term to our customers and payments from customers are typically settled by bank transfers.

Major Customers

Our single largest customer during the Track Record Period was Sunac Group (and its joint ventures and associates) to which we provided value-added services to non-property owners, as well as property management services, during the Track Record Period. For further details, see “Connected Transactions” and Note 33 of the Accountant’s Report in Appendix IA to this prospectus. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue from our single largest customer for the Track Record Period amounted to RMB596.6 million, RMB1,129.1 million, RMB1,740.9 million and RMB811.7 million, respectively, representing 53.7%, 61.3%, 61.6% and 45.3% of our total revenue, respectively. For the same periods, revenue from our five largest customers for the Track

BUSINESS

Record Period, mostly property developers and advertising companies, in aggregate amounted to RMB602.8 million, RMB1,143.1 million, RMB1,757.2 million and RMB823.1 million, respectively, representing 54.3%, 62.1%, 62.2% and 45.8% of our total revenue, respectively. All of our five largest customers for the Track Record Period were Independent Third Parties except for Sunac Group (and its joint ventures and associates) and Customer H, in which Sunac China held 50% equity interest as at the Latest Practicable Date. Sunac China does not participate in the distribution of profits of Customer H, nor does Sunac China count Customer H as its subsidiary, joint venture or associate. We have established ongoing business relationships and co-operations with our five largest customers for the Track Record Period for more than three years on average. We entered into property management service contracts with our five largest customers who were property developers, the typical terms of which were described in “— Property Management Services — Property Management Service Contracts”.

The following tables set out certain details of our five largest customers for the Track Record Period:

For the six months ended 30 June 2020

Rank	Customer	Customer type	Length of business relationship with us	Services provided by us	Revenue (RMB'000)	Percentage of total revenue (%)
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Property management services, value- added services to non-property owners	811,743	45.3
2.	Customer A	Convention centre	4 years	Property management services	3,999	0.2
3.	Customer B	Hospital	1 year	Property management services	2,575	0.1
4.	Customer C	Advertising company	4 years	Property management services	2,545	0.1
5.	Customer D	Public facility management company	2 years	Property management services, community value- added services	2,248	0.1

BUSINESS

For the year ended 31 December 2019

Rank	Customer	Customer type	Length of business relationship with us	Services provided by us	Revenue (RMB'000)	Percentage of total revenue (%)
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Property management services, value- added services to non-property owners	1,740,876	61.6
2.	Customer E	Advertising company	3 years	Property management services	7,868	0.3
3.	Customer F	Property developer	1 year	Property management services	3,146	0.1
4.	Customer G	Property developer	1 year	Value-added services to non- property owners	2,765	0.1
5.	Customer H	Property developer	3 years	Value-added services to non- property owners	2,548	0.1

For the year ended 31 December 2018

Rank	Customer	Customer type	Length of business relationship with us	Services provided by us	Revenue (RMB'000)	Percentage of total revenue (%)
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Property management services, value- added services to non-property owners	1,129,055	61.3
2.	Customer E	Advertising company	3 years	Property management services	5,532	0.3
3.	Customer I	Property developer	2 years	Value-added services for non- property owners	2,981	0.2
4.	Customer H	Property developer	3 years	Value-added services to non- property owners	2,934	0.2
5.	Customer J	Property developer	2 years	Value-added services to non- property owners	2,562	0.1

BUSINESS

For the year ended 31 December 2017

Rank	Customer	Customer type	Length of business relationship with us	Services provided by us	Revenue <i>(RMB'000)</i>	Percentage of total revenue <i>(%)</i>
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Property management services, value- added services to non-property owners	596,555	53.7
2.	Customer K	Property developer	4 years	Value-added services to non- property owners	2,031	0.2
3.	Customer C	Advertising company	4 years	Property management services	1,898	0.2
4.	Customer E	Advertising company	3 years	Property management services	1,630	0.1
5.	Customer L	Telecommunication service provider	3 years	Property management services	721	0.1

As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers for the Track Record Period. As at the Latest Practicable Date, save as otherwise disclosed in this prospectus, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns 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.

Market Development

During the Track Record Period, a substantial part of our revenue from property management services was derived from properties developed by Sunac Group. We maintain a long-term cooperative relationship with Sunac Group and expect the management of properties developed by Sunac Group will continue to be our stable source of revenue in the foreseeable future.

BUSINESS

Since 2019, we had adopted a series of measures to proactively enhance our market development capability for obtaining projects from other sources. In this connection, we have established our internal systems for market development from headquarters to regional offices and further to project-levels with performance evaluation and employee sales incentives. With market information obtained from multiple sources, we have made approaches with respect to an increasing number of potential projects and have increased our efforts for cooperation with third-party property developers and other customers. We strictly follow internal standards with respect to the risks and profitability requirements of these projects from other sources. Benefitting from our strong acquisition credentials, we endeavour to further enhance our market development capability and explore opportunities for suitable acquisition targets by leveraging our quality services, customer loyalty, operational capabilities of a diversified types of properties and service offerings, as well as professional employees and incentive systems.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily were (i) sub-contractors providing cleaning, greening, maintenance and security services, and (ii) Sunac Group (and its joint ventures and associates) for sales of use rights of car park spaces to us.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we purchased the use rights of car park spaces from Sunac Group in the amount of RMB26.4 million, RMB33.9 million, RMB64.2 million, nil and nil and subsequently sold such use rights of car park spaces to third-parties, including property owners and residents of properties under our management. For further details, see “— Community Value-added Services — Real Estate Brokerage Services and Sale of Car Park Spaces” and “Financial Information — Related Party Transactions and Balances”.

During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this prospectus, all of our suppliers were Independent Third Parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims arising from and/or attributable to our suppliers.

Our suppliers grant us credit terms generally ranging from 30 to 90 days and payment to our suppliers is typically made by bank transfers.

Selection of Suppliers

To ensure the overall quality of services provided to our customers, we have maintained a list of qualified suppliers, the selection of which is primarily based on their product or service quality, necessary industry and regulatory licences and professional qualifications, past performance and customer feedback, as well as price competitiveness. Our list of qualified suppliers is subject to periodic review in order to ensure consistently high-quality services provided to our customers.

We typically engage our suppliers through competitive biddings, which is administered by internal committees comprising members of relevant business department and purchase department, as well as finance personnel. We first select a number of competent suppliers (generally more than three) from the list of qualified suppliers and invited them to submit a fee quote and other bidding documents. The internal committees then assess the submitted bids and consider a number of factors, such as the bidders' price competitiveness, product or service quality, professional qualifications, industry reputation and financial strength, in selecting the bid awardee. We may also procure materials in relatively small amounts through the requests for fee quotes from and commercial negotiation with shortlisted vendors.

Once a selected supplier commences to provide products or services, we periodically monitor and evaluate its performance in accordance with the supplier contracts we entered into. Evaluations generally focus on the suppliers' product or service quality, cooperation with our staff, results of problem rectification and handling of customer complaints. In the event of repeated sub-standard performance or other failures, the suppliers may be terminated and removed from our list of qualified suppliers.

Sub-contracting

To utilise our own workforce more efficiently, we delegate certain services to qualified sub-contractors, mainly (i) labour-intensive services such as cleaning, greening and security services, and (ii) specialised services such as repair and maintenance of elevator and fire systems. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our sub-contracting costs (representing security, maintenance, cleaning and greening cost) amounted to RMB231.0 million, RMB324.3 million, RMB438.0 million, RMB169.7 million and RMB306.7 million, accounting for 26.3%, 22.9%, 20.8%, 18.1% and 23.1% of our total cost of sales, respectively. All of our sub-contractors for the Track Record Period were located in China.

We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. To ensure that the sub-contractors meet our requirements and standards of services, we implement a score-base system to monitor and evaluate their performance from time to time. We aim to create and maintain a quality-oriented, effective and comprehensive system for sub-contractor management. Based on our experience in the property management industry in the PRC, we believe that there are readily available alternative sub-contractors that could replace any of our existing sub-contractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our sub-contractors.

Key terms of sub-contracting contracts

We enter into sub-contracting contracts with sub-contractors on normal commercial terms. The key terms of our typical sub-contracting contracts are as follows:

- *Term of service.* Our sub-contracting contracts typically have a term of one year and may be renewed upon mutual consent.

BUSINESS

- *Our responsibilities.* We are typically responsible for providing on-site sub-contractors with necessary working spaces, facilities and utilities.
- *Obligations of sub-contractors.* The sub-contractors are responsible for providing services in accordance with the scope and standards prescribed in the sub-contracting contracts and in compliance with all applicable laws and regulations. In the event of sub-standard performance, the sub-contractors are required to take necessary rectification measures within the period required by us.
- *Risk allocation.* The sub-contractors are responsible for indemnifying us for any damages to property or personal injury caused by the fault or gross negligence of the sub-contractors in the course of providing the sub-contracting services.
- *Sub-contracting fees.* Sub-contracting fees are typically payable monthly or quarterly and are generally determined with reference to the labour costs, procurement costs of raw materials and other miscellaneous costs incurred by the sub-contractors. We may conduct evaluations with respect to the quality of services provided by our sub-contractors and adjust the sub-contracting fees based on the results of the evaluations.
- *No assignment.* Sub-contractors are not allowed to assign or sub-contract their obligations under the sub-contracting contracts to any other party unless with our prior consent.

Major Suppliers

During the Track Record Period, save from Sunac Group (and its joint ventures and associates) from whom we purchased the use rights of car park spaces, most of our five largest suppliers were sub-contractors providing cleaning, greening, maintenance and security services. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, purchase from our single largest suppliers for the Track Record Period, which were Sunac Group (and its joint ventures and associates) and a third-party human resources service provider, amounted to RMB26.4 million, RMB33.9 million, RMB64.2 million and RMB19.4 million, respectively, representing 8.5%, 7.3%, 9.7% and 4.6% of our total purchase amount, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, purchase from our five largest suppliers for the Track Record Period, amounted to in aggregate RMB70.1 million, RMB79.8 million, RMB117.1 million and RMB45.4 million, respectively, representing 22.6%, 17.1%, 17.7% and 10.7% of our total purchase amount, respectively. We have maintained business relationship with our five largest suppliers for the Track Record Period for approximately six years on average. We typically enter into supplier contracts with our five largest suppliers for the Track Record Period which generally have a term of one year.

BUSINESS

The following tables set out certain details of our five largest suppliers for the Track Record Period:

For the six months ended 30 June 2020

Rank	Supplier	Supplier type	Length of business relationship with us	Services provided by the supplier	Purchase amount <i>(RMB'000)</i>	Contribution to total purchase <i>(%)</i>
1.	Supplier A	Human resources service provider	2 years	Human resources outsourcing	19,391	4.6
2.	Supplier B	Cleaning services provider	11 years	Cleaning and security	9,448	2.2
3.	Supplier C	Cleaning services provider	8 years	Cleaning and security	6,053	1.4
4.	Supplier D	Cleaning services provider	2 years	Cleaning	5,526	1.3
5.	Supplier E	Cleaning services provider	14 years	Cleaning	5,015	1.2

For the year ended 31 December 2019

Rank	Supplier	Supplier type	Length of business relationship with us	Services provided by the supplier	Purchase amount <i>(RMB'000)</i>	Contribution to total purchase <i>(%)</i>
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Use rights of car park spaces	64,158	9.7
2.	Supplier B	Cleaning services provider	11 years	Cleaning and security	19,753	3.0
3.	Supplier C	Cleaning services provider	8 years	Cleaning and security	12,366	1.9
4.	Supplier F	Administrative supplies provider	2 years	Administrative supplies	11,460	1.7
5.	Supplier D	Cleaning services provider	2 years	Cleaning	9,373	1.4

BUSINESS

For the year ended 31 December 2018

Rank	Supplier	Supplier type	Length of business relationship with us	Services provided by the supplier	Purchase amount	Contribution to total purchase
					<i>(RMB'000)</i>	<i>(%)</i>
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Use rights of car park spaces	33,905	7.3
2.	Supplier C	Cleaning services provider	8 years	Cleaning and security	16,081	3.4
3.	Supplier B	Cleaning services provider	11 years	Cleaning and security	13,959	3.0
4.	Supplier G	Security services provider	3 years	Security	7,987	1.7
5.	Supplier H	Security services provider	2 years	Security	7,849	1.7

For the year ended 31 December 2017

Rank	Supplier	Supplier type	Length of business relationship with us	Services provided by the supplier	Purchase amount	Contribution to total purchase
					<i>(RMB'000)</i>	<i>(%)</i>
1.	Sunac Group (and its joint ventures and associates)	Property developer	16 years	Use rights of car park spaces	26,399	8.5
2.	Supplier B	Cleaning services provider	11 years	Cleaning and security	15,519	5.0
3.	Supplier I	Security services provider	4 years	Security	11,426	3.7
4.	Supplier C	Cleaning services provider	8 years	Cleaning and security	9,985	3.2
5.	Supplier J	Cleaning services provider	5 years	Cleaning and security	6,728	2.2

BUSINESS

As at the Latest Practicable Date, we did not renew our contracts with Supplier H as it did not renew its business license for the provision of security services and we did not renew our contracts with Supplier G as we selected another security service provider through the relevant tender and bidding process. As at the Latest Practicable Date, save for otherwise disclosed in this prospectus, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest suppliers for the Track Record Period. As at the Latest Practicable Date, save as otherwise disclosed in this prospectus, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest suppliers for the Track Record Period.

COMPETITION

The property management industry in the PRC is highly competitive and fragmented with a large number of market participants. As a leading large-scale property service provider with a diversified property management portfolio, we primarily compete against both national and regional property management companies in the PRC. For value-added services, we also compete against other property management companies as well as relevant industry participants providing similar services. For instance, our community value-added services to property owners and residents may compete with vendors and e-commerce business that provide similar products and services. We believe that the principal competitive factors include, among others, operation scale, service quality and price, customer base, technical capabilities, brand recognition and financial resources. For more details about the industry and markets that we operate in, see “Industry Overview”.

QUALITY CONTROL

We regard service quality as the cornerstone of our operation and development, and we believe that quality control is critical to the sustainable growth of our business. We have established a comprehensive quality control system and a dedicated quality control team, who primarily focuses on, among other things, compliance with standardised service procedures, participating in supplier selection, and monitoring the service quality of our employees and suppliers.

Quality Control of Property Management Services

We have obtained ISO9001:2015 Quality Management System Certification which is valid through April 2022. In addition to service quality, we also attach importance to environmental protection, employees’ health and safety, information security and asset maintenance and appreciation and have obtained certification of ISO14001:2015 Environment Management System, ISO45001:2018 Occupational Health and Safety Management System and ISO9001:2015 Quality Management System for the set-up of a comprehensive quality management system to provide quality control guidance for our daily operations, while minimising our operational costs and disruption to the operation that can result from poor service or inconsistent adherence to service quality.

BUSINESS

We value and seek to realise dynamic quality control management covering various aspects of our business operations throughout the provision of our services by our staff at different levels. We have set up a strict quality control and automatic inspection system at both project and headquarters levels through our smart community management platform. We evaluate the performance of property management services taking into account both internal and customers' evaluations. Each project is self-inspected regularly and the inspection results are used to evaluate the performance of relevant staff. Moreover, the headquarters also evaluates the service quality through the information reflected by the smart community management platform, including but not limited to service data, customer complaints and feedback.

Due to the nature of our business, we receive customer suggestions, appraisals and complaints from time to time during the ordinary course of our business. We record, analyse and evaluate such customer feedback by creating logs on our internal systems and we track the progress in addressing the underlying customer concerns and problems. We also engage third-party consulting firm(s) to conduct customer satisfaction surveys (including "mystery customer" surveys) on a regular basis. We enjoy a relatively high customer satisfaction rate. According to a report by FG Consulting, an independent third-party consultancy, our customer satisfaction rate for property management services was 90% in 2019, far exceeding the industry average of 73%. These performance evaluations further ensure that the services provided by us meet the needs and requirements of our customers. During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints that may have a material adverse impact on our operations or business reputation from our customers.

Quality Control of Sub-contractors

For quality control over outsourced services, we typically include in contracts with sub-contractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the sub-contractors and may require the sub-contractors to take necessary rectification measures when their services do not meet the agreed standards. We may also conduct surveys among property owners and residents regarding the quality of services provided by our sub-contractors. To the extent as agreed, we may have the contractual right to adjust the sub-contracting fees and to terminate the sub-contracting contracts depending on the outcomes of our evaluation. If sub-contractors repeatedly or seriously fall short of our standards or our customers' expectations, or fail performance reviews conducted by us, they will be excluded from our selected list of qualified sub-contractors.

EMPLOYEES

We endeavour to hire the best available employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We have established a series of policies and measures to acquire talent suitable for our business development.

BUSINESS

As at 30 June 2020, we had a total of 26,570 employees with whom we had entered into labour contracts. The following table sets out the breakdown of our employees by function as at 30 June 2020:

Function	Number of employees
On-site services ⁽¹⁾	23,643
Engineering and quality control	692
Functional management	1,388
Community operations	366
Others ⁽²⁾	481
Total	26,570

Notes:

- (1) On-site services mainly refer to our staff directly providing services at our project sites, which are mainly for our property management and sales assistance services.
- (2) Others mainly refer to our market development and logistics staff.

We recruit high-quality talents from multiple channels and we provide our employees with ongoing training and career development opportunities. We enter into individual employment contracts with our full-time employees. Our employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses and share incentives may also be awarded to our employees based on their annual performance reviews and/or other contributions to our business development.

On 31 March 2020, Sunac Shine was incorporated as a special purpose vehicle to hold Shares to be granted to eligible grantees under a share award scheme we intend to adopt at least six months after the Listing. We believe that adopting a share award scheme will enable us to retain talent, promote our long-term sustainable development and benefit our Group, our employees and Shareholders as a whole. For further details, see “History, Reorganisation and Corporate Structure — Reorganisation — 5. Incorporation of Sunac Shine”.

We regularly host comprehensive internal staff training programmes for our staff 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. We provide orientation training to new hires, introducing them to our corporate culture, coaching them on our teamwork model, and teaching them our service standards and procedures. We also assign experienced managers to serve as mentors to newly-hired employees, who provide tailored coaching and guidance. We provide training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees.

BUSINESS

We have maintained good working relationships with 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 labour union or by way of collective bargaining agreements nor did we experience any material labour disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

Social Insurance and Housing Provident Fund Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social insurance funds, including pension fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and the housing provident fund. For details, see “Regulatory Overview — Regulations on Employment and Social Welfare”.

During the Track Record Period, we did not register for and/or make full contributions to the social insurance and housing provident funds for certain employees, which were mainly related to (i) newly enrolled employees not yet started contribution, (ii) employees who have made relevant contributions from their previous employment, (iii) rural household employees who have already made contributions under their rural accounts, and (iv) intern or retired staff who are not required to make such contributions. Accordingly, we had made provision thereto during the Track Record Period in the amount of RMB1.8 million, RMB1.4 million, RMB3.2 million, RMB1.3 million and RMB2.4 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

As advised by our PRC Legal Advisers, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Our PRC Legal Advisers have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, application may be made to a people’s court in the PRC for compulsory enforcement. Furthermore, if we fail to complete the registration of housing provident fund within a prescribed period, we would be subject to an administrative penalty of RMB10,000 to RMB50,000 for each of our entities not complying with such regulations.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance or housing provident funds; (ii) we had not been subject to any administrative penalties, nor were we aware of any material employee complaints nor involved in any material labour disputes with our employees with respect to social insurance or 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 or housing provident funds during the Track Record Period. We have implemented relevant internal controls to

BUSINESS

ensure that we make full contributions in relation to the social insurance and housing provident funds, including reviewing the calculation result of social insurance and housing provident funds for all eligible employees and actively communicate with local human resources, social security bureau and housing fund management centre on a regular basis, to ensure we acquire the most updated information about the relevant laws and regulations.

In light of the above, including taking into account the provision we have made during the Track Record Period, our Directors are of the view that our failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees would not have a material adverse effect on our business operations and financial condition. For further details, see “Risk Factors — Risks relating to Our Business and Industry — We may be subject to adverse impact for our failure to register for and/or contribute to social insurance and housing provident funds on behalf of some of our employees”.

In addition, in the past and for similar reasons, New Century Property Management and its subsidiaries did not register for and/or make full contributions to the social insurance and housing provident funds for certain of their employees. Accordingly, New Century Property Management had made provision thereto of RMB0.5 million, RMB1.2 million, RMB2.8 million and RMB1.3 million for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January to 7 May 2020, respectively. During the Track Record Period and up to the Latest Practicable Date, (i) New Century Property Management had not received any notification from relevant government authorities requiring for payment of shortfalls or the penalties with respect to social insurance or housing provident funds; (ii) New Century Property Management had not been subject to any administrative penalties, nor was it (or any of its subsidiaries) aware of any material employee complaints nor involved in any material labour disputes with its employees with respect to social insurance or housing provident funds; (iii) a majority of the PRC subsidiaries of New Century Property Management have obtained written confirmations from competent local government authorities which confirmed that no penalties had been imposed on it with respect to social insurance or housing provident funds during the Track Record Period. Moreover, as at the Latest Practicable Date, New Century Property Management had adopted the necessary internal measures similar as ours as described above to ensure compliance with the relevant requirements for social insurance and housing provident fund contributions.

Taking into account the aforementioned circumstances and the fact that our Controlling Shareholder, Sunac China, has agreed to provide full indemnities in respect of any costs, expenses, penalties and damages due to our failure to register for and/or contribute to social insurance and housing provident funds on behalf of employees, to which we may be subject and payable, our PRC Legal Advisers are of the view that the likelihood is remote for us (including New Century Property Management) to be penalised by the relevant PRC authorities for the failure to register for and/or contribute to social insurance and housing provident funds on behalf of employees.

BUSINESS

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property is a key component of our brand and is an integral part of our business. As at the Latest Practicable Date, we had registered 94 trademarks and 31 software copyrights in the PRC.

We have been licensed by Sunac Group to use several of its trademarks for our operation pursuant to which we were entitled to use such trademarks on a non-transferable and royalty-free basis. For further details, see “Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements — 1. Trademark Licenses”.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. For further details of our intellectual property rights, see “Risk Factors — Risks relating to Our Business and Industry — Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position”, “Risk Factors — Risks relating to Our Business and Industry — Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business”, “Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights of our Group”.

INSURANCE

We maintain certain insurance coverage, primarily public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, employer liability insurance, commercial health insurance, property insurance for our business related facilities and vehicle insurance. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our contracts with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We believe our insurance coverage is in line with industry practise for similar property management companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, 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”.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS**Impact on our business operation**

In relation to the provision of our services in general, our Directors confirm that (i) prior arrangement had been made in ensuring sufficient workforce available for our business operations during and after the outbreak of the disease and that our frontline staff did not experience material disruption in carrying out their responsibilities for the provision of our services; and (ii) our major suppliers are sub-contractors which provide services such as cleaning, maintenance and security services, and the workers assigned by our sub-contractors to our managed properties did not experience material disruption in performing their duties for the sub-contracting services following the outbreak of the disease. Our Directors also confirm that since the outbreak of COVID-19 and up to the Latest Practicable Date, our Group had not encountered and is not expected to experience any shortage in labour or disruption to the supply of sub-contracting services or materials as a result of the outbreak of COVID-19.

As for our property management services of residential communities, the negative impact of COVID-19 is expected to be minimal. We believe that the outbreak of the disease had created an opportunity for us to establish a more bonded relationship with the property owners and residents increasing their recognition, trust and satisfaction of our brand and services, as we not only provide daily living-related services but also extensive preventive measures that safeguard the community and health and well-being of our property owners and residents during the outbreak.

For our property management services of non-residential properties, certain property owners and tenants of the relevant business premises, such as commercial complexes, office buildings, convention centres and cultural and recreational premises, had to temporarily suspend their operations during the outbreak, which had in turn affected our ability to collect the property management fees on a timely basis. As at the Latest Practicable Date, these non-residential properties had resumed operations.

For our value-added services to non-property owners, due to the delay in construction, sales and marketing activities and delivery of some of the property development projects by our customers caused by temporary lock-down in response to the COVID-19 outbreak in the first half of 2020, we had experienced a relatively slower growth in revenue from our value-added services to non-property owners, including a decrease in revenue from property agency services in the first half of 2020 as compared to the same period in 2019. Our revenue from value-added services to non-property owners increased by 96.3% from 2017 to 2018 and by 52.9% from 2018 to 2019, whereas such increase rate was only 4.3% in the first half of 2020 as compared to the same period in 2019.

BUSINESS

For our community value-added services, we had experienced a slow-down in business for our real estate brokerage and property interior decoration services as a result of the outbreak. However, we also saw a considerable increase in the demand of our community living services, in particular, with respect to purchase and delivery assistance for daily necessities.

Further, as part of our contingency plan due to the outbreak of COVID-19, our Directors confirm that there are sufficient control measures in place. For more details, see “— Impact of the Outbreak of COVID-19 on our Business — Contingency plan and control measures” below. Due to the abovementioned reasons, our Directors confirm that our Group is able to fulfill the obligations under all existing property management service contracts and other business contracts, and therefore there is no financial damage to our Group or impact on our long-term relationship with our customers and business partners.

Impact on our pipeline projects

Our Directors confirm that, as at the Latest Practicable Date, Sunac Group, our largest customer for the Track Record Period, did not expect the construction schedule and delivery date of the pipeline properties developed by them to be delayed by a large extent as a result of the outbreak of COVID-19, since such pipeline projects had gradually resumed work to steadily catching up on the original development schedule. In light of this, our Directors do not expect the pipeline projects to be materially affected in connection with both of our property management services and value-added services to non-property owners.

Contingency plan and control measures

In view of the outbreak of COVID-19, we have adopted in January 2020 a contingency plan for pandemic outbreak whereby our employees and sub-contractors shall take a series of practicable steps in the properties under our management to maintain a hygienic environment for all personnel who may be present including property owners, residents, visitors and our employees and sub-contractors.

Our Directors confirmed that in light of the severity of COVID-19, we had, in accordance with the contingency plan, taken the following control measures to prevent the transmission of or further exposure to the disease within our managed properties:

- mandatory infrared contactless temperature screening at entry of managed properties on a 24-hour basis and similar body temperature measurements for all our staffs and workers of our sub-contractors each time they enter or leave the working premises;
- scanning of health QR code at entry of managed properties;

BUSINESS

- intensified and regular disinfection of common areas at least two times a day, covering key areas in a community such as lobby, gate entry, service reception, handrail, door handle, garbage bin, passage way, elevator, basement, sports and leisure facilities and children's playground;
- provision of disposable face masks, gloves and applicable protective uniforms to employees and requiring relevant employees to wear preventive clothing and accessories distributed to them every day;
- setting up hand sanitising stations at key service touch points, placing collection bins especially for used facial masks and gloves and engaging designated personnel for the disinfection and disposal of used disease prevention materials;
- conducting targeted cleaning, disinfection, and maintenance checks of ventilation and air purifying equipment and facilities at communities;
- strict quarantine for suspected cases among our residents or our residents otherwise subject to compulsory quarantine at designated locations imposed by the PRC government; designated staff within the community will go to the residence concerned every day for body temperature measurements and will deliver necessities to the residence directly when requested;
- setting up emergency response team for each community and conducting daily inspection and report on implementation of the contingency plan and control measures.

All our employees and workers of our sub-contractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that the control measures are properly implemented.

Impact on our financial condition

The ongoing outbreak of COVID-19 has inevitably increased our costs in managing properties and providing other related services. For instance, we have needed to incur an additional expense for the disinfection of managed properties and the purchase of personal protective equipment and sanitising materials and additional labour costs and expenses in relation to overtime wages, employment stabilisation subsidies and other related employee benefits and compensation. On the other hand, we had received government grants from the PRC local authorities to support our business operations and ease our financial burden in light of the outbreak of COVID-19 and we had also become entitled to certain social insurance contribution exemptions in 2020, which we believe will help alleviate our increased operating costs following the outbreak.

BUSINESS

In light of the above, our Directors confirm that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability based on the following reasons: (i) the property management industry is an industry involving essential community services and our employees and workers of our sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (ii) we are able to fulfill our obligations under all existing property management service contracts and other business contracts; (iii) the delivery date of the pipeline properties developed by Sunac Group was not, or expected to be, materially delayed; and (iv) our Group has sufficient cash and cash equivalents to maintain our operation. Our Directors further confirm that we will utilise the net proceeds from the Global Offering in accordance with the section headed “Future Plans and Use of Proceeds”.

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws and regulations in relation to labour, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO45001:2018 Occupational Health and Safety Management System, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. We also conduct test on waste water, waste gas or noise in our work places to ensure compliance with applicable environmental protection and employee work safety requirement.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had implemented necessary internal policies and procedures for compliance with PRC laws in relation to workplace safety and we did not have any incidents which had 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.

Our Directors confirmed that we were not subject to significant health, work safety, social or environmental risks with respect to our business operations during the Track Record Period and up to the Latest Practicable Date. We had not been subject to any material fines or administrative penalties due to non-compliance with or any violation of health, work safety, social or environmental laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As at the Latest Practicable Date, we owned three properties in the PRC with an aggregated GFA of approximately 235.6 sq.m., which we held for self-use as staff dormitories. As at the Latest Practicable Date, we had obtained the building title certificates for all the properties we own.

BUSINESS

As at the Latest Practicable Date, we leased 124 properties in the PRC with an aggregate GFA of approximately 25,550.2 sq.m. primarily for staff dormitories. None of these properties is individually material to our operations.

As at the Latest Practicable Date, we had not filed the lease agreements for all of our aforementioned leased properties with the local housing administration authorities as required under PRC laws. Our PRC Legal Advisers have advised us that although the non-registration of such lease agreements would not affect the validity of such agreements under PRC laws and regulations, we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, an administrative penalty may be imposed on us as a result of such non-filing. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties as a result of our failure to file the lease agreements described above. We had updated our internal control measures to closely monitor the status of our leases with respect to its compliance with applicable PRC laws and regulations. Our PRC Legal Advisers have also advised us that the failure to file the lease agreements would not affect the validity of the lease agreements. Considering a majority of such leases were for staff dormitories not directly related to our business operations, our Directors confirm that such leases would not in aggregate form a material part of our operations and the non-filing thereof would not have a material adverse effect on our business operations. For further details, see “Risk Factors — Risks relating to Our Business and Industry — Some of our lease agreements were not registered with the relevant government authorities with respect to our leased properties in the PRC”.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group’s interests in land or buildings, for the reason that, as at 30 June 2020, none of the properties interests has a carrying amount of 15% or more of our total assets. Pursuant to Chapter 5 of the Listing Rules, this prospectus is not required to include valuations of our properties.

INTERNAL CONTROL AND RISK MANAGEMENT

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 credit and liquidity risks that arise during our ordinary course of business. See “Financial Information — Quantitative and Qualitative Disclosures about Financial Risks” for a discussion of these financial risks.

BUSINESS

Prior to the Listing, we have adopted internal policies and procedures set by Sunac China, our Controlling Shareholder and a company listed on the Stock Exchange, on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. We, as a subsidiary of Sunac China, have cultivated a compliance culture and will adopt similar policies and procedures as a separate listed company effective upon the Listing.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, 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. Zhang Xiaoming as our joint company secretary and Ms. Wong Sau Ping as our other joint company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see “Directors and Senior Management — Joint Company Secretaries”;
- the appointment of Ballas Capital Limited as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules;
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary; and
- the implementation of internal policies and procedures formulated to monitor the ongoing connected transactions and to ensure that they do not exceed the relevant annual caps.

LEGAL PROCEEDINGS AND COMPLIANCE

As advised by our PRC Legal Advisers, up to the Latest Practicable Date, we had obtained all material permits, licences and certificates necessary for our business operations from the relevant government authorities, all of which are valid and in force, and we had been in compliance in all material respects with the applicable PRC laws and regulations. Our Directors confirmed that they do not foresee material obstacles for renewing the relevant permits, licenses and certificates for carrying out our business operations.

BUSINESS

As advised by our PRC Legal Advisers, we had not been subject to significant fines or legal action involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation Issue, the Distribution and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Sunac China will indirectly control 72.00% of the issued share capital of our Company, including as to (i) 56.60% through Sunac Services Investment and (ii) 15.40% through Sunac Shine, both of which are direct wholly-owned subsidiaries of Sunac China. Assuming there will be no change in the shareholding structure of Sunac China from the Latest Practicable Date up to the Listing, Mr. Sun and Sunac International (which is controlled by the Sun family trust established by Mr. Sun) will control 30% or more of the issued share capital of Sunac China. Hence, upon Listing, Mr. Sun, Sunac International, Sunac China and Sunac Services Investment constitute a group of our Controlling Shareholders under the Listing Rules.

Each of Sunac Services Investment, Sunac China and Sunac International is an investment holding company. Sunac Group is principally engaged in the businesses of property investment and development, cultural and tourism city construction and operation (the “**Retained Business**”). See “— The Retained Business” below for details.

DELINEATION OF BUSINESS

The Retained Business

Our Directors are of the view that there is clear delineation between the Retained Business and our business which, as a result, none of the Retained Business would compete, or is expected to compete, directly or indirectly, with our business.

The table below sets forth the principal business operations of our Group and Sunac Group as at the Latest Practicable Date:

<u>Name of company</u>	<u>Principal business operations</u>
Our Group	Provision of property management services, value-added services to non-property owners and community value-added services
Sunac Group	Property investment and development, cultural and tourism city construction and operation

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Commercial operational business of Sunac Group

Upon completion of the Spin-off, it is expected that Sunac Group will continue to engage in the operation of commercial properties, amusement parks and hotels developed or invested by Sunac Group from time to time (the “**Self-operated Properties**”). Some of the subsidiaries of Sunac China (the “**Relevant Entities**”) will provide commercial operational services ancillary to the operation of such Self-operated Properties and may record revenue from leasing to tenants and provision of services to tenants or other property owners for the Self-operated Properties.

We consider that the commercial operational business of the Relevant Entities is clearly delineated from our business for the following reasons:

- (a) *Different purpose* – Sunac Group assumes the role of both owner/investor and commercial operator in respect of the Self-operated Properties with the purpose of maximising Sunac Group’s investment interests and brand value in the Self-operated Properties, whereas our Group is purely a service provider without ourselves holding any ownership interest in our managed properties. Different from our property management services (primarily basic services such as security, cleaning, gardening, repair and maintenance services) which are aimed at keeping the properties under management safe, clean and functional and our value-added services which are aimed at facilitating the sales and marketing activities of property developers and addressing the lifestyle needs of residents, the commercial operational services of the Relevant Entities are aimed at maximising the commercial utility and occupancy of the commercial properties under operation primarily through increasing the consumer traffic and popularity of the commercial properties, and increasing the overall value of the commercial properties.
- (b) *Different business scope and focus* – The Relevant Entities focus on the commercial operational services which include (i) market research and positioning, tenant sourcing and opening preparation services during the preparation stage before the official operation of the Self-operated Properties; and (ii) other services after the Self-operated Properties commence operation such as tenant management and marketing and promotion services. Our Group provides (i) property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services for the operation of common areas and facilities; (ii) value-added services to non-property owners, primarily property developers, such as assistance with their sales and marketing activities at property sales venues and display units, pre-delivery, consultancy and engineering services, and property agency services mainly in respect of primary sales of properties; and (iii) community value-added services mainly to property owners and residents of our managed properties to address their lifestyle needs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

There is no overlap between our Group's value-added services and Sunac Group's commercial operational business for the Self-operated Properties. In particular, our consultancy services are provided to property developers at the construction stage from the perspective of property management to facilitate the property developers' understanding of the needs of end-users of properties so that the property developers may design buildings that conform as much as possible to expected standards, which differ from the services provided by the Relevant Entities from a commercial operational perspective in respect of market research and positioning for the Self-operated Properties prior to their official operation. Our property agency services, which are provided to property developers in respect of agency sales of tourism and vacation projects and use rights of car park spaces developed by such property developers, are also different from and do not overlap with the tenant sourcing, tenant management, marketing and promotion services of the Relevant Entities.

- (c) *Different skill set required* – The skill set required for the provision of commercial operational services by the Relevant Entities and our business are different. Commercial operational services require industry knowledge and expertise in tailor-made market positioning, commercial properties' project management, tenant sourcing abilities and digitalised operation, whereas the skill set required for property management of residential and non-residential properties is mainly related to provision of cleaning, security and other related value-added services.
- (d) *Different management team* – Commercial operational business of the Relevant Entities and our business have been managed and operated by two different and independent management teams since the commencement of the respective business.
- (e) *Different source of revenue* – The majority of revenue of the Relevant Entities is generated from the service fees or rent charged on the third party owners or tenants of the Self-operated Properties for the provision of commercial operational services. Our Group mainly generates our revenue from the provision of property management services and community value-added services to property owners and residents of our managed properties, and value-added services to non-property owners, primarily property developers. The source of revenue of the commercial operational business of the Relevant Entities and that of our business are different.

In addition, as an integral and inseparable part of the commercial operational business, the Relevant Entities generally engage our Group and third party service providers to provide basic property management supports such as cleaning and security for the Self-operated Properties. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our revenue from provision of property management services to Sunac Group in respect of the Self-Operated Properties amounted to nil, RMB0.2 million, RMB21.5 million and RMB17.0 million, and our gross profit margin in respect of such services was nil, 64%, 45% and 37%, respectively. Following the Spin-off, the Relevant Entities will continue to focus on the provision of the commercial operational services for the Self-operated Properties.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Due to the distinct business model and the separate business focus, it is considered that the business of the Relevant Entities is clearly delineated from our business and is not in competition with our business.

Property management business of EnsenCare Property Management

As at the Latest Practicable Date, Sunac Group owned 45% equity interest in Beijing EnsenCare Holdings Co., Ltd. (北京安信頤和控股有限公司) (“**Beijing EnsenCare**”), which in turn owned 49% equity interest in EnsenCare (Changzhou) Real Estate Co., Ltd. (安信頤和(常州)置業有限公司) (“**EnsenCare Real Estate**”). EnsenCare Real Estate owns 100% equity interest in EnsenCare (Changzhou) Property Management Co., Ltd. (安信頤和(常州)物業管理有限公司) (“**EnsenCare Property Management**”). Given that Sunac Group does not control Beijing EnsenCare, EnsenCare Real Estate and EnsenCare Property Management through beneficial ownership nor board control, as such, they are not consolidated into the financial statements of Sunac Group. The remaining equity interest in Beijing EnsenCare and EnsenCare Real Estate are held by Independent Third Parties, which respectively control such companies. Sunac Group’s attributable interest in EnsenCare Property Management via Beijing EnsenCare and EnsenCare Real Estate is a non-controlling interest.

EnsenCare Property Management principally engages in providing property management services solely to the projects invested and operated by Beijing EnsenCare and its subsidiaries (the “**EnsenCare Projects**”). EnsenCare Property Management has no intention to engage in further property management business beyond the EnsenCare Projects. Hence, EnsenCare Property Management does not compete with our business.

In addition, based on the unaudited management accounts of EnsenCare Property Management, for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the revenue of EnsenCare Property Management amounted to approximately RMB1.3 million, RMB2.4 million, RMB1.5 million and RMB1.7 million, respectively, which is immaterial to Sunac Group and is insignificant as compared to our revenue during the same years. The percentage of the revenue of EnsenCare Property Management against our revenue was approximately 0.1%, 0.1%, 0.05% and 0.09% for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

Given that (i) Sunac Group does not control Beijing EnsenCare, EnsenCare Real Estate and EnsenCare Property Management through beneficial ownership nor board control and the indirect equity interest held by Sunac Group in EnsenCare Property Management is a non-controlling interest; (ii) the revenue of EnsenCare Property Management is immaterial; and (iii) EnsenCare Property Management has no intention to engage in further property management business beyond the EnsenCare Projects, our Directors are of the view that Sunac Group’s investment in EnsenCare Property Management would not create any material competition with our Group. As such, EnsenCare Property Management was not included in our Group as part of the Reorganisation.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, none of Beijing EnsenCare, EnsenCare Real Estate and EnsenCare Property Management was subject to any material non-compliances during the Track Record Period.

Rule 8.10 of the Listing Rules

Save as disclosed above, as at 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 business which would require disclosure under Rule 8.10 of the Listing Rules.

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 Listing for the following reasons:

Management independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Ms. Cao Hongling, our executive Director, is an executive president of Sunac Group solely in consideration of her managerial role in our Group, and she does not assume any other roles in Sunac Group. Mr. Wang Mengde, our non-executive Director, is an executive director and chief executive officer of Sunac Group and has been primarily responsible for the strategic decision, business planning and operation management of Sunac Group. Mr. Gao Xi, our non-executive Director, is the chief financial officer, vice president and company secretary of Sunac Group.

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 after the Listing given that:

- (i) the daily operations of our Group will be managed and overseen by a senior management team comprising (i) all three executive Directors, namely Ms. Cao Hongling, Mr. Chen Bin, and Ms. Yang Man; and (ii) two vice presidents of our Group, namely Ms. Yang Jing and Mr. Xie Jianjun. Each of Mr. Chen Bin, Ms. Yang Man, Ms. Yang Jing and Mr. Xie Jianjun will not have any position in Sunac Group;
- (ii) Ms. Cao Hongling, our executive Director, is currently an executive president of Sunac China. She is given such title solely in consideration of her managerial role in overseeing the management and operation of our Group and the fact that members of our Group will continue to be subsidiaries of Sunac China after the Spin-off, which is in line with the arrangement for other sub-groups within Sunac Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Apart from her managerial role in our Group, Ms. Cao Hongling is not, and will not be, involved in the day-to-day management of Sunac Group, and she will have no executive role or directorship in Sunac Group upon completion of the Spin-off;

- (iii) each of Mr. Wang Mengde and Mr. Gao Xi, each being a non-executive Director, will not be involved in the day-to-day management of our Group and will only contribute from a non-executive capacity at the board level;
- (iv) we have three independent non-executive Directors, representing over one third of the Board, in compliance with the Listing Rules. The independent non-executive Directors will represent an element of independence at the board level and will, among other matters, review and monitor the connected transactions as may be entered between our Group and Sunac Group from time to time to protect the interests of our Company and the Shareholders as a whole;
- (v) 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 Director(s) 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 and the other Directors will vote and decide on the matter; and
- (vi) each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests.

Operational independence

We engage in our business independently from our Controlling Shareholders and their close associates, with the independent right to make operational decisions and implement such decisions.

At the pre-delivery stage, our preliminary management contracts for property projects developed by Sunac Group were secured mainly through standard public tender procedures regulated by applicable PRC laws and regulations. It is a well-established, competitive and fairly structured process. Our Group does not enjoy any preferential treatment in the selection process for properties developed by Sunac Group and is not granted property management contracts simply due to its relationship with Sunac Group.

At the post-delivery stage, the property management services are provided by us directly to the property owners, and the property owners have the right to change the property management services provider. The property owners are independent of Sunac Group and may engage or dismiss the property management services provider at their discretion. Neither Sunac Group nor our Group has any influence over such process of change of the property

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

management services provider by the property owners. Benefiting from the quality of our property management services and our brand recognition, we have a proven track record of maintaining a high retention rate in respect of our property management business. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our property management service contracts retention rates (being the number of property management service contracts effective as at the relevant period end divided by the number of property management service contracts existing during the same period) were 99.2%, 98.9%, 99.7% and 99.6%, respectively. This reflects our property management capabilities and shows that we are able to operate independently of Sunac Group.

Licenses required for operation

We have full rights, hold and enjoy the benefit of all relevant licenses material to the operation of our business.

Access to customers, suppliers and business partners

We have a diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as our other business partners.

Administrative facilities

All of the essential administrative functions of our Group have been, and will be, handled by our own employees. As detailed in “Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this prospectus, Sunac Group and our Group share certain non-essential administrative services on a cost basis. Notwithstanding any sharing of resources to optimise the administration costs structure of our Group, all essential functions involving any management decision or discretion will be retained and performed by our Group independently of Sunac Group.

Mutual cooperation relationship

Despite the clear delineation of business between Sunac Group and our Group, we have a well-established and ongoing business relationship with Sunac Group and have provided various services to Sunac Group including property management services since its inception in 2004. For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, in terms of the total GFA, approximately 41.4%, 59.9%, 76.4% and 70.5% of the properties developed by Sunac Group and its joint ventures and associates were managed by our Group, respectively. During the three years ended 31 December 2019, the percentage of total GFA managed by our Group was relatively moderate primarily due to the following factors: (i) projects obtained by Sunac Group through acquisitions had contributed a relatively large portion of the GFA delivered by Sunac Group during each of these years, in particular the Wanda cultural and tourism projects acquired in 2017. In respect of some of these projects, the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

engagement of a third-party property management company and registration thereof with the competent authority had already been made. Replacing the existing property management company would involve cumbersome procedures under the applicable PRC regulations; and (ii) a large number of projects of Sunac Group was developed through its joint ventures and associates, where the selection of a property management company would have to be determined by or together with third parties instead of solely by Sunac Group. If the acquired projects and projects developed through joint ventures and associates of Sunac Group were excluded, in terms of the total GFA, approximately 97%, 99%, 99% and 99% of the projects developed by subsidiaries of Sunac Group were managed by our Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. With our well-established business relationship with Sunac Group and our ability to deliver high quality property management services, we expect to secure more engagements for projects developed by Sunac Group and its joint ventures and associates and are optimistic that the percentage of such projects managed by our Group can be maintained at a relatively high level going forward.

We also provide value-added services, such as sales assistance services, consultancy services, pre-delivery services and property agency services, to Sunac Group to address their various needs arising throughout various stages of property development and management. According to China Index Academy, it is common among PRC property management companies to provide value-added services to their affiliated developers. Details of our value-added services to non-property owners, including Sunac Group, are set out in “Business — Value-added Services to Non-property Owners” of this Prospectus.

The business relationship between our Group and Sunac Group is common among PRC property management companies and their parent companies and has been mutually beneficial and complementary. We consider that the risk of termination of our business relationship with Sunac Group to be low and it is unlikely that the relationship will materially adversely change in the foreseeable future on the following grounds:

- (a) *Benefits to Sunac Group* – Sunac Group is principally engaged in property development and investment business, which may require property management services and various value-added services in its business development and daily operations from time to time. To Sunac Group, as a leading developer in China, it is critical to ensure the satisfaction of customers, most notably residential property buyers (which in turn are also customers to our Group). Such satisfaction is based on the product quality of Sunac Group as well as the living experience after the properties are delivered to the buyers. Brand and positioning are important differentiating factors to property developers, which can affect pricing as well. It is beneficial for Sunac Group to appoint a quality property management service provider that is consistent with its own branding, marketing positioning and service quality. The service quality, brand recognition and customer satisfaction of our Group make it a competitive and attractive candidate for Sunac Group. According to a survey conducted by FG Consulting, an independent third-party consultancy, our customer satisfaction rate was 90% in 2019, far exceeding the industry average of 73%;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) *Benefits to our Group* – to our Group, it is also beneficial to tender and accept the property management contracts from Sunac Group and to provide value-added services to Sunac Group. Sunac Group has sizeable development nationwide and is able to provide ongoing business opportunities to us. It is also very common that other listed property management companies receive a large number of new contracts from their affiliated developers on an ongoing basis;
- (c) *Long-term relationship and cooperation lead to better business effectiveness and efficiencies to both parties* – we have a long standing relationship with Sunac Group as we first provided property management and related services to Sunac Group over 16 years ago. Benefiting from such long standing relationship, we are familiar with the strategies, standards and requirements of Sunac Group and are therefore able to provide tailored services to Sunac Group to meet its specific needs. We believe that the quality of the property management services and value-added services of our Group has also contributed to the branding and quality promotion of Sunac Group’s property products, which in turn may facilitate our provision of services and improve customer satisfaction. Despite the vast choices of property management service providers available in the market, it might not be in the best interest of Sunac Group to select and engage those other property management service providers, considering the amount of time and relevant experience required for such new property management service provider to provide equally satisfying services that are comparable to those offered by us. Over years of cooperation, our Group on one hand, and Sunac Group on the other hand, have gained thorough understanding of the business operations of each other and hence their relationship has become mutually beneficial and complementary; and
- (d) *Remain as subsidiary of Sunac China* – we will remain as subsidiary of Sunac China upon completion of the Spin-off.

Notwithstanding the mutually beneficial business relationship between our Group and Sunac Group and the low risk of termination of our business relationship with Sunac Group as highlighted above, there is no assurance that Sunac Group will engage us to provide property management services or value-added services for any property that they develop. For instance, the appointment of property management companies for the preliminary property management service contracts of residential properties is generally subject to a tender and bidding process under PRC laws. In addition, while the customer base for our property management and community value-added services primarily consists of property owners and residents, Sunac Group is a major customer of our value-added services to property developers, and properties developed by Sunac Group (together with its joint ventures and associates) represent a major source of our property management projects. In the hypothetical scenario that our business relationship with Sunac Group is terminated and Sunac Group ceases to engage our Group to provide property management services and/or value-added services for any new properties developed by Sunac Group, our results of operations and prospects may be materially and adversely affected. However, as disclosed under “Our efforts in business expansions with Independent Third Parties” below, we have adopted various measures to expand, and have

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

achieved some success in expanding, our business with Independent Third Parties, and we also possess competitive strengths in securing business opportunities from Independent Third Parties, which we believe could mitigate, to certain extent, the potential adverse impact arising from the aforesaid hypothetical termination of our business relationship with Sunac Group.

Our efforts in business expansions with Independent Third Parties

(a) Steps taken or to be taken

Before 2019, we focused on strengthening our systematic management capability. We have set clear management focus on the key objectives to enhance the quality of our services and to increase the level of customer satisfaction. We have successfully established a high quality image for our services, which helps promote and lay a solid foundation for our future market expansion.

In 2019, we adopted a series of measures to proactively seek new project engagements and acquisition opportunities. We have established a system to promote business development at the group, regional platform and project levels, and have formulated a systematic incentive system. We acquire information from multiple channels and sources to extensively explore potential target projects, while strictly overseeing the risks and requirements for returns for the projects at the same time.

(b) Significant growth in GFA and revenue attributable to External Projects due to the NCPM Acquisition

The NCPM Acquisition resulted in a significant increase in the revenue as well as GFA of our Group from properties developed by Independent Third Parties (“**External Projects**”), thereby further reducing the level of reliance on Sunac Group. As at 31 March 2020, New Century Property Management had a total GFA under management of approximately 37.3 million sq.m. and a total contracted GFA of approximately 50.5 million sq.m., 100% of which was attributable to projects developed by Independent Third Parties.

During the Track Record Period, there was no transaction between New Century Property Management and Sunac Group, and its customers were mainly Independent Third Parties.

New Century Property Management has relatively strong capability in business expansion. Following the acquisition, the key management of New Century Property Management has been retained. The substantial experience of New Century Property Management in procuring projects from Independent Third Parties would help further enhance our market development capability.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(c) Achievements in securing External Projects and contracts for providing value-added services to Independent Third Parties

Since 2019 and up to 30 September 2020, our Group (including New Century Property Management since 8 May 2020) had secured 56 External Projects for the provision of property management services. Such projects had a total contracted GFA of approximately 7.7 million sq.m. and a total GFA under management of approximately 4.1 million sq.m. as at 30 September 2020.

We also seek for strategic cooperation with Independent Third Parties. In June 2020, we entered into strategic cooperation with Sunshine Property Group Co., Ltd. (陽光郡置地集團有限公司), an Independent Third Party developer based in Hebei Province and hence secured a number of projects in pipeline, including three property management projects which are located in Bazhou, Huailai and Langfang in Hebei Province with a total contracted GFA of approximately 0.7 million sq.m.. Going forward, we plan to expand the cooperation through resource sharing, and fully collaborate in the field of property management services.

In August 2020, we also entered into a cooperation agreement with Nanchang Municipal Public Asset Management Co., Ltd. (南昌市政公用資產管理有限公司), an Independent Third Party which operates various urban public facilities including stadiums, train stations and car parks in Jiangxi Province. Pursuant to the cooperation agreement, the parties established a joint venture company, Jiangxi Rongzheng, which is a 51% owned subsidiary of our Company. The scope of property management projects of the joint venture company may include: (i) properties developed or operated by Nanchang Municipal Public Asset Management Co., Ltd. or its affiliates; (ii) non-residential projects for public uses, such as standalone commercial space (other than commercial space ancillary to a residential project), schools, hospitals, etc. which are obtained by our Group or our affiliates in Jiangxi Province; and (iii) other projects developed by third parties as may be approved by the joint venture parties. We intend to leverage the brand advantage of the parties to procure projects in Jiangxi Province from other third parties, thereby further expanding our portfolio of External Projects.

We have also secured various contracts for the provision of value-added services, such as sales assistance services, consultancy services and pre-delivery services, to Independent Third Parties. Since 2019 up to 30 September 2020, the total value of the contracts secured by our Group (including New Century Property Management since 8 May 2020) amounted to over RMB24 million, with contract periods generally ranging from 4 to 60 months. We believe that our strategic cooperation with Independent Third Parties will open up more opportunities for us to provide value-added services to them, and we will continue to seek for other opportunities to provide value-added services to Independent Third Parties.

Further, we will continue to seek attractive opportunities for acquisitions, and target to approach reputable property management companies that have a sizeable business with diversified management portfolio and regional competitiveness. Taking into consideration of various factors, including the quality of business and the expected synergies that can be brought to our Group, we completed the NCPM Acquisition in 2020. In the future, we will

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

continue to devote resources to acquiring appropriate targets. In this connection, we intend to earmark approximately 65% of the net proceeds from the Global Offering for selective strategic investment and acquisition purposes, details of which are set out in “Future Plans and Use of Proceeds – Use of Proceeds”.

(d) Our competitive strengths in securing External Projects in the future

Through years of operation, we have laid the foundation for our future business development in view of our brand image, service quality and system building, and have the business integration and acquisition capability to support our continued expansion and more achievements in the future.

- (i) *Quality services and customer satisfaction* – We have been focusing on improving our service quality and customer satisfaction for years, and have established an image of high-quality services and a solid reputation, as well as the core competitiveness for achieving long-term sustainable growth. In 2019, our customer satisfaction rate for property management services was 90%, well above the industry average of 73% as a benchmark enterprise, according to a survey conducted by FG Consulting, an independent industry consulting firm, by way of telephone interviews with residents of our managed properties and data collection and analysis which were conducted by FG Consulting independently from us. According to China Index Academy, we have received various industry awards in recognition of our quality service which include, amongst others, Top 3 of the Leading Brand of China Property Service Companies in terms of service quality in 2019, Property Management Leading Enterprises in China for Professional Operation of Services in 2019 and Property Management Featured Brand Enterprises in China for High-end Property Management Services in 2018.
- (ii) *Diversified property management portfolio and comprehensive management capabilities* – We started providing property management services in 2004 and have over 16 years of property management experience. We have a diversified property management portfolio covering residential properties and non-residential properties such as office buildings, shopping malls, schools, amusement parks, convention centres, etc.. In addition, we provide various value-added services to non-property owners such as sales assistance services and consultancy services, and community value-added services mainly to property owners and residents. We believe that such diversified property management portfolio and comprehensive management capabilities will support our external business expansion on all fronts.
- (iii) *Comprehensive system building and incentive measures* – We have maintained an experienced business development team and set out a clear standard and direction for projects. We implement attractive incentive measures and are prepared for rapid business development.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) *Business integration and acquisition capabilities* – We acquired 95% equity interest in Chengdu Global Century via Chengdu Huanrong in April 2020 and acquired New Century Property Management in May 2020, and integrated their businesses. We retained the key management team, and consolidated such businesses into our management system. We have accumulated rich experience and relatively strong management ability in acquisition and business integration, which facilitate our future acquisition and integration of more high-quality and sizable target companies with diversified property portfolio and regional competitive strength.

Connected transactions with Sunac Group and its associates

Details of the continuing connected transactions between our Group and Sunac Group and its associates which will continue after the Listing are set out in the section headed “Connected Transactions” in this prospectus. All such transactions are determined after arm’s length negotiations and on normal commercial terms or better. Our Directors are of the view that such continuing connected transactions will not affect our operational independence as a whole.

Financial independence

All advances and balances of non-trade nature due to or from the Controlling Shareholders or their close associates have been fully settled. As at the Latest Practicable Date, our Group had not provided any share pledges and guarantees on the borrowing of the Controlling Shareholders or their 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 Sunac China and Mr. Sun (the “**Covenantors**”) has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in, interested in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business (the “**Restricted Businesses**”), or hold shares or interest in any companies or business that competes or may compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where the Covenantors 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 50% 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 above restrictions do not apply (i) when our Group engages in a new business

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

that is not included in the Restricted Businesses and at the time of commencement of such new business, any of the Covenantors had already been conducting or been involved in, or otherwise been interested in, the relevant business and (ii) to the investment in EnsenCare Property Management as described in “Property management business of EnsenCare Property Management” above.

Further, each of the Covenantors has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the “**Competing Business Opportunity**”) is identified by/made available to him/it or any of his/its close associates, 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**”) within 30 business days of identifying the target company (if relevant), 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 Directors who do not have an interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity. Any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity. The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the written notice referred above, inform the Covenantors in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Covenantor shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board has failed to respond within such 30 business days’ period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Covenantor, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if the Covenantors and their respective close associates cease to hold, whether directly or indirectly, 50% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange. In the event we cease to conduct any of the Restricted Businesses, the Covenantors will no longer be prohibited under the Deed of Non-Competition from conducting such business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of the Covenantors has further undertaken to us that he/it will provide and procure his/its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Covenantors;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the 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 in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; 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 the Deed of Non-Competition, he/it 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.

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 Global Offering, 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 associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (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 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. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management – Board of Directors – Independent non-executive Directors” in this prospectus;
- (d) we have appointed Ballas 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 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; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by the Covenantors and their compliance with such undertakings.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the Listing Date and any of their respective associates will be connected persons of our Company upon Listing.

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 TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Trademark Licenses

On 4 November 2020, our Company and Sunac Real Estate entered into a trademark license agreement for certain trademarks registered in the PRC and a deed of trademark license for certain trademarks registered in Hong Kong (collectively, the “**Trademark License Agreements**”). Pursuant to the Trademark License Agreements, Sunac Real Estate agreed to irrevocably and unconditionally grant to us non-transferrable and non-exclusive licenses to use certain trademarks registered in the PRC and Hong Kong for a perpetual term commencing from the date of the Trademark License Agreements on a royalty-free basis. For details of the licensed trademarks, please refer to “Statutory and General Information – B. Further Information about Our Business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus. The Trademark License Agreements are not unilaterally terminable by Sunac Real Estate, who have also undertaken to renew and maintain the registration of the trademarks for so long as the Trademark License Agreements are in effect.

We believe that the entering into of the Trademark License Agreements 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 such duration.

As at the Latest Practicable Date, Sunac Real Estate was wholly owned by Sunac China, one of our Controlling Shareholders. Sunac Real Estate is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Trademark License Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transactions under the Trademark License Agreements will be within the *de minimis* threshold under Rule 14A.76(1) 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.

2. Shared Services

On 4 November 2020, our Company entered into a shared services framework agreement (the “**Shared Services Framework Agreement**”) with Sunac China, pursuant to which Sunac Group would provide to our Group (i) certain non-essential administrative services, including human resources management (such as on-boarding logistics and social insurance and files management), information technology support, and other support services such as handling of payment instructions and verifications and expense review; and (ii) the usage and/or maintenance of certain software procured by Sunac Group (collectively, the “**Shared Services**”). The Shared Services are shared among all entities within Sunac Group, including the members of our Group to optimise the overall administrative cost structure. As part of the arrangement, Sunac Group has commenced charging our Group for cost sharing since 2020. For the six months ended 30 June 2020, the aggregate costs borne by our Group for the Shared Services amounted to approximately RMB2.1 million. The Shared Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all applicable laws and regulations.

Sunac China 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 Shared Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the Shared Services shared between our Group and Sunac Group are on a cost basis, and are identifiable and are allocated to our Group and the Sunac China Group on a fair and equitable basis, these continuing connected transactions are considered fully exempt continuing connected transactions under Rule 14A.98 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.

CONNECTED TRANSACTIONS

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

1. Property Management Services

On 4 November 2020, our Company entered into a property management services framework agreement (the “**Property Management Services Framework Agreement**”) with Sunac China, pursuant to which our Group agreed to provide to Sunac Group and its associates property management services for the properties and unsold parking lots owned or used by Sunac Group and its associates (the “**Property Management Services**”). The Property Management Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

For the three years ended 31 December 2019 and the six months ended 30 June 2020, the transaction amounts in respect of the Property Management Services amounted to RMB74.8 million, RMB118.7 million, RMB200.4 million and RMB153.6 million, respectively.

The fees to be charged for the Property Management Services will be determined after arm’s length negotiations with reference to, where applicable, the prevailing market price (taking into account the location of the property projects, the scope of the services and the anticipated operation costs including but not limited to labour costs and administration costs), historical transaction amounts and the fees charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by Sunac Group and its associates in relation to the Property Management Services for the three years ending 31 December 2022 will not exceed RMB407.5 million, RMB626.8 million and RMB897.5 million, respectively.

The increase in the annual caps for the Property Management Services as compared to the historical transaction amounts for the Track Record Period is mainly due to the expected increase in demand for the Property Management Services, taking into account (i) the existing signed contracts as at the Latest Practicable Date under which we are engaged by Sunac Group and its associates to provide the Property Management Services; and (ii) the latest operating performance of Sunac Group and its development plan.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts and growth trend during the Track Record Period;
- the estimated revenue to be recognised based on the existing signed contracts;

CONNECTED TRANSACTIONS

- the estimated size and number of properties to be developed and delivered and the estimated number of unsold parking lots owned by Sunac Group and its associates in the three years ending 31 December 2022, taking into consideration the properties under development and the land bank held by Sunac Group and its associates as at 31 December 2019 as well as their business plan;
- the estimated monthly management fee to be charged in respect of properties owned or used by Sunac Group and its associates, with reference to the monthly management fee charged during the Track Record Period; and
- the estimated revenue from the Property Management Services as a percentage of the total revenue from property management services for properties developed by Sunac Group and its associates with reference to the historical percentage ratios of approximately 13.1%, 15.8% and 17.5% for the years ended 31 December 2017, 2018 and 2019, respectively.

Sunac China 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 Property Management Services Framework 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 Property Management Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Property Management Services Framework Agreement will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon Listing.

2. Sales Assistance Services

On 4 November 2020, our Company entered into a sales assistance services framework agreement (the “**Sales Assistance Services Framework Agreement**”) with Sunac China, pursuant to which our Group agreed to provide sales assistance services to Sunac Group and its associates to assist with their sales and marketing activities at property sales venues and display units (the “**Sales Assistance Services**”). The Sales Assistance Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the transaction amounts in respect of the Sales Assistance Services amounted to RMB350.0 million, RMB657.3 million, RMB904.8 million and RMB424.0 million, respectively.

CONNECTED TRANSACTIONS

The fees to be charged for the Sales Assistance Services will be determined after arm's length negotiations with reference to the prevailing market price (taking into account the location of the properties, the scope of the services and the anticipated operational costs), historical transaction amounts and the fees charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by the Sunac China Group and its associates in relation to the Sales Assistance Services for the three years ending 31 December 2022 will not exceed RMB1,141.4 million, RMB1,255.5 million and RMB1,381.1 million, respectively.

The increase in the annual caps for the Sales Assistance Services as compared to the historical transaction amounts for the Track Record Period is mainly due to the expected increase in demand for the Sales Assistance Services, taking into account the latest operating performance of Sunac Group and its development plan.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts and growth trend during the Track Record Period;
- the estimated increase in demand for the Sales Assistance Services as a result of the projected growth in sales activities of Sunac Group and its associates for the three years ending 31 December 2022, taking into consideration of the properties under development and land bank held by Sunac Group and its associates as at 31 December 2019 and the estimated time of pre-sales as well as their business plan; and
- the estimated revenue from the Sales Assistance Services as a percentage of the expected contract sales amount of Sunac Group and its associates with reference to historical percentage ratios of approximately 0.10%, 0.15% and 0.17% for the years ended 31 December 2017, 2018 and 2019, respectively.

Sunac China 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 Sales Assistance Services Framework Agreements 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 Sales Assistance Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Sales Assistance Services Framework Agreement will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

3. Consultancy and Other Value-added Services

On 4 November 2020, our Company entered into a framework agreement (the “**Consultancy and Other Value-added Services Framework Agreement**”) with Sunac China, pursuant to which our Group agreed to provide certain value-added services to Sunac Group and its associates, including but not limited to (i) consultancy services from the perspective of property management with respect to preliminary planning and design, engineering and construction (the “**Consultancy Services**”), (ii) pre-delivery services, such as site clearing and assistance with preparatory work (the “**Pre-delivery Services**”), and (iii) engineering services for the hardware upgrade of smart management of property projects (the “**Consultancy and Other Value-added Services**”). The Consultancy and Other Value-added Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the transaction amounts in respect of the Consultancy and Other Value-added Services amounted to RMB169.0 million, RMB303.7 million, RMB481.6 million and RMB180.4 million, respectively.

The fees to be charged for the Consultancy and Other Value-added Services will be determined after arm’s length negotiations with reference to the prevailing market price (taking into account the location of the properties and the anticipated operational costs including labor costs), historical transaction amounts and the fees charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by Sunac Group and its associates in relation to the Consultancy and Other Value-added Services for the three years ending 31 December 2022 will not exceed RMB657.0 million, RMB729.2 million and RMB863.0 million, respectively.

The increase in the annual caps for the Consultancy and Other Value-added Services as compared to the historical transaction amounts for the Track Record Period is mainly due to the expected increase in demand for the Consultancy and Other Value-added Services, taking into account the latest operating performance of Sunac Group and its development plan.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts and growth trend during the Track Record Period;
- the estimated revenue to be recognised based on the existing signed contracts;

CONNECTED TRANSACTIONS

- the expected service fee to be charged in respect of the Consultancy Services and the Pre-delivery Services, which is based on our estimation of GFA from new projects developed by Sunac Group supported by the Consultancy Services and the Pre-delivery Services, and our estimation of the fee rate for the Consultancy Services and the Pre-delivery Services on a per sq.m. basis with reference to the historical fee rate for the years ended 31 December 2017, 2018 and 2019; and
- the estimated increase in demand for the Consultancy and Other Value-added Services as a result of the projected growth in the number of the property projects of Sunac Group and its associates for the three years ending 31 December 2022, based on the properties under development and the land bank held by Sunac Group and its associates as at 31 December 2019 and its development plan. During the years ended 31 December 2017, 2018 and 2019, Sunac Group achieved contracted sales GFA of approximately 22.3 million sq.m., 30.6 million sq.m. and 38.3 million sq.m., respectively, which showed an increasing trend.

Sunac China 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 Consultancy and Other Value-added Services Framework Agreements 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 Consultancy and Other Value-added Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Consultancy and Other Value-added Services Framework Agreement will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon Listing.

4. Property Agency Services

On 4 November 2020, our Company entered into a property agency services framework agreement (the "**Property Agency Services Framework Agreement**") with Sunac China, pursuant to which our Group agreed to provide property agency services, including but not limited to marketing and sales services, with respect to (i) tourism and vacation projects and (ii) use rights of car park spaces, developed by Sunac Group and its associates (the "**Property Agency Services**"). The Property Agency Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all applicable laws and regulations.

CONNECTED TRANSACTIONS

For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the transaction amounts in respect of the Property Agency Services amounted to RMB2.8 million, RMB49.5 million, RMB154.1 million and RMB53.8 million, respectively. The fee for the Property Agency Services during the Track Record Period was mainly determined based on a fixed-rate commission calculated as a percentage of the sale price of the relevant properties or use rights of car park spaces.

The fees to be charged for the Property Agency Services pursuant to the transactions contemplated under the Property Agency Services Framework Agreement will be determined after arm's length negotiations with reference to the prevailing market price (taking into account the location of the properties and car park spaces and the anticipated operational costs). With respect to the Property Agency Services for tourism and vacation projects, our Group would charge a fixed-rate commission calculated as a percentage to the sale price of the relevant properties. With respect to the Property Agency Services for use rights of car park spaces, our Group would generally charge the difference between the actual sales price paid by the purchasers and the pre-determined minimum sales price. The minimum sales price would generally be determined based on available market data of the indicative price range of similar car park spaces in the vicinity of the project, and would be no less favourable to our Group than the terms offered to other sales agents who are Independent Third Parties, if any.

In addition, for the agency sales of use rights of car park spaces, our Group would generally be required to pay to Sunac Group and its associates refundable deposit (the “**Deposit**”) up to the total minimum purchase price of use rights of the car park spaces to be sold under the project. Upon completion or termination of a project, the remaining sum of the Deposit in respect of unsold car park spaces, if any, would be refunded to our Group in full.

As the Deposit will only be payable in connection with our provision of the Property Agency Services, we do not consider the payment of the Deposit by our Group to Sunac Group and its associates from time to time constitutes a separate and standalone continuing connected transaction for the purpose of Chapter 14A of the Listing Rules.

It is estimated that the maximum amounts of service fee payable by Sunac Group and its associates in relation to the Property Agency Services for the three years ending 31 December 2022 will not exceed RMB300.8 million, RMB416.8 million and RMB475.4 million, respectively.

The increase in the annual caps for the Property Agency Services as compared to the historical transaction amounts for the Track Record Period is mainly due to the expected increase in demand for the Property Agency Services considering the latest operating performance of Sunac Group and its development plan, and the expected increase in the service volume of the Property Agency Services as we have increased and will continue to increase our efforts and devote more resources in our provision of property agency services for tourism and vacation projects and use rights of car park spaces. We have achieved significant growth in the number of projects for which we offered Property Agency Services during the Track Record Period and expect to significantly expand the service offerings in the future.

CONNECTED TRANSACTIONS

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 recognised based on the existing signed contracts;
- the estimated sales volume of tourism and vacation projects as well as use rights of car park spaces to be sold by Sunac Group and its associates, based on their existing projects available for sale, projects under development and land bank as at 31 December 2019 and future development, which will require the Property Agency Services for the three years ending 31 December 2022, and taking into account, in respect of tourism and vacation projects, the estimated commission as a percentage of the sale price of the relevant properties for the three years ending 31 December 2022 with reference to the historical commission rate of approximately 3% for the years ended 31 December 2017, 2018 and 2019, and in respect of car park spaces, the arrangement that our Group will charge a commission based on the difference between the actual purchase price and the pre-determined minimum purchase price of the car park spaces; and
- the estimated increase in resources devoted to our sales agency business and the expansion of the sales team of our Group through recruiting additional experienced sales personnel, which will lead to an expected increase in capacity to provide the property agency services.

Sunac China 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 Property Agency Services Framework 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 Property Agency Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Property Agency Services Framework Agreement will constitute continuing connected transactions for our Company which will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon Listing.

(C) APPLICATION FOR WAIVER

The transactions described in “— (B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements” in this section will constitute our continuing connected transactions under the Listing Rules which will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements of the Listing Rules upon Listing.

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, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— (B) 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).

(D) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in “— (B) 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 transactions in “— (B) 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 Company and our Shareholders as a whole.

(E) JOINT SPONSORS' VIEW

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions described in “— (B) Continuing Connected Transactions subject to the Reporting, Annual review, Announcement, Circular and Independent Shareholders' Approval Requirements” in this section. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view (i) that the continuing connected transaction described in “— (B) 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, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management of our Company:

Members of our Board

<u>Name</u>	<u>Age</u>	<u>Existing position</u>	<u>Date of joining our Group⁽¹⁾</u>	<u>Date of appointment as Director</u>	<u>Roles and responsibilities</u>
Mr. Wang Mengde (汪孟德)	48	Chairman of the Board and non-executive Director	15 July 2015	4 August 2020	Responsible for providing guidance and formulation of business strategies for the overall development of our Group
Ms. Cao Hongling (曹鴻玲)	45	Executive Director, chief executive officer	1 January 2017	10 January 2019	Responsible for the daily operations, formulation of the overall strategy, business planning and operational decisions of our Group
Mr. Chen Bin (陳彬)	32	Executive Director, chief operating officer and vice president	16 May 2016	4 August 2020	Responsible for the overall business operations and management of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position	Date of joining our Group ⁽¹⁾	Date of appointment as Director	Roles and responsibilities
Ms. Yang Man (楊曼)	38	Executive Director, chief financial officer and vice president	23 April 2018	4 August 2020	Responsible for the overall financial and cost management, procurement management, internal audit, legal affairs and capital market-related matters
Mr. Gao Xi (高曦)	39	Non-executive Director	4 August 2020	4 August 2020	Responsible for providing guidance and formulation of business strategies for the overall development of our Group
Ms. Wang Lihong (王勵弘)	52	Independent non-executive Director	28 October 2020	28 October 2020	Responsible for providing independent advice on the operations and management of our Group
Mr. Yao Ning (姚寧)	46	Independent non-executive Director	28 October 2020	28 October 2020	Responsible for providing independent advice on the operations and management of our Group
Mr. Zhao Zhonghua (趙中華)	38	Independent non-executive Director	28 October 2020	28 October 2020	Responsible for providing independent advice on the operations and management of our Group

DIRECTORS AND SENIOR MANAGEMENT

Members of senior management

Name	Age	Existing position in our Group	Date of joining our Group ⁽¹⁾	Date of appointment to current position	Roles and responsibilities in our Group
Ms. Yang Jing (楊靜)	45	Vice president	24 July 2006	9 April 2020	Responsible for the overall Northern region business operations and management of our Group
Mr. Xie Jianjun (謝建軍)	49	Vice president	5 February 2005 ⁽²⁾	28 May 2020	Responsible for the overall business operations and management of New Century Property Management

Notes:

- (1) Denotes the time from which the relevant Director first became involved in matters relating to the business of our Group.
- (2) Mr. Xie Jianjun joined New Century Property Management on 5 February 2005.

Chairman of the Board and non-executive Director

Mr. Wang Mengde (汪孟德), aged 48, was appointed as the chairman of the Board and non-executive Director in August 2020. Mr. Wang has nearly 20 years of experience in the real estate industry in China. Mr. Wang joined Sunac Group in October 2006 as the chief financial officer and vice president of Sunac Group where he was responsible for matters in relation to finance and audit. He has been an executive president and the chief executive officer of Sunac China since 2011 and 2015, respectively, and has been responsible for strategic decisions, business planning and major operational decisions.

Mr. Wang graduated from Nankai University (南開大學) in the PRC with a bachelor's degree in auditing in June 1997.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang was a director of Zhenjiang Sunco Real Estate Co., Ltd. (鎮江順馳地產有限公司) (“**Zhenjiang Sunco**”), a company established in the PRC. On 15 February 2007, the business license of Zhejiang Sunco was revoked. Mr. Wang confirmed that, to the best of his knowledge and belief, Zhenjiang Sunco was solvent as at the time of such revocation and as at the Latest Practicable Date, no claims had been made against him and he was not aware of any actual or potential claim that has been or will be made against him as a result of such revocation. In October 2017, Mr. Wang, in his capacity as an executive director of Sunac China, was censured by the Stock Exchange for breach of Rule 3.08(f) of the Listing Rules and his undertakings to the Stock Exchange with respect to the failure to disclose to the board of directors of Sunac China for consideration and in Sunac China’s announcements dated 6 February 2015 and 28 May 2015 a supplemental agreement entered into by Sunac China. Mr. Wang has complied with the training requirements imposed by the Stock Exchange and has continued to serve as executive director of Sunac China since then.

Executive Directors

Ms. Cao Hongling (曹鴻玲), aged 45, was appointed as our Director on 10 January 2019. Ms. Cao was re-designated as our executive Director and appointed as our chief executive officer in August 2020. Ms. Cao is mainly responsible for the daily operations, formulation of the overall strategy, business planning and operational decisions of our Group.

Ms. Cao joined Sunac Group in February 2007 and served as the chief financial officer of Sunac Group from 2015 to 2019. She is currently an executive president of Sunac Group. After joining Sunac Group, Ms. Cao had successively served as the general manager of the financial management centre, the general manager of the costing, tendering and procurement centre and the general manager of the financing management centre of Sunac Group, and had also successively supervised the affairs of the information management department and internal audit department of Sunac Group.

Ms. Cao obtained a bachelor’s degree in accounting from Tianjin University of Finance and Economics (天津財經大學) (formerly known as Tianjin Institute of Finance and Economics (天津財經學院)) in the PRC in July 1998. Ms. Cao is an associate of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Chen Bin (陳彬), aged 32, was appointed as our executive Director and chief operating officer in August 2020. Mr. Chen has been our vice president since January 2019 and is mainly responsible for the overall business operations and management of our Group.

From November 2011 to October 2014, Mr. Chen worked in Shenyang Vanke Property Services Co., Ltd. (瀋陽萬科物業服務有限公司), a property management company in the PRC. From November 2014 to May 2016, he worked in the customer service management department of Gemdale Corporation (金地(集團)股份有限公司), a real estate property developer in the PRC, whose shares are listed on the Shanghai stock exchange (stock code: 600383.SH), where he was responsible for customer relationship management. From May 2016

DIRECTORS AND SENIOR MANAGEMENT

to December 2018, Mr. Chen served as the general manager of the customer service management department of Sunac Group, where he was responsible for the development and management of the service system covering property owners of all stages of Sunac Group.

Mr. Chen graduated from Liaoning University (遼寧大學) in the PRC with a major in computer science and technology in July 2010.

Ms. Yang Man (楊曼), aged 38, was appointed as our executive Director and chief financial officer in August 2020. Ms. Yang was appointed as a general manager of our financial management department in April 2018 and became an assistant to the president in January 2019. She has been our vice president since April 2020 and is responsible for our Group's overall financial and cost management, procurement management, internal audit, legal affairs and capital market-related matters. Prior to joining our Group, she worked in PricewaterhouseCoopers Zhong Tian LLP until January 2018 where her last held position was senior audit manager.

Ms. Yang has been a member of the Association of Chartered Certified Accountants (ACCA) (特許公認會計師公會會員) and a member of the Certified General Accountants Association of Canada (加拿大注冊會計師協會) since May 2010, and a member of Chinese Institute of certified public accountant since April 2013. Ms. Yang obtained a bachelor's degree and a master's degree in accountancy from Nankai University (南開大學) in the PRC in June 2004 and June 2006, respectively.

Non-executive Director

Mr. Gao Xi (高曦), aged 39, was appointed as our non-executive Director in August 2020. Mr. Gao joined Sunac Group in December 2007. Since then, Mr. Gao has held different positions in the capital operations centre, financial management centre and financing management department of Sunac Group. Mr. Gao had acted successively as the manager, director and general manager of the capital management department of Sunac Group since 2011, has been a vice president and the company secretary of Sunac China since 2015, and has been the chief financial officer of Sunac China since 2019, where he is mainly responsible for investor relations, listing compliance, corporate governance, offshore financing and strategic investment related matters.

Mr. Gao graduated from Shanxi University of Finance & Economics (山西財經大學) in the PRC in July 2008 with a master's degree in quantitative economics.

Independent Non-executive Directors

Ms. Wang Lihong (王勵弘), aged 52, was appointed as our independent non-executive Director on 28 October 2020. She is primarily responsible for providing independent advice on the operations and management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang has been serving as the chairman and chief executive officer of RISE Education Cayman Ltd, a company listed on the NASDAQ (stock code: REDU) since January 2020. Ms. Wang has over 18 years of experience in the corporate finance and private equity industry. Ms. Wang successively served as a vice president in J.P. Morgan Securities (Asia Pacific) Limited from October 2001 to February 2005 and as an executive director in Morgan Stanley Dean Witter Asia Limited from March 2005 to July 2006. Ms. Wang worked at Bain Capital Private Equity (Asia), LLC from July 2006 to December 2019 where her last position was managing director. Ms. Wang has served as a non-executive director of Huifu Payment Limited, an information technology payment services company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1806), since November 2019. Ms. Wang also served as a non-executive director of Gome Retail Holdings Limited (formerly known as Gome Electrical Appliances Holding Ltd.), an electronic appliance retailer listed on the Main Board of the Stock Exchange (stock code: 493), from May 2010 to January 2015.

Ms. Wang received a Bachelor of Science degree from Fudan University (復旦大學) in the PRC in July 1990 and a Master's degree in Business Administration from Columbia Business School in the United States in May 1999.

Mr. Yao Ning (姚寧), aged 46, was appointed as our independent non-executive Director on 28 October 2020 and he is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Yao has over 20 years of experience in accountancy. Mr. Yao has been the chairman and general manager of Beijing Ehoutai Taxation Consultancy Co., Ltd. (北京易後臺財稅科技有限公司), a financial and taxation consultancy company, since July 2016, where he is responsible for overall management. From February 2001 to April 2005, Mr. Yao was the general manager of the finance department of Fibrlink Communications Co., Ltd. (中電飛華通信有限公司) (formerly known as 中電飛華通信股份有限公司). From April 2005 to January 2008, Mr. Yao was the manager of the finance department of LG Chemistry (China) Co., Ltd. (樂金化學(中國)有限公司). From January 2008 to December 2009, Mr. Yao was the accountant supervisor of Changzhi Certified Public Accountants (暢智(北京)會計師事務所有限公司). He was also the partner of two accounting firms, Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所有限責任公司) and Ruihua Certified Public Accountants (瑞華會計師事務所(特殊普通合夥)) from December 2009 to March 2013 and from March 2013 to July 2016 respectively.

In addition, Mr. Yao holds directorships in various listed companies whose shares are listed on the Shenzhen Stock Exchange. Mr. Yao has been an independent director of Beijing Career International Co., Ltd. (北京科銳國際人力資源股份有限公司) (stock code: 300662), a human resources service provider, since January 2015; an independent director of Changjiang Runfa Health Industry Co., Ltd. (長江潤發健康產業股份有限公司) (stock code: 2435), a pharmaceutical company, since December 2016; and an independent director of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司) (stock code: 000656), a real estate company, since May 2017. He has been a director of Beijing Shidai Xingmeng Technology Holdings Co., Ltd. (北京時代星盟科技股份有限公司) (stock code: 430246), an information technology company listed on the NEEQ, since May 2016. From April 2017 to April 2020, he served as independent director of Heilan Home Co., Ltd. (海瀾之家股份有限公司), an apparel company

DIRECTORS AND SENIOR MANAGEMENT

listed on the Shanghai Stock Exchange (stock code: 600398). From August 2014 to August 2020, he served as an independent director of Wo Ai Wo Jia Holdings Group Co., Ltd. (我愛我家控股集團股份有限公司), a real estate broker listed on Shenzhen Stock Exchange (stock code: 000560).

Mr. Yao graduated from Nankai University (南開大學) in the PRC with a major in accountancy in June 1997 and obtained a master's degree in accountancy from Peking University (北京大學) in the PRC in January 2008. Mr. Yao has been a certified public accountant in the PRC since August 2000 and a certified asset appraiser since May 2001. Mr. Yao has also obtained the qualification certificate of independent director from the Shanghai Stock Exchange in August 2010.

Mr. Yao was a director of Beijing Pixingdaiyue Technology Co., Ltd. (北京披星戴月科技有限公司) (“**Beijing Pixingdaiyue**”), a company established in the PRC. On 12 November 2019, the business license of Beijing Pixingdaiyue was revoked. Mr. Yao confirmed that, to the best of his knowledge and belief, Beijing Pixingdaiyue was solvent as at the time of such revocation and as at the Latest Practicable Date, no claims had been made against him and he was not aware of any actual or potential claim that has been or will be made against him as a result of such revocation.

Mr. Zhao Zhonghua (趙中華), aged 38, was appointed as our independent non-executive Director on 28 October 2020 and he is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Zhao has over 10 years of experience in property management industry policies and legal affairs. Prior to joining our Group, from July 2009 to October 2011, he successively served as the vice principal staff member and the principal staff member of the Property Management Service Guidance Centre of Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會物業服務指導中心) and, from October 2011 to September 2014, he was seconded to the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) for training. From February 2015 to August 2015, Mr. Zhao worked at Zhongmin Property Investment Company Limited (中民未來控股集團有限公司, formerly known as 中民物業有限責任公司), a company mainly engaged in corporate and investment management. From September 2017 to September 2019, he served as executive director of Zhongwu Zhiyuan (Beijing) Legal Consulting Company Limited (中物志遠(北京)法律諮詢有限公司). He has been a director of property management legal department of Beijing Yinghe Law Firm (北京瀛和律師事務所) since September 2019.

Mr. Zhao obtained a bachelor's degree in economics from Zhengzhou University (鄭州大學) in the PRC in July 2005 and a master's degree in law from Peking University (北京大學) in the PRC in July 2009. He is currently a committee member of National Property Service Standardization Technical Committees (全國物業服務標準化技術委員會). Since July 2019, he has been the vice president of Legal Policy Committee of China Property Management Association (中國物業管理協會法律政策工作委員會).

DIRECTORS AND SENIOR MANAGEMENT

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.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Yang Jing (楊靜), aged 45, has been our vice president since April 2020, who is responsible for the overall Northern region business operations and management of the Group. She has been mainly responsible for overseeing the operation and management of our Group's business in the Northern region since February 2014. Ms. Yang joined Sunac Group in July 2006, and successively served as the general manager of the human resources administration centre and the general manager of the property management centre of Sunac Group.

Ms. Yang graduated with a major in corporate management from Tianjin University of Finance and Economics (formerly known as Tianjin Institute of Finance and Economics (天津財經學院)) in the PRC in July 1997. Ms. Yang is currently the vice chairman of Tianjin Property Management Association (天津市物業管理協會) and has also been a research expert in property management of Tianjin Land Resources and House Vocational College (天津國土資源房屋職業學院) since January 2019.

Mr. Xie Jianjun (謝建軍), aged 49, has been our vice president since May 2020, who is responsible for the overall business operations and management of New Century Property Management. Mr. Xie has over 19 years of experience in the property industry in the PRC. From June 2001 to November 2002, Mr. Xie served as the manager of the safety department of New Century Real Estate, where he was responsible for overseeing safety issues. From December 2002 to January 2005, Mr. Xie was the manager of Shanghai New Century Tourism Property Management Co., Ltd. (上海開元旅業物業管理有限公司), a property management company, where he was responsible for the daily operation of the company. From February 2005 to July 2014, Mr. Xie was the vice general manager of New Century Property Management and he became the director and general manager of New Century Property Management in July 2014. Currently, Mr. Xie is also serving as a director of various subsidiaries of New Century Property Management.

Mr. Xie graduated from Wuchang University of Technology (武昌理工學院) in the PRC majoring in engineering management in December 2015.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoming (張曉明), was appointed as our joint company secretary in August 2020. Since April 2020, Mr. Zhang has been serving as the general manager of the capital and legal affairs centre of our Group where he is primarily responsible for investor relations, listing compliance, board affairs, offshore financing and legal affairs. Mr. Zhang joined Sunac Group in June 2013 and had served as the supervisor of the capital management department of Sunac Group, where he was primarily responsible for listing compliance, board affairs and offshore financing. Mr. Zhang obtained a bachelor's degree in English Language in June 2009 and a master's degree in English Language and Literature in June 2013 from Hebei University in the PRC.

Ms. Wong Sau Ping (黃秀萍), was appointed as our company secretary in August 2020. Ms. Wong is currently an associate director of the Listing Services Department of TMF Hong Kong Limited, which is a global corporate services provider. Ms. Wong holds a bachelor's degree in business administration and a master's degree in professional accounting and information systems. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

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 the Audit Committee on 28 October 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 (“**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely, Mr. Yao Ning, Ms. Wang Lihong and Mr. Zhao Zhonghua, all of whom are our independent non-executive Directors. Mr. Yao Ning is the chairperson of the Audit Committee and the independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee include, among others, (i) reviewing and supervising our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) providing advice and comments to our Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Group has established the Remuneration Committee on 28 October 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 four members, namely, Ms. Wang Lihong, Ms. Cao Hongling, Mr. Yao Ning and Mr. Zhao Zhonghua. Ms. Wang Lihong is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others, (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 the Nomination Committee on 28 October 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 four members, namely Mr. Wang Mengde, Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua. Mr. Wang Mengde is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee include, among others, (i) reviewing 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) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Company recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY

Our Company recognises the benefits of having a diversified Board. Our Company has adopted a board diversity policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of our Group from time to time. In summary, our board diversity policy sets out that when considering the nomination and appointment of a Director, with the assistance of our Nomination Committee, our Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to our Board, in order to better serve the needs and development of our Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board.

After Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the policy or a summary thereof in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of fees, salaries, housing allowance and contributions to a retirement benefit scheme. The aggregate remuneration (including fees, salaries, housing allowance and contributions to a retirement benefit scheme) paid to our Directors for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 was nil, RMB0.9 million, RMB3.8 million and RMB1.9 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The aggregate amount of wages, salaries and bonuses, pension costs, housing funds, medical insurance and other social insurances paid to our five highest paid individuals in respect of each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 was approximately RMB7.5 million, RMB9.9 million, RMB10.8 million and RMB5.3 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 during the Track Record Period. Further, none of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

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 31 December 2020 is estimated to be around RMB3.8 million.

DIRECTORS AND SENIOR MANAGEMENT

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.

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Ballas Capital Limited as our compliance advisor to provide advisory services to our Company. It is expected that the compliance advisor will, amongst other things, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalisation Issue, the Distribution and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and assuming there will be no change in the shareholding structure of Sunac China from the Latest Practicable Date up to the Listing), 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:

INTERESTS IN SHARES OF OUR COMPANY

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Capitalisation Issue, the Distribution and the Global Offering ⁽¹⁾		Shares held immediately following the Capitalisation Issue, the Distribution and the Global Offering ⁽¹⁾	
		Approximate Number	Approximate Percentage	Approximate Number	Approximate Percentage
Sunac Services Investment ⁽²⁾	Beneficial owner	7,600,000(L)	80%	1,698,000,000(L)	56.60%
Sunac Shine ⁽²⁾	Trustee	1,900,000(L)	20%	462,000,000(L)	15.40%
Sunac China ⁽²⁾	Interest in controlled corporation	9,500,000(L)	100%	2,160,000,000(L)	72.00%
Sunac International ⁽²⁾⁽³⁾	Interest in controlled corporation	9,500,000(L)	100%	2,160,000,000(L)	72.00%
	Beneficial owner	–	–	65,731,909(L)	2.19%
Mr. Sun ⁽²⁾⁽³⁾⁽⁴⁾	Interest in controlled corporation	9,500,000(L)	100%	2,227,299,274(L)	74.24%
	Beneficial owner	–	–	366,531(L)	0.01%

Notes:

(1) The letter “L” denotes a long position in our Shares.

SUBSTANTIAL SHAREHOLDERS

- (2) Sunac Services Investment is wholly owned by Sunac China. Sunac Shine, is wholly-owned by Sunac China and acts as the trustee of the Sunac Services Share Award Scheme Trust which is set up for the purpose of a share award scheme to be adopted at least six months after Listing. As at the Latest Practicable Date, the detailed terms of the share award scheme and the relevant grantees had not yet been determined. By virtue of the SFO, Sunac China is deemed to be interested in the Shares held by Sunac Services Investment and Sunac Shine.
- (3) As at the Latest Practicable Date, Sunac China was owned as to (i) approximately 43.82% by Sunac International, (ii) approximately 1.05% by Tianjin Biaodi, which was indirectly wholly owned by Mr. Sun, and (iii) approximately 0.24% by Mr. Sun. By virtue of the SFO, Sunac International and Mr. Sun are deemed to be interested in the Shares held by Sunac Services Investment and Sunac Shine, both of which are wholly owned by Sunac China.
- (4) Tianjin Biaodi is expected to hold 1,567,365 Shares, representing approximately 0.05% of our Shares in issue immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering. Tianjin Biaodi is indirectly wholly owned by Mr. Sun. By virtue of the SFO, Mr. Sun is deemed to be interested in the Shares held by Tianjin Biaodi.

INTEREST IN EQUITY INTEREST OF MEMBERS OF OUR GROUP

Name of Shareholder	Company concerned	Nature of Interest	Equity interest held immediately prior to the completion of the Capitalisation Issue, the Distribution and the Global Offering	Equity interest held immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering
			<i>Approximate Percentage</i>	<i>Approximate Percentage</i>
Qingdao Longhai Property Services Co., Ltd. (青島隆海物業服務有限公司)	Qingdao Sunac	Beneficial owner	30%	30%
Deng Hong (鄧鴻)	Chengdu Huanrong	Beneficial owner	29%	29%
Hebei Shuangchuang Pingan Investment Co., Ltd. (河北雙創平安投資有限公司)	Shijiazhuang Ronghong	Beneficial owner	46%	46%
Shoujin Minzhi (Tianjin) Property Development Co., Ltd. (首金敏志(天津)置業發展有限公司)	Hubei Rongshou	Beneficial owner	50%	50%
	Henan Rongshou	Beneficial owner	40%	40%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Company concerned	Nature of Interest	Equity interest held immediately prior to the completion of the Capitalisation Issue, the Distribution and the Global Offering <i>Approximate Percentage</i>	Equity interest held immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering <i>Approximate Percentage</i>
Beijing Sunshine Property Services Co., Ltd. (北京陽光郡物業服務有限公司)	Sunac Sunshine	Beneficial owner	45%	45%
Suqian Shengding Property Management Co., Ltd. (宿遷盛鼎物業管理有限公司)	Suqian Yuanxin Property Management Co., Ltd. (宿遷元鑫物業管理有限公司)	Beneficial owner	30%	30%
Zhejiang Guangda Property Co., Ltd. (浙江光大置業有限公司)	Taizhou Guangda New Century Property Management Co., Ltd. (台州光大開元物業管理有限公司)	Beneficial owner	35%	35%
Chen Tianmin (陳天敏)	Hangzhou Jinjian Intelligence Technology Co., Ltd. (杭州金鍵智能科技有限公司)	Beneficial owner	15%	15%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Company concerned	Nature of Interest	Equity interest held immediately prior to the completion of the Capitalisation Issue, the Distribution and the Global Offering <i>Approximate Percentage</i>	Equity interest held immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering <i>Approximate Percentage</i>
Li Min (勵民)	Hangzhou New Century Theatre Operation Management Co., Ltd. (杭州開元劇院經營管理有限公司)	Beneficial owner	20%	20%
Ningbo Jiangdong Yigao Market Operation Services Co., Ltd. (寧波市江東區頤高市場經營服務有限公司)	Hangzhou New Century Yigao Property Services Co., Ltd. (杭州開元頤高物業服務有限公司)	Beneficial owner	49%	49%
Nanchang Municipal Public Asset Management Co., Ltd. (南昌市政公用資產管理有限公司)	Jiangxi Rongzheng	Beneficial owner	49%	49%

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue, the Distribution 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.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option):

	<u>Nominal value</u>
	<i>(HK\$)</i>
Authorized share capital:	
10,000,000,000 Shares of HK\$0.01 each	100,000,000.00
Issued and to be issued, fully paid or credited as fully paid:	
9,500,000 Shares in issue as of the date of this prospectus	95,000.00
2,300,500,000 Shares to be issued pursuant to the Capitalisation Issue	23,005,000.00
<u>690,000,000</u> Shares to be issued under the Global Offering	<u>6,900,000.00</u>
<u>3,000,000,000</u> Total	<u>30,000,000.00</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering are made. 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 Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to issue, allot and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to buy back Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, issue, allot or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on 28 October 2020" in Appendix IV to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares representing not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 6. Buyback by our Company of our own securities" in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to buy back Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on 28 October 2020" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

As a matter of the Cayman Company Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and Cayman company law" in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following section in conjunction with our consolidated financial information, including the accompanying notes thereto, as set out in the Accountant's Report included in Appendix IA to this prospectus. The Accountant's Report contains our audited consolidated financial statements as at and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020. Our consolidated financial information has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

Our business expanded considerably following our acquisition of a controlling interest in New Century Property Management on 8 May 2020. The consolidated financial information of our Group for the Track Record Period only includes that of New Century Property Management and its subsidiaries since the financial results thereof were consolidated into ours on 8 May 2020 upon the acquisition of New Century Property Management. As a result, our results of operations in the period(s) taking into account such acquisition are not directly comparable with those in the period(s) prior to the acquisition.

To comply with the applicable regulations and disclosure requirements, as well as to present material information necessary to assess the impact of the acquisition of New Century Property Management, this prospectus contains pre-acquisition financial statements of New Century Property Management (including its subsidiaries) for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January 2020 to 7 May 2020, as set out in the accountant's report of New Century Property Management in Appendix IB to this prospectus.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business".

OVERVIEW

We are the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies. In pursuit of our service philosophy of

FINANCIAL INFORMATION

“commitment to excellence and beauty” (至善·致美), we offer a full range of high-quality property services to our customers and are dedicated to becoming one of the most competitive high-quality comprehensive property management service providers in China.

We are engaged in three business lines, namely (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services. We have been providing property management services in China for more than 16 years with a geographic focus on first- and second-tier cities in China. In addition to property management services, we offer value-added services to non-property owners (such as consulting, pre-delivery and sales assistance services), which are provided mainly to property developers. We also offer a variety of community value-added services, which are provided mainly to the owners and residents of the properties we manage.

On 8 May 2020, we acquired a controlling interest in New Century Property Management, a comprehensive property management service provider which manages a wide range of properties primarily developed by independent third-party property developers. Due to our business expansion, including the acquisition of New Century Property Management, our contracted GFA increased to 232.1 million sq.m. as at 30 June 2020, covering 127 cities in 29 provinces, autonomous regions and municipalities in China. As at the same date, we managed 660 property projects, including 418 residential projects and 242 non-residential projects, with a total GFA under management of 105.4 million sq.m. and covering 78 cities in 26 provinces, autonomous regions and municipalities in China. As at the Latest Practicable Date, our property management portfolio covered residential properties and a wide range of non-residential properties, including commercial properties (such as office buildings, shopping malls, serviced apartments and hotels) and public and other properties (such as schools, hospitals, amusement parks, convention centres and government facilities).

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our business is conducted through our subsidiaries, which are controlled by Sunac China. Pursuant to the Reorganisation, our subsidiaries and our business are transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of our business with no change in management of such business and the ultimate owner of our business remains the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of our business under our subsidiaries and, for the purpose of this report, our historical financial information has been prepared and presented as a continuation of the consolidated financial statements of our subsidiaries, with the assets and liabilities of our Group recognised and measured at the carrying amounts of our business under the consolidated financial statements of our subsidiaries for all periods presented.

FINANCIAL INFORMATION

ADOPTION OF HKFRS 9, HKFRS 15 AND HKFRS 16

To make our consolidated financial statements comparable on a period-to-period basis and allow the investors to better understand our financial performance and position, HKFRS 9 “Financial instruments”, or HKFRS 9, HKFRS 15 “Revenue from Contracts with Customers”, or HKFRS 15, and HKFRS 16 “Leases”, or HKFRS 16, have been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of HKAS 39 “Financial instruments: Recognition and measurement”, or HKAS 39, HKAS 18 “Revenue”, or HKAS 18, and HKAS 17 “Leases”, or HKAS 17, respectively. Accordingly, we have prepared and maintained only one set of consolidated financial statements adopting HKFRS 9, HKFRS 15 and HKFRS 16 for the Track Record Period. Neither had we prepared, nor the reporting accountant had audited or reviewed, our consolidated financial statements for the Track Record Period based on HKAS 39, HKAS 18 and HKAS 17.

In order to provide additional information to the investors, we have used our best efforts to assess the respective impact on our financial results of the application of the principles set out in HKAS 39, HKAS 18 and HKAS 17, compared to our adoption of HKFRS 9, HKFRS 15 and HKFRS 16, respectively.

Adoption of HKFRS 9 and HKFRS 15

Based on our internal assessments, the adoption of HKFRS 9 and HKFRS 15, as compared to the requirements of HKAS 39 and HKAS 18, has no significant impact on our financial position and performance, except that contract liabilities amounting to approximately RMB194.2 million, RMB285.2 million, RMB560.4 million and RMB728.0 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, would have been reclassified as advance from customers if HKAS 18 had been applied throughout the Track Record Period.

Adoption of HKFRS 16

Under HKAS 17, operating lease payments are charged to the consolidated income statements on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statements and are recognised outside of the consolidated statements of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of assets (being the right-of-use assets classified in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our consolidated statements of financial position at the commencement of respective leases.

FINANCIAL INFORMATION

Based on our internal assessments, the impact on profit for the year or period and total net assets or liabilities would not have been significant if HKAS 17 had been adopted. The table below summarises the impacts of the adoption of HKFRS 16 on certain key items of our consolidated financial statements and key ratios:

	Currently reported under HKFRS 16 <u>(a)</u>	As if reported under HKAS 17 <u>(b)</u>	<u>Difference</u> <u>(a)-(b)</u>
Profit for the year/period (in RMB'000)			
– 2017	42,958	43,093	(135)
– 2018	98,307	95,704	2,603
– 2019	269,898	271,353	(1,455)
– For the six months ended 30 June 2020 ..	250,777	250,696	81
Total assets (in RMB'000)			
– As at 31 December 2017	2,071,138	2,059,229	11,909
– As at 31 December 2018	1,642,397	1,600,609	41,788
– As at 31 December 2019	2,271,146	2,235,383	35,763
– As at 30 June 2020	4,308,090	4,257,604	50,486
Total liabilities (in RMB'000)			
– As at 31 December 2017	2,144,843	2,132,519	12,324
– As at 31 December 2018	1,617,795	1,578,194	39,601
– As at 31 December 2019	1,773,271	1,738,240	35,031
– As at 30 June 2020	2,541,602	2,491,122	50,480
Total net (liabilities)/assets (in RMB'000)			
– As at 31 December 2017	(73,705)	(73,290)	(415)
– As at 31 December 2018	24,602	22,415	2,187
– As at 31 December 2019	497,875	497,143	732
– As at 30 June 2020	1,766,488	1,766,482	6
Current ratio			
– As at 31 December 2017	0.92	0.92	0.00
– As at 31 December 2018	0.97	0.98	(0.01)
– As at 31 December 2019	1.21	1.22	(0.01)
– As at 30 June 2020	1.20	1.21	(0.01)

Note:

Current ratio is calculated by dividing current assets by current liabilities.

FINANCIAL INFORMATION

OUR ACQUISITION OF NEW CENTURY PROPERTY MANAGEMENT

On 8 May 2020, we acquired a 84.92% equity interest in New Century Property Management with an additional 14.25% equity interest held by Mr. Xie Jianjun under a share entrustment arrangement for our Group. The results of operations of New Century Property Management and its subsidiaries have been consolidated into ours since the same date. The aggregate consideration paid and payable for the acquisition was RMB1,487.6 million, which was determined after arm's-length negotiations taking into account the financial performance (including the profit guarantee in connection with the acquisition) and the status of business and operations of New Century Property Management. The consideration was determined with reference to the valuation result of income approach adopting a discounted cash flow method. The free cash flow model under the discounted cash flow method was adopted as the primary indicator of the enterprise value of New Century Property Management, covering a period from 1 January 2020 to 31 December 2025 based on the estimates made by the management of New Century Property Management. A capital asset pricing model was also used to estimate the cost of equity of New Century Property Management for deriving at the weighted average cost of capital of New Century Property Management as the applicable discount rate. In the mean time, the market approach was also adopted to verify the reasonableness of the valuation result under the aforementioned income approach. Such market approach used the comparable company method with respect to the price-to-earnings ratios of peer companies in the PRC, as well as comparable transaction method. The implied price-to-earnings ratio, being the total consideration of approximately RMB1,487.6 million divided by the profit guarantee of RMB115 million for the year ending 31 December 2021, is approximately 13 times, which is within the range of the price-to-earnings ratio of peer companies and comparable transactions identified for the purpose of the aforesaid market approach. For further details of our acquisition of New Century Property Management, see "History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management". Taking into account our acquisition of New Century Property Management, we had recorded a goodwill of RMB1,020.2 million and other intangible assets of RMB247.4 million on our audited consolidated statement of financial position as at 30 June 2020.

The total consolidated revenue of New Century Property Management was RMB556.7 million, RMB725.5 million, RMB867.9 million, RMB279.4 million and RMB328.3 million for the years ended 31 December 2017, 2018 and 2019, and the periods from 1 January to 7 May of 2019 and 2020, respectively. For the same periods, the consolidated net profit of New Century Property Management was RMB51.6 million, RMB65.6 million, RMB62.9 million, RMB20.9 million and RMB32.4 million, respectively. The consolidated financial statements and the accompanying notes of New Century Property Management prior to the acquisition are set out in Appendix IB to this prospectus. For more information regarding the acquisition of New Century Property Management, see "History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management" and "Business — Acquisition of New Century Property Management".

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position are affected by a number of factors, including those factors set out in “Risk Factors” in this prospectus and those discussed below:

Business Mix

We have three business lines, namely, property management services, value-added services to non-property owners and community value-added services. Our profit margins vary across different business lines. Our business and results of operations are affected by our business mix. Any change in the structure of revenue contribution from our business lines or change in profit margin of any business line may have a corresponding impact on our overall profit margins.

The following tables set out the breakdowns of our revenue and gross profit margins by business line for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
<i>(Unaudited)</i>										
Revenue										
Property management services	574,757	51.7	760,067	41.3	1,148,198	40.6	494,621	42.2	1,052,708	58.8
Value-added services to non-property owners	524,119	47.2	1,028,700	55.8	1,572,496	55.6	648,363	55.4	676,343	37.8
Community value-added services	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Total revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0

We experienced robust growth during the Track Record Period. Our revenue increased from RMB1,111.5 million in 2017 to RMB2,827.4 million in 2019, at a CAGR of 59.5%, and continued to increase by 52.9% from RMB1,171.4 million for the six months ended 30 June 2019 to RMB1,790.6 million for the same period in 2020.

FINANCIAL INFORMATION

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	(%)	(%)	(%)	(%)	(%)
Property management services	1.6	6.4	11.8	11.1	21.5
Value-added services to non-property owners	42.3	35.3	34.8	27.0	32.0
Community value-added services	19.6	23.1	34.6	17.3	35.5
Overall	21.0	23.0	25.5	20.0	25.9

(Unaudited)

During the Track Record Period, our overall gross profit margin increased from 21.0% in 2017 to 25.5% in 2019 and further to 25.9% for the six months ended 30 June 2020, which was primarily attributable to the significant increase in the gross profit margins of property management services and the increase in the gross profit margin of community value-added services, whereas there was a decrease in the gross profit margin of value-added services to non-property owners. Our gross profit margins of property management services are generally affected by factors such as: (i) the number of projects within the same geographic location and the optimisation level of labour and resources to benefit from project synergies, and (ii) our operating capabilities, including the implementation of cost control measures (such as through the adoption of automation and smart management). The gross profit margins of our value-added services to non-property owners and community value-added services were generally higher than that of property management services as the latter is more labour-intensive. We have further expanded the scale of our value-added services with diversified service offerings. In the meantime, we endeavour to continue to optimise our overall gross profit margins with improved cost efficiency through centralised management, standardisation and smart management, as well as benefiting from the economies of scale of our increased GFA under management.

For more details regarding the fluctuation in our gross profit margins during the Track Record Period, see “— Description of Selected Consolidated Statements of Comprehensive Income Line Items — Gross Profit and Gross Profit Margin”.

Business Scale

Our financial position and results of operations are affected by our business scale, especially the GFA under management for our property management business. During the Track Record Period, we generated a substantial portion of our revenue from property management services, which accounted for 51.7%, 41.3%, 40.6%, 42.2% and 58.8% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. Accordingly, our revenue growth largely depends on our

FINANCIAL INFORMATION

ability to maintain and grow our GFA under management, which is in turn affected by our ability to renew existing property management service contracts and secure new property management service engagements. The GFA under management will also affect our community value-added services as we manage more projects and serve an increasing number of property owners and residents from our managed projects. During the Track Record Period, we experienced a continual growth in our GFA under management, which was 20.0 million sq.m., 28.6 million sq.m., 53.0 million sq.m. and 105.4 million sq.m., respectively, as at 31 December 2017, 2018 and 2019 and 30 June 2020.

Of our total GFA under management, properties developed by Sunac Group (and its joint ventures and associates) accounted for 99.7%, 99.4%, 99.4% and 61.8% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Starting from 2019, we proactively reinforced our efforts to seek property management engagements for projects developed by property developers that are Independent Third Parties, in order to benefit more from economies of scale, gain additional revenue sources and diversify our property management portfolio. The increase in contribution from GFA under management of other sources of projects as at 30 June 2020 demonstrated the success of our market development efforts (including our acquisition in May 2020 of New Century Property Management with the majority of its GFA under management from other sources of projects).

Ability to Manage Staff Costs and Sub-contracting Costs

Our results of operations are affected by our ability to manage our staff costs. During the Track Record Period, staff costs are the largest component of our cost of sales which amounted to RMB514.1 million, RMB885.0 million, RMB1,320.0 million, RMB611.9 million and RMB821.3 million, respectively, accounting for 58.5%, 62.4%, 62.6%, 65.3% and 61.9% of our cost of sales for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. Administrative staff salaries and benefits are also the largest component of our administrative expenses for the Track Record Period. The general increases over the Track Record Period in staff costs and expenses were mainly attributable to the increase in the number of our employees as we expanded our business, together with a general increase in labour wages in the PRC.

We have outsourced certain services such as cleaning, greening, security, repair and maintenance services to third-party service providers of whom we adopted strict quality control to ensure their service quality. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our sub-contracting costs (representing security, maintenance, cleaning and greening cost) amounted to RMB231.0 million, RMB324.3 million, RMB438.0 million, RMB169.7 million and RMB306.7 million, respectively, accounting for 26.3%, 22.9%, 20.8%, 18.1% and 23.1% of our total cost of sales, respectively. The increases in sub-contracting costs during the Track Record Period were mainly attributable to the increase in our GFA under management. To cope with the rising labour cost while maintaining our service quality, we have implemented a number of measures to reduce our reliance on manual labour, which included standardised and automated smart management, optimisation of

FINANCIAL INFORMATION

staff deployment to enhance efficiency, as well as centralised engagement of quality sub-contractors. For more details about our cost-saving measures, see “Business — Standardisation and Smart Management”.

Brand Positioning and Pricing of Services

Our financial conditions and results of operations are affected by our ability to be engaged for property management projects and to maintain or increase the fees we charge for our services, which are partially affected by our brand recognition and industry leadership position. A well-recognised brand would also help us obtain more value-added service engagements from third-party property developers (such as for consultancy services), as well as exploring more cooperation opportunities with such property developers for new property management projects. We make an effort to provide property management services to relatively higher-end projects in first- and second-tier cities and we generally price our property management services by taking into account a number of factors, including (i) the types and geographic locations of the properties; (ii) the scope of the services to be provided; (iii) our budgeted expenses; (iv) our targeted profit margins; (v) years of operating history of the projects and profiles of property owners and residents; (vi) local government’s guidance price on property management fees (where applicable); and (vii) competition from peer companies (including the pricing of property management services provided to comparable properties). The balance between pricing our services sufficiently and competitively while ensuring our service quality and an attractive profit margin is key to our financial conditions and results of operations.

We strive to maintain or raise our property management fees when renewing the expiring property management service contracts to maintain or improve our profit margin in response to the enhancements to the standard or scope of our property management services and increases in our costs. Our ability to raise our fees would, to a certain extent, be impacted by our ability to uphold and enhance our brand recognition.

Ability to Implement our Acquisition Strategy

We acquired a controlling interest in New Century Property Management in May 2020, thereby expanding our property management portfolio in China with a diversified property management portfolio of non-residential properties. We plan to continue to make strategic mergers and acquisitions in the future to enlarge our business scale and diversify our business portfolio. See “Business — Business Strategies”. To implement such strategies, we need to allocate capital and human resources to identify suitable opportunities and complete such transactions in a timely manner on terms that allow us to achieve desired strategic objectives and expected return. Our business operations, financial performance and prospects are dependent on our ability to identify suitable targets, successfully execute the mergers and acquisitions, and integrate the business of such targets into ours. In addition, our results of operations will be affected by the amortisation charge of the relevant intangible assets

FINANCIAL INFORMATION

attributable to the acquisition of New Century Property Management and other acquisitions and the related tax impact. For more details, see “— Description of Selected Consolidated Statement of Financial Position Line Items — Intangible Assets — Other intangible assets”.

Competition

The property management industry in the PRC is highly competitive and fragmented with a large number of market participants. As a leading large-scale property service provider with a diversified property management portfolio, we primarily compete against large national and regional property management companies in the PRC. For value-added services we also compete against other property management companies as well as relevant industry participants providing similar services. We believe that the principal competitive factors include, among others, business scale, price and quality of services, brand recognition and financial resources. Our ability to compete effectively with our competitors and maintain or improve our market position depends on our ability to solidify our competitive strengths. If we are unable to effectively compete with market players, maintain or increase our market share, our revenue and profitability may be adversely impacted. For more details about the industry and markets that we operate in, see “Industry Overview” and “Risk Factors — Risks relating to our Business and Industry — We are in a competitive business with various competitors and 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”.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our significant accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions, where applicable. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out in further details in Note 2 and Note 4 of the Accountant’s Report in Appendix IA to this prospectus.

All effective accounting standards, amendments to standards and interpretations, which are mandatory for the year beginning 1 January 2020 are consistently applied to our Group throughout the Track Record Period. With respect to the standards and amendments that have been issued but not yet becoming effective on 1 January 2020 and not being early adopted by our Group, our Directors are of the view that such standards and amendments to existing standards are not expected to have any significant impact on our Group.

FINANCIAL INFORMATION

Revenue Recognition

Revenue from providing services, including property management services on a lump sum or commission basis, value-added services to non-property owners and community value-added services, is recognised in an accounting period in which the services are rendered.

For property management services, we bill a fixed amount for services provided on a monthly basis and recognise as revenue the amount to which we have a right to bill and that corresponds directly with the value of services provided. For property management services revenue from properties managed on a lump sum basis, where we act as principal and are primarily responsible for providing the property management services to the property owners, we recognise the fee received or receivable from customers as revenue and all related property management costs as cost of sales. For property management services revenue from properties managed on a commission basis, we recognise the commission, which is generally calculated as a certain percentage of, or a fixed amount out of, the total property management fee received or receivable from management of the properties, as revenue for providing such services.

Value-added services to non-property owners mainly include:

- (i) sales assistance services to property developers which are billed based on the pre-determined price calculated under estimated cost plus method, and the revenue of which is recognised over time when such services are provided;
- (ii) consultancy services and pre-delivery services, which are calculated based on the unit price and areas of each project, and the revenue of which is recognised over time when the services are provided;
- (iii) commission income for sales of properties and the use rights of car park spaces, which are recognised on a net basis at the point in time when the control of properties or the use right of car park spaces are transferred to the relevant purchaser; and
- (iv) engineering services, the revenue of which is recognised with reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured with reference to the actual results achieved up to the end of the reporting period as a percentage of total contract quantity. (As receivable is recognised over time when the services are rendered that the consideration is unconditional because only the passage of time is required before the payment is due.)

Community value-added services mainly include:

- (i) revenue from property interior decoration services and community living services which are charged for each service provided and recognised when the relevant services are rendered;

FINANCIAL INFORMATION

- (ii) revenue from community space operation services, which is recognised over the time when such services are rendered;
- (iii) commission income from secondary sales or rental of properties, which is billed to property owners and/or third parties immediately upon the provision of services and is recognised on a net basis at a point in time; and
- (iv) revenue from sales of use rights of car park spaces is recognised when the control of the use rights of car park spaces is transferred to the relevant purchaser and is billable immediately.

Allowance on Doubtful Receivables

For trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The expected credit losses also incorporate forward looking information. We use the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments). As we assessed that there was no significant increase of credit risk for other receivables for the Track Record Period, we use the model for 12 months expected credit losses to assess credit loss of other receivables.

We make allowances on receivables based on assumptions about the risk of default and expected loss rates. We exercise judgement in making these assumptions and selecting the inputs for the impairment calculation, based on our 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.

We account for our credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of receivables and adjust for forward looking macroeconomic data. Since the actual loss rates for operating lease and trade receivables and other receivables and adjustments for forward looking macroeconomic data of the industry (taking into account the effect of COVID-19 as further elaborated in “Business — Impact of the Outbreak of COVID-19 on our Business”) did not have significant change during the Track Record Period, our Directors consider that the changes in the expected loss rate for the provision matrix are insignificant throughout the Track Record Period.

FINANCIAL INFORMATION

Amortisation and Impairment of Intangible Assets

Types of intangible assets

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

Goodwill from the acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but 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 from the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business merger from which the goodwill is generated. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Software

Acquired computer software programmes are capitalised based on the costs of acquisition and usage. These costs are amortised over 2 to 5 years (estimated useful life) using the straight-line basis method.

Customer relationships

Customer relationships include direct purchases from third parties and acquisition through business mergers. The former is recognised at cost and the latter at fair value on the acquisition date. The property management contracts and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts, which are 5 to 8 years.

Exclusive operating rights

Exclusive operating rights are initially recognised at cost of the difference between the present values of the refundable deposits of the individual car park spaces paid by our Group and the contractual amounts of deposits. Amortisation is calculated using the straight-line method over the expected useful lives of each contract, which is 1.25 years to 1.5 years.

FINANCIAL INFORMATION

Brand

Brand acquired in a business combination is recognised at fair value at the acquisition date. Brand has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of 10 years.

Impairment of intangible assets

Goodwill that has an undefined useful life is not subject to amortisation and our Group tests annually whether goodwill has suffered any impairment. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires us to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss or further impairment loss may arise. 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 recognised 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 its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). 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.

Current and Deferred Income Tax

Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of our PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

FINANCIAL INFORMATION

DESCRIPTION OF SELECT CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets out our select consolidated statements of comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0
Cost of sales	(878,214)	(79.0)	(1,417,589)	(77.0)	(2,107,080)	(74.5)	(936,628)	(80.0)	(1,325,977)	(74.1)
Gross profit	<u>233,311</u>	<u>21.0</u>	<u>423,953</u>	<u>23.0</u>	<u>720,294</u>	<u>25.5</u>	<u>234,726</u>	<u>20.0</u>	<u>464,647</u>	<u>25.9</u>
Administrative expenses . .	(196,275)	(17.7)	(294,377)	(15.9)	(383,128)	(13.5)	(164,624)	(14.0)	(175,156)	(9.7)
Selling and marketing expenses	(96)	(0.0)	(3,708)	(0.2)	(18,669)	(0.7)	(6,586)	(0.6)	(10,212)	(0.6)
Net impairment losses on financial assets	(1,463)	(0.1)	(1,535)	(0.1)	(2,759)	(0.1)	(4,637)	(0.4)	(7,435)	(0.4)
Other income and expenses	85,535	7.7	45,913	2.5	36,604	1.3	18,307	1.6	31,296	1.7
Other gains and losses . . .	16,294	1.5	2,505	0.1	4,159	0.1	1,290	0.1	3,610	0.2
Operating profit	<u>137,306</u>	<u>12.4</u>	<u>172,751</u>	<u>9.4</u>	<u>356,501</u>	<u>12.6</u>	<u>78,476</u>	<u>6.7</u>	<u>306,750</u>	<u>17.1</u>
Finance income	253	0.0	474	0.1	1,365	0.1	456	0.0	7,421	0.5
Finance costs	(83,342)	(7.5)	(45,125)	(2.5)	(13,228)	(0.5)	(12,226)	(1.0)	(1,032)	(0.1)
Finance (costs)/income – net.	(83,089)	(7.5)	(44,651)	(2.4)	(11,863)	(0.4)	(11,770)	(1.0)	6,389	0.4
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net.	–	–	883	0.0	1,289	0.0	438	0.0	2,511	0.1
Profit before income tax	<u>54,217</u>	<u>4.9</u>	<u>128,983</u>	<u>7.0</u>	<u>345,927</u>	<u>12.2</u>	<u>67,144</u>	<u>5.7</u>	<u>315,650</u>	<u>17.6</u>
Income tax expense	(11,259)	(1.0)	(30,676)	(1.7)	(76,029)	(2.7)	(13,519)	(1.1)	(64,873)	(3.6)
Profit for the year/period.	<u>42,958</u>	<u>3.9</u>	<u>98,307</u>	<u>5.3</u>	<u>269,898</u>	<u>9.5</u>	<u>53,625</u>	<u>4.6</u>	<u>250,777</u>	<u>14.0</u>

FINANCIAL INFORMATION

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Total comprehensive income is attributable to:										
- Owners of the Company	42,958	3.9	98,307	5.3	269,898	9.5	53,625	4.6	238,130	13.3
- Non-controlling interests	-	-	-*	0.0	-*	0.0	-*	0.0	12,647	0.7
	42,958	3.9	98,307	5.3	269,898	9.5	53,625	4.6	250,777	14.0

* *Less than RMB1,000*

Revenue

During the Track Record Period, we derived our revenue from the following three business lines:

- (i) Property management services, which primarily consisted of property management fees for providing security, cleaning, greening, gardening and repair and maintenance services, accounted for 51.7%, 41.3%, 40.6%, 42.2% and 58.8% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively;
- (ii) Value-added services to non-property owners, which primarily consisted of sales assistance services, pre-delivery services and consultancy services, accounted for 47.2%, 55.8%, 55.6%, 55.4% and 37.8% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively; and
- (iii) Community value-added services accounted for 1.1%, 2.9%, 3.8%, 2.4% and 3.4% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

FINANCIAL INFORMATION

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

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property management services	574,757	51.7	760,067	41.3	1,148,198	40.6	494,621	42.2	1,052,708	58.8
Value-added services to non-property owners	524,119	47.2	1,028,700	55.8	1,572,496	55.6	648,363	55.4	676,343	37.8
Community value-added services	12,649	1.1	52,775	2.9	106,680	3.8	28,370	2.4	61,573	3.4
Total revenue	1,111,525	100.0	1,841,542	100.0	2,827,374	100.0	1,171,354	100.0	1,790,624	100.0

Revenue from property management services

Revenue from property management services increased during the Track Record Period, primarily driven by the increase in the GFA under management. Our GFA under management as at 31 December 2017, 2018 and 2019 and 30 June 2020 was 20.0 million sq.m., 28.6 million sq.m., 53.0 million sq.m. and 105.4 million sq.m., respectively. During the Track Record Period, we charged substantially all of our property management fees on a lump sum basis, with the remaining insignificant portion charged on a commission basis. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our revenue from property management services generated on a lump sum basis accounted for 100.0%, 100.0%, 99.9%, 99.9% and 99.9% of our revenue from property management services, respectively. Our overall average property management fee was approximately RMB3.21, RMB3.15, RMB3.40 and RMB3.03 per sq.m. per month as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

During the Track Record Period, the majority of our revenue from property management services was derived from residential properties, which accounted for 80.6%, 81.8%, 82.0%, 81.1% and 72.0% of our revenue from property management services for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

FINANCIAL INFORMATION

The following table sets out the breakdown of our revenue from property management services by property type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Residential properties . . .	463,467	80.6	621,441	81.8	941,549	82.0	401,110	81.1	757,516	72.0
Non-residential properties										
– Commercial properties	102,937	17.9	126,409	16.6	192,138	16.7	86,926	17.6	244,166	23.2
– Public and other properties	8,353	1.5	12,217	1.6	14,511	1.3	6,585	1.3	51,026	4.8
Sub-total	111,290	19.4	138,626	18.2	206,649	18.0	93,511	18.9	295,192	28.0
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0

The following table sets out the breakdown of our revenue generated from property management by source of projects for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Properties developed by Sunac Group (and its joint ventures and associates)										
– by Sunac Group ⁽¹⁾	479,374	83.4	584,570	76.9	846,733	73.7	365,908	74.0	676,974	64.3
– by joint ventures and associates of Sunac Group ⁽²⁾	91,752	16.0	168,701	22.2	297,151	25.9	126,501	25.6	235,161	22.3
Sub-total	571,126	99.4	753,271	99.1	1,143,884	99.6	492,409	99.6	912,135	86.6

FINANCIAL INFORMATION

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Other sources of projects ⁽³⁾⁽⁴⁾	3,631	0.6	6,796	0.9	4,314	0.4	2,212	0.4	140,573	13.4
Total	574,757	100.0	760,067	100.0	1,148,198	100.0	494,621	100.0	1,052,708	100.0

(Unaudited)

Notes:

- (1) Refer to properties solely developed by Sunac Group or jointly developed by Sunac Group and other parties in which Sunac Group held a controlling interest.
- (2) Refer to properties jointly developed by Sunac Group and other parties in which Sunac Group did not hold a controlling interest.
- (3) “Other sources of projects” refers to projects not developed by Sunac Group, either solely or jointly with other parties.
- (4) Our revenue of property management service for the six months ended 30 June 2020 only includes those of New Century Property Management for the period from 8 May to 30 June 2020 which was derived from other sources of projects.

Revenue from value-added services to non-property owners

During the Track Record Period, we provided value-added services to non-property owners, including (i) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, (ii) consultancy and other value-added services to non-property owners, including consultancy, pre-delivery and engineering services, and (iii) property agency services to property developers (mainly in respect of tourism and vacation projects).

FINANCIAL INFORMATION

The following table sets out the breakdown of our revenue from value-added services to non-property owners by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Sales assistance services	352,070	67.2	674,652	65.6	928,753	59.1	402,863	62.1	435,741	64.4
Consultancy and other value-added services to non-property owners										
– pre-delivery services	73,540	14.0	158,092	15.4	305,109	19.4	98,250	15.2	105,156	15.5
– consultancy services	95,686	18.3	141,268	13.7	157,737	10.0	54,158	8.4	65,190	9.6
– engineering services	–	–	5,228	0.5	26,846	1.7	12,143	1.9	16,476	2.4
Sub-Total	<u>169,226</u>	<u>32.3</u>	<u>304,588</u>	<u>29.6</u>	<u>489,692</u>	<u>31.1</u>	<u>164,551</u>	<u>25.4</u>	<u>186,822</u>	<u>27.6</u>
Property agency services	2,823	0.5	49,460	4.8	154,051	9.8	80,949	12.5	53,780	8.0
Total	<u>524,119</u>	<u>100.0</u>	<u>1,028,700</u>	<u>100.0</u>	<u>1,572,496</u>	<u>100.0</u>	<u>648,363</u>	<u>100.0</u>	<u>676,343</u>	<u>100.0</u>

Revenue from community value-added services

During the Track Record Period, we provided community value-added services mainly to property owners and residents of our managed properties to address their daily life style needs which included: (i) property interior decoration services, (ii) community space operation services, (iii) real estate brokerage services and sale of use rights of car park spaces, and (iv) community living services.

FINANCIAL INFORMATION

The following table sets out the breakdown of our revenue from community value-added services by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property interior decoration services	2,973	23.5	2,785	5.3	11,920	11.2	4,121	14.5	7,581	12.3
Community space operation services	7,549	59.7	9,557	18.1	18,362	17.1	8,262	29.2	26,583	43.2
Real estate brokerage services and sale of car park spaces . . .	1,063	8.4	37,481	71.0	72,379	67.9	14,337	50.5	24,266	39.4
Community living services	1,064	8.4	2,952	5.6	4,019	3.8	1,650	5.8	3,143	5.1
Total	12,649	100.0	52,775	100.0	106,680	100.0	28,370	100.0	61,573	100.0

Cost of Sales

Our cost of sales represents costs directly attributable to the provision of our services and comprises (i) staff cost of mainly our on-site staff directly providing property management services at properties under management, (ii) security, maintenance, cleaning and greening costs in connection with sub-contracting services, (iii) utilities cost, (iv) consumable cost, (v) agency fees representing fees to third-party real estate agents we collaborate with for property agency services provided to property developers, (vi) depreciation and amortisation, (vii) office, travelling and communications cost of our projects, and (viii) other cost, such as for purchase of use rights of car park spaces and community activity cost.

FINANCIAL INFORMATION

The following table sets out the breakdown of our cost of sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Staff cost	514,119	58.5	884,992	62.4	1,320,045	62.6	611,947	65.3	821,325	61.9
Security, maintenance, cleaning and greening costs	230,960	26.3	324,258	22.9	437,985	20.8	169,715	18.1	306,664	23.1
Utilities cost	41,245	4.7	36,920	2.6	45,268	2.1	22,577	2.4	44,044	3.3
Consumable cost	36,942	4.2	42,279	3.0	53,244	2.6	34,139	3.7	46,071	3.5
Agency fees	–	–	26,608	1.9	77,097	3.7	45,258	4.8	18,367	1.4
Depreciation and amortisation	3,004	0.3	8,257	0.6	16,889	0.8	7,777	0.8	20,559	1.6
Taxes and surcharges	4,886	0.6	8,860	0.6	14,915	0.7	5,082	0.6	8,023	0.6
Office, travelling, communications cost	27,925	3.2	48,222	3.4	94,343	4.5	34,741	3.7	42,863	3.2
Other cost	19,133	2.2	37,193	2.6	47,294	2.2	5,392	0.6	18,061	1.4
Total cost of sales	878,214	100.0	1,417,589	100.0	2,107,080	100.0	936,628	100.0	1,325,977	100.0

The following table sets out the breakdown of our cost of sales by business line for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Property management services	565,685	64.4	711,398	50.2	1,012,348	48.0	439,798	47.0	826,235	62.3
Value-added services to non-property owners	302,354	34.4	665,604	46.9	1,025,005	48.7	473,373	50.5	460,054	34.7
Community value-added services	10,175	1.2	40,587	2.9	69,727	3.3	23,457	2.5	39,688	3.0
Total cost of sales	878,214	100.0	1,417,589	100.0	2,107,080	100.0	936,628	100.0	1,325,977	100.0

FINANCIAL INFORMATION

Except for certain staff costs as elaborated below, other cost items of our cost of sales would generally increase along with the expansion of our business scale in the absence of any effective cost-control measures. These cost of sales items typically include sub-contracting costs, utilities cost, consumable cost, office, travelling and communications costs of projects. Depending on the staff function and service type, our staff costs can be roughly categorised into two types: (i) staff costs which generally increase along with the increase in our business scale, and (ii) staff costs the increase of which may not necessarily be in line with the expansion of our business.

The first type of staff costs typically include those with respect to: (a) security, cleaning staff and project stewards for our property management services, as well as staff of similar function for sales assistance, pre-delivery and engineering services, and (b) staff for consultancy services the number of which is subject to the business volume of such services in the longer term.

The second type of staff costs typically include those with respect to: (a) project managers and repair and maintenance staff for property management services, as well as similar staff for sales assistance, pre-delivery and engineering services. As our business scale grows and to the extent practicable, such staff are more likely to be designated to multiple projects within the vicinity of one another as part of our measures to optimise staff utilisation, (b) staff for property agency services the number of which is dependent on the number and scale of business venues set up which are in turn affected by the availability of properties for such property agency services. The staff costs incurred therefrom are generally not susceptible to fluctuations in business volume in the short-term, (c) staff for property interior decoration, community space operation and community living services, the majority of which are deployed for soliciting the relevant business engagements, and (d) staff for real estate brokerage and sales of use rights of car park spaces the number of which is subject to the number and scale of business venues set up for such services, and the volume of car park spaces held by us for subsequent sales.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our overall gross profit margins are affected by our business mix and the gross profit margins of our business lines. The following table sets out the breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	9,072	1.6	48,669	6.4	135,850	11.8	54,823	11.1	226,473	21.5
Value-added services to non-property owners	221,765	42.3	363,096	35.3	547,491	34.8	174,989	27.0	216,289	32.0
Community value-added services	2,474	19.6	12,188	23.1	36,953	34.6	4,914	17.3	21,885	35.5
Total/overall	233,311	21.0	423,953	23.0	720,294	25.5	234,726	20.0	464,647	25.9

(Unaudited)

Our overall gross profit margins increased during the Track Record Period, mainly reflecting (i) economies of scale as our GFA under management increased, (ii) successful implementation of cost-control measures with enhanced management efficiency, and (iii) the increase in gross profit margin from property management services. Notwithstanding the impact of COVID-19, our overall gross profit margins increased for the six months ended 30 June 2020 as compared to the same period in 2019 which was primarily attributable to an increase in gross profit margins of property management services and community value-added services.

Property management services

The gross profit margins of property management services were primarily driven by the property management fees we charge and our cost of sales. Our overall average property management fee was approximately RMB3.21, RMB3.15, RMB3.40 and RMB3.03 per sq.m. per month as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our gross profit margins of property management services were relatively low, especially during the early years of the Track Record Period, mainly because we had prioritised serving the needs of our customers for property management and focused more on enhancing our service quality and the establishment of standardised and automated management infrastructure. Such gross profit

FINANCIAL INFORMATION

margins increased significantly during the Track Record Period mainly due to (i) economies of scale as our management infrastructure matured and our GFA under management increased over such periods, (ii) our enhanced operating capabilities with the successful implementation of a series of cost-control measures to improve cost-efficiency, which included (a) centralised purchase to effectively control cost, such as centralised purchase at headquarters or regional levels with respect to sub-contracting services, (b) continued optimisation of staff deployment, and (c) automation and smart management upgrades of communities, such as deploying cleaning machines and auto-patrol systems to reduce reliance on manual labour. We constantly reinforced our efforts in cost-control measures overtime aiming to strike a balance between providing our services with consistent quality and benefiting from the economies of scale from expanding our property management portfolio.

The following table sets out the breakdowns of our gross profit and gross profit margin of property management services by source of projects for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Properties developed by Sunac Group (and its joint ventures and associates)										
– by Sunac Group ⁽¹⁾	7,107	1.5	42,707	7.3	105,772	12.5	42,976	11.7	159,060	23.5
– by joint ventures and associates of Sunac Group ⁽²⁾	1,929	2.1	6,333	3.8	30,069	10.1	11,656	9.2	43,377	18.4
	<u>9,036</u>	1.6	<u>49,040</u>	6.5	<u>135,841</u>	11.9	<u>54,632</u>	11.1	<u>202,437</u>	22.2
Other sources of projects ⁽³⁾⁽⁴⁾	36	1.0	(371)	(5.5)	9	0.2	191	8.6	24,036	17.1
Total/overall	<u>9,072</u>	1.6	<u>48,669</u>	6.4	<u>135,850</u>	11.8	<u>54,823</u>	11.1	<u>226,473</u>	21.5

Notes:

(1) Refer to properties solely developed by Sunac Group or jointly developed by Sunac Group and other parties in which Sunac Group held a controlling interest.

FINANCIAL INFORMATION

- (2) Refer to properties jointly developed by Sunac Group and other parties in which Sunac Group did not hold a controlling interest.
- (3) “Other sources of projects” refers to projects not developed by Sunac Group, either solely or jointly with other parties.
- (4) Our gross profit and gross profit margin of property management service for the six months ended 30 June 2020 only include those of New Century Property Management for the period from 8 May to 30 June 2020 which was derived from other sources of projects.

During the Track Record Period, the gross profit margin of property management services for other sources of projects were considerably lower than that of our managed projects developed by Sunac Group (and its joint ventures and associates) and we had a gross loss of RMB0.4 million in 2018 with respect to property management services for other sources of projects. From 2017 to 2019, we managed only three projects from other sources. Losses of two of these projects were primarily due to longer operating history of projects and lower property management fee charged. We had terminated these projects as at 31 December 2018. The third project incurred losses at the preliminary stage of the project and subsequently turned profitable in 2019. Our projects from other sources for the six months ended 30 June 2020 mainly comprised of projects managed by New Century Property Management whose gross profit margin for property management services was adversely impacted by COVID-19 as New Century Property Management derived a higher percentage of property management services revenue from non-residential properties, including commercial, public and other properties, whereby discounts for property management fees were offered to certain customers to help relieve their financial burden during such a period.

Value-added services to non-property owners

The gross profit margin of value-added services to non-property owners was primarily impacted by changes in service mix. Such gross profit margin decreased from 2017 to 2019 because there was a general increase in revenue contribution from service types with relatively lower gross profit margins, such as property agency services and a general decrease in revenue contribution from service types with relatively higher gross profit margins, such as consultancy services. The increase in the gross profit margin of value-added services to non-property owners in the first half of 2020 as compared to the same period in 2019 was primarily attributable to (i) a decrease in revenue contribution from property agency services, mainly resulting from the impact of COVID-19 for such services, which generally had a lower gross profit margins, and (ii) an increase in revenue contribution from consultancy which generally had a higher gross profit margin.

Community value-added services

The gross profit margin of community value-added services generally increased during the Track Record Period primarily because of changes to service mix and economies of scale as our property management scale and customer base expanded. The increase of such gross profit margin in 2018 and 2019 was mainly attributable to the sale of use rights of car park spaces as we commenced with such sales in 2018. The increase of gross profit margin for

FINANCIAL INFORMATION

community value-added services in the first half of 2020 as compared to the same period in 2019 was mainly due to enhanced work efficiency by our staff as we benefited from economies of scale and optimised the utilisation of our staff to provide community value-added services for multiple projects.

Administrative Expenses

Administrative expenses include (i) staff salaries and benefits, (ii) office expenses, (iii) travelling, transportation and business entertainment expenses, (iv) listing expenses, (v) recruitment and training expenses, (vi) depreciation and amortisation, and (vii) other miscellaneous administrative expenses, such as professional fees and bank charges.

The following table sets out the breakdown of administrative expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Staff salaries and benefits . . .	138,422	206,596	303,694	127,261	116,334
Office expenses	14,762	24,501	19,806	10,954	16,424
Travelling, transportation and business entertainment expenses	20,012	32,125	26,010	11,268	10,945
Listing expenses	–	–	–	–	8,324
Recruitment and training expenses	7,959	10,326	11,913	2,660	3,697
Depreciation and amortisation	4,661	8,922	17,786	8,784	10,765
Others	10,459	11,907	3,919	3,697	8,667
Total	<u>196,275</u>	<u>294,377</u>	<u>383,128</u>	<u>164,624</u>	<u>175,156</u>

We generally incurred increasing administrative expenses during the Track Record Period, which were primarily due to an increase in staff salaries and benefits as we expanded our business. Our administrative expenses accounted for 17.7%, 15.9%, 13.5%, 14.0% and 9.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. We have been dedicated to continuously maximising our administrative efficiency through optimisation of management structure and execution of systematic lean management.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Selling and marketing expenses include (i) advertising and promotion expenses in connection with our marketing and brand promotion activities, (ii) salaries and benefits of selling and marketing staff, and (iii) other miscellaneous selling and marketing expenses.

Our selling and marketing expenses were RMB0.1 million, RMB3.7 million, RMB18.7 million, RMB6.6 million and RMB10.2 million for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively, which accounted for approximately 0.0%, 0.2%, 0.7%, 0.6% and 0.6% of our total revenue for the respective periods.

The increase of our selling and marketing expenses during the Track Record Period was primarily due to (i) an increase in advertising and promotion expenses as we enhanced our marketing and brand promotion efforts and conducted a series of brand activities, together with an increase in the number of our brand promotion staff with increased salaries and benefits, and (ii) an increase in staff salaries and benefits and other expenses for market development as we expanded our market development team and reinforced our efforts to obtain projects from other sources starting from 2019.

Net Impairment Losses on Financial Assets

Impairment losses on trade and other receivables (excluding trade and other receivables from related parties) are represented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The following table sets out our net impairment losses on financial assets for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Impairment losses					
Movement in loss allowance					
for trade and other					
receivables (excluding					
trade and other receivables					
from related parties)	3,653	4,346	6,074	8,989	16,672

FINANCIAL INFORMATION

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reversal of previous impairment losses	(2,190)	(2,811)	(3,315)	(4,352)	(7,311)
Net impairment losses on trade and other receivables	1,463	1,535	2,759	4,637	9,361

Other Income and Expenses

Other income and expenses mainly consist of (i) interest income from loans to a related party, (ii) government grants mainly representing financial support funds from local government for our business development which are without unfulfilled conditions or other contingencies attached to such government grants, and (iii) others, which comprise other income, such as liquidated damages from counterparties and other compensation, and other expenses, such as administrative penalty expenses and donations.

The following table sets out the breakdown of other income and expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income and expenses					
Interest income from a related party	82,825	43,556	11,134	11,134	17,629
Government grants	2,485	1,500	23,813	6,840	13,451
Others – net	225	857	1,657	333	216
	85,535	45,913	36,604	18,307	31,296

FINANCIAL INFORMATION

During the Track Record Period, interest income from a related party represented interest income from the loans we granted to a related party, namely, Sunac Real Estate, a subsidiary of Sunac China, (i) in an aggregate principal amount of RMB1,100.0 million provided in 2016 and subsequently settled as at 31 December 2019, (ii) in an aggregate principal amount of RMB500.0 million provided in 2017 and subsequently settled as at 31 December 2018, and (iii) in a principal amount of RMB400.0 million provided in the first half of 2020 and with the principal thereof subsequently settled as at 30 June 2020. For further details, see “— Indebtedness — Borrowings”, “— Related Party Transactions and Balances” and Note 27 and Note 34(a) of the Accountant’s Report in Appendix IA of the prospectus.

Other Gains and Losses

Other gains and losses mainly represent (i) fair value gains from wealth management products, and (ii) fair value gains on financial assets at fair value through profit or loss (“**FVPL**”) with respect to unlisted equity interest in an investee company. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we had other gains of RMB16.3 million, RMB2.5 million, RMB4.2 million, RMB1.3 million and RMB3.6 million, respectively. For more details, see “— Description of Selected Consolidated Statement of Financial Position Line Items — Financial Assets at Fair Value through Profit or Loss” and Note 8 and Note 24 of the Accountant’s Report in Appendix IA to this prospectus.

Finance Income and Finance Costs

Finance income mainly represents (i) exchange gains related to bank deposits denominated in Hong Kong dollars, and (ii) interest income on bank deposits. Finance costs mainly represent (i) interest expense of an asset-backed securitisation arrangement of RMB1,100.0 million we entered into in 2016 (the **ABS**), (ii) interest expense of other borrowings in relation to our borrowings in aggregate principal amount of RMB500.0 million from a third-party financial institution in 2017 (the **2017 borrowings**), and (iii) interest of lease liabilities charged to profit or loss over the lease period under certain of our lease arrangements. For further details of the ABS and other borrowings, see “— Indebtedness”. For further details of our lease liabilities, see “— Description of Selected Consolidated Statement of Financial Position Line Items — Lease Liabilities”.

FINANCIAL INFORMATION

The following table sets out the breakdowns of finance costs and finance income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Finance costs					
– Interest expense of ABS . . .	(51,652)	(41,230)	(11,134)	(11,134)	–
– Interest expense of other borrowings	(31,173)	(2,326)	–	–	(27)
– Interest of lease liabilities	(517)	(1,569)	(2,086)	(1,087)	(1,005)
– Exchange losses	–	–	(8)	(5)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Finance income					
– Interest income on bank deposits	253	474	1,365	456	2,572
– Exchange gains	–	–	–	–	4,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(83,089)</u>	<u>(44,651)</u>	<u>(11,863)</u>	<u>(11,770)</u>	<u>6,389</u>

Share of Post-tax Profits of Associates and Joint Ventures Accounted for Using the Equity Method, Net

Share of post-tax profits of associates and joint ventures accounted for using the equity method represents the share of profits from our investment in a number of associates and joint ventures, namely (i) Chongqing Rongbi, a property management company, in which we held a 50% equity interest as at each of 31 December 2017, 2018 and 2019 and 30 June 2020, (ii) Fuzhou Rongjusheng Property Services Company Limited (“**Fuzhou Rongjusheng**”), a property management company, in which we held a 45% equity interest as at each of 31 December 2019 and 30 June 2020, and (iii) several other companies, primarily engaged in property management business, which became our associates or joint ventures upon the acquisition of New Century Property Management the details of which are set out in Note 19 to the Accountant’s Report included in Appendix IA to this prospectus.

These associates and joint ventures are not significant to us in terms of profit contribution and we have no significant contingent liabilities or commitments relating to our interest in these associates and joint ventures as at each of 31 December 2017, 2018 and 2019 and 30 June 2020.

FINANCIAL INFORMATION

Income Tax Expense

Income tax expense consists of current and deferred income taxes payable by us in the PRC. The following table sets out the breakdown of income tax expense for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Current income tax					
– PRC enterprise income tax	10,796	26,421	82,152	54,832	68,320
Deferred income tax					
– PRC enterprise income tax	463	4,255	(6,123)	(41,313)	(3,447)
	<u>11,259</u>	<u>30,676</u>	<u>76,029</u>	<u>13,519</u>	<u>64,873</u>

Income tax provision of our Group in respect of operations in the PRC 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. The general enterprise income tax rate applied to our Group in PRC is 25%. According to Caishui [2011] No. 58 issued by the PRC authorities on 27 July 2011, “Notice of Taxation on In-depth Implementation of the Strategy for Western Region Development” and relevant regulations of the State Administration of Taxation, from 1 January 2011 to 31 December 2020, enterprises in the encouraged industries located in the western regions are entitled for a preferential enterprise income tax rate of 15%. Some subsidiaries of our Group are qualified to enjoy such preferential enterprise income tax rate during the Track Record Period. Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. No provision for Hong Kong profits tax was made as our Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our effective income tax rates were 20.8%, 23.8%, 22.0%, 20.1% and 20.6%, respectively, which were lower than the statutory income tax rate of 25%. This was mainly attributable to the aforementioned preferential income tax treatment enjoyed by certain of our subsidiaries during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had no matters in dispute or unresolved with any tax authority in any applicable jurisdiction.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON

Six Months Ended 30 June 2020 Compared to Six Months Ended 30 June 2019

Revenue

Revenue increased by 52.9% to RMB1,790.6 million in the first half of 2020 from RMB1,171.4 million in the same period of 2019. This increase was mainly attributable to a significant increase in the revenue of our property management services, along with increases in revenue from value-added services to non-property owners and community value-added services, which were in line with our business growth.

- *Property Management Services.* Revenue from property management services increased significantly by 112.8% to RMB1,052.7 million in the first half of 2020 from RMB494.6 million in the same period of 2019. This increase was mainly attributable to an increase in our GFA under management as we expanded our business through both organic growth and acquisition(s), which reached 105.4 million sq.m. as at 30 June 2020 (including the contribution of GFA under management of 38.6 million sq.m. from projects managed by New Century Property Management since our acquisition thereof on 8 May 2020). Our number of properties under management reached 660 as at 30 June 2020 (including 308 projects managed by New Century Property Management as at the same date).
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners increased by 4.3% to RMB676.3 million in the first half of 2020 from RMB648.4 million in the same period of 2019. Our property agency services had experienced a decrease in revenue in the first half of 2020 as compared to the same period in 2019 primarily as a result of the decrease in business volume as impacted by COVID-19. Save from property agency services, all our other types of value-added services to non-property owners had managed to record an increase in revenue in the first half of 2020 despite of the impact of COVID-19 which had to certain extent slowed down the development schedule of the property developers.
- *Community Value-added Services.* Revenue from community value-added services increased by 117.0% to RMB61.6 million in the first half of 2020 from RMB28.4 million in the same period of 2019. This increase was primarily due to (i) an increase in the revenue from community space operation services to RMB26.6 million in the first half of 2020 from RMB8.3 million in the same period of 2019 mainly due to the revenue from operation of certain parking lots by Chengdu Global Century, (ii) an increase in the revenue from real estate brokerage services and sale of use rights of car park spaces to RMB24.3 million in the first half of 2020 from RMB14.3 million in the same period of 2019, and (iii) an increase in the revenue from property

FINANCIAL INFORMATION

interior decoration services to RMB7.6 million in the first half of 2020 from RMB4.1 million in the same period of 2019, mainly due to an increase in the number of properties delivered for our management and an increase in commission rates we were able to charge as we further strengthen the provision of such services.

Cost of sales

Cost of sales increased by 41.6%, or RMB389.4 million, to RMB1,326.0 million in the first half of 2020 from RMB936.6 million in the same period of 2019, which was in line with our expansion of business scale. This increase was mainly attributable to an increase of RMB209.4 million in the staff cost to RMB821.3 million in the first half of 2020 from RMB611.9 million in the same period of 2019 as a result of an increase in the number of our on-site staff directly providing property management services. The increase was also attributable to an increase of RMB136.9 million in our security, maintenance, cleaning and greening costs to RMB306.7 million in the first half of 2020 from RMB169.7 million in the same period of 2019 primarily due to an increase in the purchase of such sub-contracting services.

Gross profit and gross profit margin

Our gross profit increased by 98.0% to RMB464.6 million in the first half of 2020 from RMB234.7 million in the same period of 2019. The increase in gross profit was mainly due to our expansion of business scale. Our overall gross profit margin increased to 25.9% in the first half of 2020 from 20.0% in the same period of 2019.

- Gross profit margin for property management services increased to 21.5% in the first half of 2020 from 11.1% in the same period of 2019, mainly due to the effect of economies of scale and cost-control measures, such as optimisation of staff deployment and centralised purchase.
- Gross profit margin for value-added services to non-property owners increased to 32.0% in the first half of 2020 from 27.0% in the same period of 2019, mainly due to a change in the composition of the value-added services to non-property owners, with (i) a decrease in revenue contribution from property agency services, primarily resulting from the impact of COVID-19 for such services in the first half of 2020, which had relatively lower gross profit margins, and (ii) an increase in revenue contribution from consultancy services which generally had a higher gross profit margin.
- Gross profit margin for community value-added services increased to 35.5% in the first half of 2020 from 17.3% primarily due to enhanced work efficiency by our staff as we benefited from economies of scale and optimised the utilisation of our staff to provide community value-added services for multiple projects.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses increased by 6.4% to RMB175.2 million in the first half of 2020 from RMB164.6 million in the same period of 2019. This increase was mainly attributable to (i) an increase in listing expenses of RMB8.3 million, (ii) an increase in offices expenses of RMB5.5 million and in other expenses of RMB5.0 million which were generally in line with our business expansion, partially offset by a decrease in staff salaries and benefits of RMB10.9 million primarily due to certain exemptions on social insurance contributions of our administrative related staff following the outbreak of COVID-19.

Selling and marketing expenses

Selling and marketing expenses increased by 55.1% to RMB10.2 million in the first half of 2020 from RMB6.6 million in the same period of 2019. This increase was mainly due to an increase of RMB2.2 million in advertising and promotion expenses as we further enhanced our marketing and brand promotion efforts.

Other income and expenses

Other income and expenses increased to RMB31.3 million in the first half of 2020 from RMB18.3 million in the same period of 2019. This increase was primarily attributable to (i) an increase in interest income from a related party of RMB6.5 million in relation to the loans we granted to Sunac Real Estate in the first half of 2020, and (ii) an increase in government grant of RMB6.6 million mainly in response to COVID-19.

Other gains and losses

Other gains and losses increased to RMB3.6 million in the first half of 2020 from RMB1.3 million in the same period of 2019. This increase was due to an increase of RMB2.2 million in fair value gains from wealth management products.

Finance income – net

We had net finance income of RMB6.4 million in the first half of 2020, primarily comprising exchange gains of RMB4.8 million. We had net finance costs of RMB11.8 million in the first half of 2019. This was primarily because the ABS incurred an interest expense of RMB11.1 million in the first half of 2019 and such ABS was fully repaid by us in April 2019.

Share of net profits of associates and joint ventures

Our share of net profits of associates and joint ventures increased to RMB2.5 million in the first half of 2020 from RMB0.4 million in the same period of 2019, respectively, which was attributable to the profit recorded by our joint venture, Chongqing Rongbi, and several associates and joint ventures of New Century Property Management.

FINANCIAL INFORMATION

Income tax expense

Income tax expense increased by 379.9% to RMB64.9 million in the first half of 2020 from RMB13.5 million in the same period in 2019. This increase was primarily attributable to an increase in profit before income tax which increased by 370.1% to RMB315.7 million in the first half of 2020 from RMB67.1 million in the same period in 2019.

Profit for the period

As a result of the foregoing, profit for the period increased significantly to RMB250.8 million in the first half of 2020 from RMB53.6 million in the same period of 2019 and net profit margin increased to 14.0% in the first half of 2020 from 4.6% in the same period of 2019.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

Revenue

Revenue increased by 53.5% to RMB2,827.4 million in 2019 from RMB1,841.5 million in 2018. This increase was mainly attributable to an increase in the revenue of our property management services, value-added services to non-property owners and community value-added services, respectively, as we expanded our business scale.

- *Property Management Services.* Revenue from property management services increased by 51.1%, or RMB388.1 million, to RMB1,148.2 million in 2019 from RMB760.1 million in 2018. This increase was mainly attributable to an increase in our GFA under management, which increased to 53.0 million sq.m. as at 31 December 2019 from 28.6 million sq.m. as at 31 December 2018, as a result of our business expansion.
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners increased by 52.9%, or RMB543.8 million, to RMB1,572.5 million in 2019 from RMB1,028.7 million in 2018. This increase was mainly attributable to an increase in our provision of sales assistance, consultancy and other services due to an increase in the number of sales activities conducted by the property developers to whom we provided services.
- *Community Value-added Services.* Revenue from community value-added services increased by 102.1%, or RMB53.9 million, to RMB106.7 million in 2019 from RMB52.8 million in 2018. This increase was primarily due to (i) an increase in the number of communities under our management and the residents whom we served, as a result of our expansion of business scale; and (ii) an improved range of value-added services provided to the communities, such as the increased service range provided by our property interior decoration services.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased by 48.6%, or RMB689.5 million, to RMB2,107.1 million in 2019 from RMB1,417.6 million in 2018. This increase was mainly attributable to an increase in our staff costs and sub-contracting costs due to an expansion of our business scale. Our staff costs increased by 49.2%, or RMB435.0 million, to RMB1,320.0 million in 2019 from RMB885.0 million in 2018. Our security, maintenance, cleaning and greening costs increased by 35.1%, or RMB113.7 million, to RMB438.0 million in 2019 from RMB324.3 million in 2018.

Gross profit and gross profit margin

Our gross profit increased by 69.9% to RMB720.3 million in 2019 from RMB424.0 million in 2018. As the increase in our revenue outweighed the increase in cost of sales, our overall gross profit margin increased to 25.5% in 2019 from 23.0% in 2018 primarily due to the economies of scale achieved from our expansion of business scale, as well as the effective cost-control measures.

- *Property management services.* Gross profit margin for property management services increased to 11.8% in 2019 from 6.4% in 2018 mainly due to the effect of economies of scale and cost-control measures, such as optimisation of staff deployment and centralised purchase.
- *Value-added services to non-property owners.* Gross profit margin for value-added services to non-property owners decreased slightly to 34.8% in 2019 from 35.3% in 2018, mainly due to a change in the composition of the value-added services to non-property owners, where (i) an increase in revenue contribution from property agency services which had relatively lower gross profit margins, and (ii) a decrease in revenue contribution from consultancy services which had relatively higher gross profit margins.
- *Community value-added services.* Gross profit margin for community value-added services increased to 34.6% in 2019 from 23.1% in 2018. In addition to economies of scale, the increase was mainly due to an increase in gross profit from sales of use rights of car park spaces and property interior decoration services which had a higher gross profit margin.

Administrative expenses

Administrative expenses increased by 30.1% to RMB383.1 million in 2019 from RMB294.4 million in 2018. This increase was mainly attributable to an increase of RMB97.1 million in staff salaries primarily due to the increase in the number of our business-related and functional management staff as a result of our business expansion, together with an increase in average salary of our staff.

FINANCIAL INFORMATION

Selling and marketing expenses

Selling and marketing expenses increased to RMB18.7 million in 2019 from RMB3.7 million in 2018. This increase was mainly due to (i) an increase in advertising expenses and number of brand design and promotion staff as a result of our enhanced efforts in brand promotion and increased marketing activities in 2019; and (ii) an increase in market development staff as a result of our initiatives in market development and business acquisition in 2019.

Other income and expenses

Other income and expenses decreased by 20.3%, or RMB9.3 million, to RMB36.6 million in 2019 from RMB45.9 million in 2018. This decrease was primarily attributable to a decrease of RMB32.4 million in interest income from a related party and was partially offset by an increase of RMB22.3 million in government grants.

Other gains and losses

Other gains and losses increased by 66.0%, or RMB1.7 million, to RMB4.2 million in 2019 from RMB2.5 million in 2018. This increase was primarily due to an increase of RMB1.9 million in fair value change gains from wealth management products.

Finance costs – net

Net finance costs decreased by 73.4%, or RMB32.8 million, to RMB11.9 million in 2019 from RMB44.7 million in 2018. This decrease was primarily due to a decrease of RMB30.1 million in interest expense of ABS after our full repayment of the ABS in April 2019.

Share of net profits of associates and joint ventures

Our share of net profits of associates and joint ventures increased by 46.0%, or RMB0.4 million, to RMB1.3 million in 2019 from RMB0.9 million in 2018. This was mainly attributable to the increase of profit recorded by Chongqing Rongbi, our joint venture, in 2019.

Income tax expense

Income tax expense increased by 147.8%, or RMB45.3 million, to RMB76.0 million in 2019 from RMB30.7 million in 2018. This increase was primarily attributable to an increase in pre-tax profit which increased by 168.2% to RMB345.9 million in 2019 from RMB129.0 million in 2018.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, profit for the year increased by 174.5%, or RMB171.6 million, to RMB269.9 million in 2019 from RMB98.3 million in 2018 and net profit margin increased to 9.5% in 2019 from 5.3% in 2018.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Revenue increased by 65.7% to RMB1,841.5 million in 2018 from RMB1,111.5 million in 2017. This increase was mainly attributable to an increase in the revenue of our property management services, value-added services to non-property owners and community value-added services, respectively, as we expanded our business scale.

- *Property Management Services.* Revenue from property management services increased by 32.2% to RMB760.1 million in 2018 from RMB574.8 million in 2017. This increase was mainly attributable to an increase in our GFA under management, which increased to 28.6 million sq.m. as at 31 December 2018 from 20.0 million sq.m. as at 31 December 2017, as we expanded our business scale.
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners increased by 96.3% to RMB1,028.7 million in 2018 from RMB524.1 million in 2017. This increase was primarily due to a significant increase in the revenue from sales assistance services driven by an increased number of sales assistance services projects carried out in 2018 as compared to 2017.
- *Community Value-added Services.* Revenue from community value-added services increased by 317.2%, or RMB40.2 million to RMB52.8 million in 2018 from RMB12.6 million in 2017. This increase was primarily due to our commencement of sales of use rights of car park spaces in 2018 which resulted in an increase in the revenue by RMB36.4 million to RMB37.5 million in 2018 from RMB1.1 million in 2017.

Cost of sales

Cost of sales increased by 61.4%, or RMB539.4 million, to RMB1,417.6 million in 2018 from RMB878.2 million in 2017. This increase was mainly attributable to an increase in our staff costs and sub-contracting costs due to an expansion in our business scale. Our staff costs increased by 72.1%, or RMB370.9 million, to RMB885.0 million in 2018 from RMB514.1 million in 2017. Our security, maintenance, cleaning and greening costs increased by 40.4%, or RMB93.3 million to RMB324.3 million in 2018 from RMB231.0 million in 2017.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by 81.7% to RMB424.0 million in 2018 from RMB233.3 million in 2017. As the increase in our revenue outweighed the increase in cost of sales, our overall gross profit margin increased to 23.0% in 2018 from 21.0% in 2017 primarily due to the increase in gross profit margins of property management services and community value-added services.

- *Property management services.* Gross profit margin for property management services increased to 6.4% in 2018 from 1.6% in 2017, which was mainly attributable to an increase in revenue from property management services and the effect of economies of scale and cost control primarily reflected.
- *Value-added services to non-property owners.* Gross profit margin for value-added services to non-property owners decreased to 35.3% in 2018 from 42.3% in 2017 mainly due to (i) a decrease in revenue contribution from consultancy services which had generally higher gross profit margins, and (ii) an increase in revenue contribution from property agency services which had generally lower gross profit margins.
- *Community value-added services.* Gross profit margin for community value-added services increased to 23.1% in 2018 from 19.6% in 2017, primarily due to the addition of sales of use rights of car park spaces to our enhanced business portfolio in 2018.

Administrative expenses

Administrative expenses increased by 50.0%, or RMB98.1 million, to RMB294.4 million in 2018 from RMB196.3 million in 2017. This increase was mainly attributable to (i) an increase of RMB68.2 million in staff salaries and benefits primarily due to the increase in the number of our administrative related staff as a result of our business expansion, and (ii) an increase of RMB21.9 million in travelling, transportation and business entertainment expenses and office expenses.

Selling and marketing expenses

Selling and marketing expenses increased by RMB3.6 million to RMB3.7 million in 2018 from RMB0.1 million in 2017. This increase was mainly because we reinforced our efforts for brand promotion and for recruitment of brand design and promotion staff in 2018 whereas no such expenses were incurred by us in 2017.

FINANCIAL INFORMATION

Other income and expenses

Other income and expenses decreased to RMB45.9 million in 2018 from RMB85.5 million in 2017. This decrease was primarily attributable to a decrease of RMB39.3 million in interest income due to a decrease in loans we made to Sunac Real Estate which were partially repaid by the related party in 2018.

Other gains and losses

Other gains and losses decreased by 84.6% to RMB2.5 million in 2018 from RMB16.3 million in 2017. This decrease was primarily because we recorded fair value gains on financial assets at FVPL with respect to unlisted equity interest in an investee company of RMB16.0 million in 2017 and we subsequently disposed of such unlisted equity interest in 2018.

Finance costs – net

Net finance costs decreased to RMB44.7 million in 2018 from RMB83.1 million in 2017. This decrease was primarily due to (i) a decrease in interest expense of other borrowings to RMB2.3 million in 2018 from RMB31.2 million in 2017 as the 2017 borrowings was repaid in full by us in January 2018, and (ii) a decrease in interest expense of ABS to RMB41.2 million in 2018 from RMB51.7 million in 2017 as we repaid a portion of the ABS in 2018.

Share of net profits of associates and joint ventures

Our share of net profits of associates and joint ventures was nil and RMB0.9 million for the year ended 31 December 2017 and 2018, respectively. This was mainly attributable to the profit recorded by Chongqing Rongbi in 2018.

Income tax expense

Income tax expense increased by 172.5%, or RMB19.4 million, to RMB30.7 million in 2018 from RMB11.3 million in 2017. This increase was primarily attributable to an increase in pre-tax profit which increased by 137.9% to RMB129.0 million in 2018 from RMB54.2 million in 2017.

Profit for the year

As a result of the foregoing, profit for the year increased to RMB98.3 million in 2018 from RMB43.0 million in 2017 and net profit margin increased to 5.3% in 2018 from 3.9% in 2017.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS

The following table sets out our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Non-current assets				
Property, plant and equipment	11,575	19,062	28,981	51,547
Right-of-use assets	11,909	41,788	35,763	51,818
Intangible assets	15,128	20,197	63,230	1,327,090
Deferred tax assets	22,206	15,084	21,698	35,942
Investments accounted for using the equity method . .	500	1,383	2,672	52,381
Prepayments	–	1,082	570	2,380
Other non-current assets	614,600	–	–	62,530
Total non-current assets	675,918	98,596	152,914	1,583,688
Current assets				
Inventories	26,400	46,573	82,336	29,403
Trade receivables	208,102	392,603	586,256	1,076,137
Prepayments and other receivables	752,924	732,692	359,443	216,740
Cash and cash equivalents . .	231,794	371,933	1,090,197	1,171,484
Restricted cash	–	–	–	5,459
Financial assets at fair value through profit or loss	176,000	–	–	225,179
Total current assets	1,395,220	1,543,801	2,118,232	2,724,402
Total assets	<u>2,071,138</u>	<u>1,642,397</u>	<u>2,271,146</u>	<u>4,308,090</u>

FINANCIAL INFORMATION

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity				
Equity attributable to the owner of the Company				
Share capital	–	–	–	88
Combined capital	50,000	50,000	122,760	–
Reserves	9,111	28,640	61,482	1,310,930
(Accumulated losses)/retained earnings	<u>(132,816)</u>	<u>(54,038)</u>	<u>183,018</u>	<u>421,148</u>
	<u>(73,705)</u>	<u>24,602</u>	<u>367,260</u>	<u>1,732,166</u>
Non-controlling interests . . .	<u>–</u>	<u>–*</u>	<u>130,615</u>	<u>34,322</u>
Total equity	<u>(73,705)</u>	<u>24,602</u>	<u>497,875</u>	<u>1,766,488</u>
Liabilities				
Non-current liabilities				
Borrowings	614,600	–	–	–
Lease liabilities	8,126	23,897	15,570	28,683
Trade and other payables . . .	–	–	–	181,624
Deferred tax liabilities	<u>4,160</u>	<u>1,293</u>	<u>6,591</u>	<u>65,639</u>
	<u>626,886</u>	<u>25,190</u>	<u>22,161</u>	<u>275,946</u>
Current liabilities				
Borrowings	713,200	614,600	–	–
Lease liabilities	4,198	15,704	19,461	21,797
Trade and other payables . . .	596,190	648,781	1,086,618	1,417,301
Contract liabilities	194,207	285,182	560,388	728,037
Current income tax liabilities	<u>10,162</u>	<u>28,338</u>	<u>84,643</u>	<u>98,521</u>
	<u>1,517,957</u>	<u>1,592,605</u>	<u>1,751,110</u>	<u>2,265,656</u>
Total liabilities	2,144,843	1,617,795	1,773,271	2,541,602
Total equity and liabilities	<u>2,071,138</u>	<u>1,642,397</u>	<u>2,271,146</u>	<u>4,308,090</u>

* Less than RMB1,000

FINANCIAL INFORMATION

Property, Plant and Equipment

Property, plant and equipment mainly consists of electronic equipment, leasehold improvements, furniture and office equipment, vehicles and machinery.

Property, plant and equipment increased from RMB11.6 million as at 31 December 2017 to RMB19.1 million as at 31 December 2018 and further to RMB29.0 million, primarily due to the procurement of electronic equipment for our business operations and leasehold improvements under our leases. Property, plant and equipment increased from RMB29.0 million as at 31 December 2019 to RMB51.5 million as at 30 June 2020 mainly due to the addition of such assets resulting from the acquisition of New Century Property Management.

Right-of-use Assets

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Assets arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Our right-of-use assets increased from RMB11.9 million as at 31 December 2017 to RMB41.8 million as at 31 December 2018 mainly due to lease of properties for our regional offices as we expanded our business. Our right-of-use assets decreased from RMB41.8 million as at 31 December 2018 to RMB35.8 million as at 31 December 2019 mainly as a result of depreciation of such assets. Right-of-use assets increased to RMB51.8 million as at 30 June 2020 from RMB35.8 million as at 31 December 2019 mainly due to addition of such assets upon the acquisition of New Century Property Management.

Intangible Assets

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we recorded intangible assets of RMB15.1 million, RMB20.2 million, RMB63.2 million and RMB1,327.1 million, respectively, comprising goodwill, customer relationships, software, exclusive operating rights and brand.

Goodwill

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we recorded goodwill of nil, nil, nil and RMB1,020.2 million, respectively. The balance of RMB1,020.2 million of goodwill arose from our acquisition of New Century Property Management in May 2020. Goodwill arises from our acquisition of subsidiaries and was determined at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees. Goodwill has been assessed based on the related acquiree's CGU for impairment testing. Our Directors regard New Century Property Management as one reporting segment and goodwill impairment testing are performed at New Century Property Management level.

FINANCIAL INFORMATION

The recoverable amount of the property management business operated by New Century Property Management have been assessed by an independent valuer and determined based on value-in-use (“VIU”) calculation. The calculation used pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Management determined a projection period of five years based on expected development trend of New Century Property Management and industry experiences. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the related industry in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry. The following table sets out each key assumption as at 30 June 2020, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue 2020 (% annual growth rate)	21.0%
Revenue 2021 (% annual growth rate)	20.3%
Revenue 2022 to 2024 (% annual growth rate)	9.8%-19.0%
Net profit margin (% of revenue)	7.2%-8.3%
Terminal growth rate	3.0%
Pre-tax discount rate	19.3%

As at 30 June 2020, the recoverable amount of RMB1,321.3 million, which was calculated based on VIU calculation, exceeded its carrying amount of RMB1,296.2 million (including goodwill of RMB1,028.8 million) by RMB25.1 million, all calculated based on a 100% of shareholding of New Century Property Management.

The Directors of our Company have undertaken sensitivity analysis based on the assumptions that expected growth rate of revenue or pre-tax discount rate would be changed by taking into account the volatility of the business and industry in which New Century Property Management is engaged. The following table sets out 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 30 June 2020:

Expected annual growth rate	-1.79%
	(Revenue 2020 to 2024 annual growth rates decrease to 9.62%-20.62%)
Pre-tax discount rate	+1.74%
	(increase to 19.64%)

If the expected annual growth rate used in VIU calculation had been 1% lower than management estimates as at 30 June 2020, the recoverable amount calculated based on VIU calculation would be less than its carrying amount by RMB57.2 million. If the expected pre-tax discount rate had been 1% higher than management estimates as at 30 June 2020, the recoverable amount calculated based on VIU calculation would be less than its carrying amount by RMB46.7 million. Except for the above changes, our Directors consider that there is no reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount. With reference to the recoverable amount assessed as at 30 June 2020, the Directors have determined that there was no provision for impairment of goodwill for the Track Record Period.

FINANCIAL INFORMATION

Other intangible assets

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we recorded intangible assets of customer relationships of RMB15.1 million, RMB20.2 million, RMB51.6 million and RMB237.2 million, respectively. Such assets arose from (i) our acquiring in 2017 and 2018 of the property management rights for five projects from third-party property management companies pursuant to several property management handover agreements at the aggregate consideration of RMB24.8 million. The expected useful life of the customer relationship of the five projects was between 5 to 7.75 years, which was determined according to the remaining years of each property management service contract with an additional 5 years assuming renewal of such contracts, (ii) the consolidation of Chengdu Global Century into our Group as at 31 December 2019 with customer relationships of RMB35.6 million recognised by our Group as at the same date. The expected useful life of the customer relationship of Chengdu Global Century was 5 years, which was determined assuming a renewal term of 5 years. As the contract terms of the relevant preliminary property management service contracts had expired as at the valuation date, no remaining years of the preliminary property management service contracts were counted with respect to the expected useful life of customer relationship for such contracts, and (iii) our acquisition of New Century Property Management on 8 May 2020 with customer relationships of RMB195.6 million recognised by our Group as at the same date. The expected useful life of the customer relationships of New Century Property Management was estimated as 8 years for residential property management service contracts and 5 years for non-residential property management service contracts, respectively. The useful life was determined with reference to the remaining contract period of the previous property management service contract and the expected renewal term of the project based on the historical experience of renewal status of projects of New Century Property Management.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we recorded intangible assets of software of nil, nil, RMB11.6 million and RMB18.1 million, respectively, mainly in relation to the software we purchased for internal management and business operations. As at the same dates, we recorded intangible assets of exclusive operating rights of nil, nil, nil and RMB5.2 million, respectively, which arose from the refundable deposits of car park spaces in connection with the exclusive property agency agreements entered into by our Group with Sunac Group (and its joint ventures and associates). For details, see “— Description of Selected Consolidated Statement of Financial Position Line Items — Inventories”. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we recorded intangible assets of brand of nil, nil, nil and RMB46.5 million, respectively. The intangible assets of brand as at 30 June 2020 arose from our acquisition of New Century Property Management. The useful life of brand was determined with reference to the reputation of New Century Property Management within the industry and the geographic locations where it operates and the estimated sustainable life of its influence. According to public information of the acquisition cases of listed companies, the useful life of brand asset in the acquisition transactions of property management companies in the PRC is normally within 5 to 10 years. The useful life estimated of brand asset arising from the acquisition of New Century Property Management was within such an industry range.

FINANCIAL INFORMATION

For further details of our intangible assets, see Note 17 of the Accountant’s Report in Appendix IA to this prospectus.

Inventories

Our inventories amounted to RMB26.4 million, RMB46.6 million, RMB82.3 million and RMB29.4 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, mainly comprising (i) the purchase of use rights of car park spaces from Sunac Group (and its joint ventures and associates) for subsequent sale to third-parties, and (ii) other materials mainly representing tools and materials used in engineering, cleaning and security services.

The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2020</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Car park spaces	26,399	44,838	66,937	–
Other materials	1	1,735	15,399	29,403
	26,400	46,573	82,336	29,403

Our inventories were RMB26.4 million, RMB46.6 million and RMB82.3 million as at 31 December 2017, 2018 and 2019, respectively. This increase was mainly attributable to (i) an increase in purchase of use rights of car park spaces from Sunac Group as we entered into the relevant arrangements in 2018, and (ii) an increase in engineering tools and materials as we started to provide engineering services in 2018, together with an increase in other materials for project maintenance and business operations.

Since 30 June 2020, we entered into the Car Park Agency Agreements with entities of Sunac Group (and its joint ventures and associates) as described in “Business — Value-added Services to Non-property Owners — Property Agency Services”. Pursuant to some of the Car Park Agency Agreements, we shall transfer our inventories of use rights of unsold car park spaces as at 30 June 2020 to Sunac Group (or its joint ventures or associates) and shall, in lieu thereof, provide car park agency services with respect to the use rights of car park spaces so transferred. Any outstanding trade payables for purchase of such inventories shall be re-designated as deposit payables under other payables to related parties. Upon completion or termination of each such agreement, the remaining balance of the deposits in respect of any unsold car park spaces, shall be refunded to us by Sunac Group (or its joint ventures or associates) in full. As a result of the foregoing arrangement, our inventories of use rights of car park spaces became nil as at 30 June 2020. For further details, see Note 20 to the Accountant’s Report set out in Appendix IA to this prospectus.

FINANCIAL INFORMATION

Our inventories of other materials increased to RMB29.4 million as at 30 June 2020 from RMB15.4 million as at 31 December 2019 primarily as a result of increase in materials upon acquisition of New Century Property Management.

As at 30 September 2020, RMB12.9 million, or 44.0%, of our total inventories as at 30 June 2020 had been subsequently utilised.

Trade Receivables

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Our trade receivables mainly arise from our property management services provided on a lump sum basis and value-added services. We generally do not grant a credit term to our customers.

The following table sets out the breakdown of the trade receivables as at the dates indicated.

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade Receivables				
– Related parties	97,848	254,914	349,303	475,419
– Third parties	115,474	143,819	248,693	618,158
	213,322	398,733	597,996	1,093,577
Less: allowance for impairment of trade receivables	(5,220)	(6,130)	(11,740)	(17,440)
	208,102	392,603	586,256	1,076,137

Our trade receivables from third parties are primarily related to property management fees and the balances of which increased during the Track Record Period. This was mainly attributable to an increase in our property management revenue as we expanded our business with an increase in our GFA under management. Our trade receivables from related parties are primarily related to value-added services to non-property owners and the balances of which increased during the Track Record Period along with the increase in revenue from our value-added services to non-property owners. We had a higher balance of trade receivables as at 30 June 2020 as compared to as at 31 December 2019. This was mainly due to the seasonal fluctuations in the collection of our trade receivables which we believe reflects certain of our customers; tendency to pay their property management fees toward the year-end out of

FINANCIAL INFORMATION

payment preference and convenience. As advised by China Index Academy, such practice is in line with industry norm in the PRC. The increase in the balance of trade receivables as at 30 June 2020 was also attributable to the increase in such balance resulting from our acquisition of New Century Property Management in May 2020.

As at 30 September 2020, RMB452.8 million, or 41.4%, of our total trade receivables as at 30 June 2020 had been subsequently settled.

As at 30 September 2020, RMB264.5 million, or 55.6%, of our total trade receivables of related parties as at 30 June 2020 had been subsequently settled. As at 30 September 2020, RMB188.3 million, or 30.5%, of our total trade receivables of non-related parties as at 30 June 2020 had been subsequently settled.

We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. The following table sets out an aging analysis of our trade receivables, based on the date of revenue recognition, as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Related parties				
– Within 3 months	85,985	223,376	297,340	315,651
– 3 to 6 months	5,780	18,628	24,340	76,739
– 7 to 9 months	5,272	9,332	16,082	49,746
– 10 months to 1 year	811	3,578	11,541	33,283
Sub-total	<u>97,848</u>	<u>254,914</u>	<u>349,303</u>	<u>475,419</u>
Third parties				
– Within 3 months	33,848	45,256	75,647	243,744
– 3 to 6 months	19,309	21,343	34,169	145,122
– 7 to 9 months	16,024	17,034	26,590	55,615
– 10 months to 1 year	11,520	14,384	16,926	38,754
– 1 to 2 years	22,646	27,823	43,024	91,581
– 2 to 3 years	6,763	13,079	31,418	25,738
– 3 to 4 years	2,970	2,409	16,841	12,506
– 4 to 5 years	1,051	1,379	3,040	3,863
– Over 5 years	1,343	1,112	1,038	1,235
Sub-total	<u>115,474</u>	<u>143,819</u>	<u>248,693</u>	<u>618,158</u>
	<u>213,322</u>	<u>398,733</u>	<u>597,996</u>	<u>1,093,577</u>

FINANCIAL INFORMATION

We expect the settlement progress of related parties, namely Sunac Group and its joint ventures and associates, will remain similar and in accordance with the credit periods, if any, granted after the Listing.

Trade receivables aged over one year amounted to RMB34.8 million, RMB45.8 million, RMB95.4 million and RMB134.9 million as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively, which accounted for 16.3%, 11.5%, 15.9% and 12.3% of our trade receivables as at the respective dates. Our Directors consider that there is no material recoverability issue with respect to such trade receivables aged over one year for the following reasons: (i) such trade receivables are from independent third parties which are primarily related to property management fees receivables from a large number of individual property owners each involving a relatively limited amount of outstanding trade receivables, (ii) we monitor long-aging trade receivables closely and request the collection status thereof to be reported regularly to our headquarters and the management of regional offices. We have also set up internal targets for the collection of property management fees which are tied to the performance evaluation and employee benefits of our relevant business staff, (iii) as further elaborated in “Business — Property Management Services — Property Management Fees — Collection of Property Management Fees”, we have taken various measures to enhance the collection of such trade receivables. In the event of significant payment delays after repeatedly failed collection attempts, we may resort to legal proceedings to collect the outstanding property management fees, and (iv) we have, in accordance with applicable HKFRSs, made provision for these long-aging trade receivables based on their respective expected credit loss rate.

The following table sets out our trade receivables turnover days for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Trade receivables turnover days ⁽¹⁾	68	78	76	109
Trade receivables turnover days of related parties . .	60	82	73	107
Trade receivables turnover days of non-related parties	78	71	80	112

Note:

- (1) Our trade receivables turnover days for a certain period is derived by dividing the closing balances of trade receivables (net of allowance for impairment) by revenue for the relevant period and then multiplied by the number of days in the relevant period.

FINANCIAL INFORMATION

Trade receivables turnover days indicates the time required for us to collect cash payments from provision of services. Our trade receivables turnover days increased from 68 days in 2017 to 78 days in 2018 which was mainly attributable to a slower collection of trade receivables from related parties. Our trade receivables turnover improved slightly in 2019 with trade receivables turnover days of 76 days. The trade receivables turnover days increased from 76 days in 2019 to 109 days in the first half of 2020 which was attributable to the slower collection of trade receivables from our customers mainly due to (i) seasonal fluctuations in payment collection and (ii) the impact from COVID-19 during such period.

We apply the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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. The expected credit losses also incorporate forward looking information.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we have assessed that the expected loss rate for trade receivables from related parties was immaterial considering the good finance position and credit history of the entities. Thus, no loss allowance provision for trade receivables from related parties was recognised during the Track Record Period.

As at 31 December 2017, 2018 and 2019, no individually impaired trade receivables was identified after our management's assessment. As at 30 June 2020, a loss allowance of individually impaired trade receivables was determined with respect to the originally impaired trade receivables of RMB5.4 million from New Century Property Management since the date of our acquisition thereof. See Note 3.1(b) of the Accountant's Report set out in Appendix IA to this prospectus for more details of the expected loss rates adopted and loss allowance provision for our trade receivables from third parties.

We have formulated and implemented various measures to expedite the recovery of our trade receivables. For details, see "Business — Property Management Services — Property Management Fees". We set internal targets for collection of trade receivables with respect to property management services and value-added services to non-property owners, respectively. The achievement of these targets are also tied to the performance evaluation and employee benefits of our relevant business staff. For community value-added services which in most cases involve pre-paid fees with limited trade receivables, we follow up on any outstanding trade receivables relating thereto on a case by case basis.

In determining the loss provision for trade receivables, we consider whether there is a significant increase in credit risk of the receivables. To assess whether there is a significant increase in credit risk, we compare the risk of default occurring on the receivables as at the reporting date with the risk of default as at the date of initial recognition. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we made an allowance for impairment of trade receivables in the amount of RMB1.1 million, RMB0.9 million, RMB2.2 million, RMB3.9 million and RMB4.2 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in collecting trade receivables from both related parties and third parties.

FINANCIAL INFORMATION

Prepayments and Other Receivables

Prepayments mainly represent: (i) prepayments in relation to utility fees for common area facilities, (ii) prepayments for rental fees, (iii) prepayments to suppliers for materials for engineering and maintenance services, and (iv) other prepayments such as prepayments for insurance, telecommunication fees and other miscellaneous prepayments related to business operations.

Other receivables represent: (i) loan to a related party in relation to the loans provided by us to Sunac Real Estate in 2016 and 2017 which were fully repaid as at 31 December 2019, (ii) other receivables from related parties, (iii) payments on behalf of property owners mainly in relation to utility fees, (iv) advance payments to employees for business purposes, (v) deposits which represent performance guarantees placed by us with third-parties for business contracts and deposits for participating in tender and bidding process for obtaining projects, and (vi) other miscellaneous types of other receivables. Other receivables from related parties mainly represent: (a) advance to related parties which are non-trade in nature, (b) payments on behalf of related parties mainly in connection with staff salaries and benefits for transferred personnel, (c) interest receivable in relation to loans to related parties, and (d) performance guarantees and bidding guarantees placed with related parties. Advance payments to employees for business purposes were primarily relating to petty cash fund advanced to employees for payment of utilities, purchase of materials, expenses for team-building activities and internal meetings and other costs or expenses to be incurred by employees for our daily operations. As at 30 September 2020, RMB8.0 million, or 72.2%, of advance payments to employees for business purposes as at 30 June 2020 had been subsequently settled.

The following table sets out the breakdowns of our prepayments and other receivables as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Prepayments								
- Utilities	4,573	-	7,637	-	5,711	-	9,300	-
- Short-term rental fees	758	-	2,692	-	5,323	-	11,466	-
- Raw materials for engineering and maintenance services	-	-	817	-	1,992	-	5,451	-
- Deferred listing expenses	-	-	-	-	-	-	2,486	-
- Others	1,365	-	1,120	1,082	5,430	570	13,958	2,380
	6,696	-	12,266	1,082	18,456	570	42,661	2,380

FINANCIAL INFORMATION

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Other receivables								
- Related parties . . .	3,222	-	69,612	-	282,262	-	81,188	56,667
- Loan to a related Party . . .	713,200	614,600	614,600	-	-	-	-	-
- Payments on behalf of property owners	12,547	-	18,113	-	36,995	-	49,606	-
- Employees in advance	7,311	-	8,982	-	11,492	-	11,037	-
- Deposits	5,488	-	6,781	-	10,148	-	35,069	5,863
- Others	5,263	-	3,766	-	2,185	-	2,935	-
	<u>747,031</u>	<u>614,600</u>	<u>721,854</u>	<u>-</u>	<u>343,082</u>	<u>-</u>	<u>179,835</u>	<u>62,530</u>
Less: allowance for impairment of other receivables	(803)	-	(1,428)	-	(2,095)	-	(5,756)	-
	<u>746,228</u>	<u>614,600</u>	<u>720,426</u>	<u>-</u>	<u>340,987</u>	<u>-</u>	<u>174,079</u>	<u>62,530</u>
Total prepayments and other receivables	<u>752,924</u>	<u>614,600</u>	<u>732,692</u>	<u>1,082</u>	<u>359,443</u>	<u>570</u>	<u>216,740</u>	<u>64,910</u>

Prepayments increased from RMB6.7 million as at 31 December 2017 to RMB13.3 million as at 31 December 2018. This increase was mainly attributable to an increase in prepayments for utilities and short-term rental fees. Prepayments increased from RMB13.3 million as at 31 December 2018 to RMB19.0 million as at 31 December 2019, which was mainly attributable to (i) an increase in other prepayments in relation to prepayments for insurance, telecommunication fees and other miscellaneous business operations related prepayments and (ii) an increase in prepayments for short-term rental fees as we expanded our business and leased more properties in the PRC for our business operations and staff dormitories. Prepayments increased from RMB19.0 million as at 31 December 2019 to RMB45.0 million as at 30 June 2020 which was primarily attributable to increases in balances of (i) other prepayments mainly comprising of prepayments by New Century Property Management to its sub-contracting services providers, and (ii) short-term rental fees mainly in relation to lease arrangements of New Century Property Management and those for business venues of our property agency services.

FINANCIAL INFORMATION

Apart from other receivables from related parties and loan to a related party, the increase in the balances of our other receivables during the Track Record Period, such as payments on behalf of property owners of utility fees, advance to employees and deposits placed for tender and bidding process, were primarily attributable to the increase in the number of projects we manage.

Before allowance for impairment of other receivables, we had other receivables from related parties of RMB3.2 million, RMB69.6 million, RMB282.3 million and RMB137.9 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such balances increased from as at 31 December 2017 to as at 31 December 2019 mainly as a result of the increase in advance to related parties which are non-trade in nature. The other receivables from related parties of RMB282.3 million as at 31 December 2019 were primarily attributable to advance to related parties by Chengdu Global Century as it was consolidated into our financial information since 31 December 2019. As at the date of this prospectus, such non-trade other receivables from related parties had been fully settled.

Other receivables from related parties as at 30 June 2020 included present values of the refundable deposits in connection with the Car Park Agency Agreements of RMB101.8 million, out of which (i) RMB57.6 million was re-designated from our inventories of unsold car park spaces as at 30 June 2020, of which there was no cash flow effect as at the same date. To the extent these inventories involved outstanding trade payables for the purchase thereof, such trade payables were re-designated as deposit payables under other payables to related parties, and (ii) RMB44.2 million represented present values of refundable deposits to be paid by us in respect of additional car park spaces of Sunac Group (and its joint ventures and associates) whereby we were to directly provide property agency services for the term of the Car Park Agency Agreement(s). At the date of the sale of each individual car park space, we would receive the sale proceeds at the actual sales price of the car park space from the third-party customer which would cover the related deposit in respect of such car park space whereas the remainder thereof shall be recognised as our revenue from such car park agency services. Upon completion or termination of each Car Park Agency Agreement, the remaining balance of the deposits in respect of any unsold car park spaces shall be refunded to us by Sunac Group (or its joint ventures or associates) in full. As at 30 June 2020, the refundable deposits of RMB101.8 million were measured at their present values by discounting the expected cash flow based on our management's best estimation for the utilisation of these deposits upon sale of the relevant car park spaces and the entity's incremental borrowing rates. Non-current portion for other receivables from related parties is derived from the best estimation of utilisation of these deposited sales of car park spaces for over one year pursuant to the Car park Agency Agreements. The difference between the present values of the refundable deposits and the contractual amounts of deposits was recognised as the right of exclusive agency and included in intangible assets. For further details, see “— Description of Selected Consolidated Statement of Financial Position Line Items — Inventories” and “— Description of Selected Consolidated Statement of Financial Position Line Items — Intangible Assets”.

For further details regarding our other receivables from related parties, see “— Related Party Transactions and Balances” and Note 34(b) of the Accountant's Report as set out in Appendix IA to this prospectus.

FINANCIAL INFORMATION

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2017, we had financial assets at fair value through profit or loss (FVPL) for unlisted equity securities of RMB176.0 million in relation to our equity investment in an unlisted company, E-House Enterprise (China) Group Co., Ltd. (“E-House China”), in which we held a 2% equity interest. E-House China is a leading real estate transaction service provider in China and is a wholly-owned subsidiary of E-House (China) Enterprise Holdings Limited, which was listed on the Main Board of the Stock Exchange (stock code: 2048) in July 2018. For the year ended 31 December 2017, the fair value change of RMB16.0 million was recorded in other gains on our consolidated statement of profit or loss. In March 2018, in connection with the listing of E-House (China) Enterprise Holdings Limited on the Stock Exchange and a share swap for the investment to be held by an offshore subsidiary of Sunac China, we disposed of our equity interest in E-House China to this offshore subsidiary of Sunac China at a consideration of RMB176.0 million.

As at 30 June 2020, we had financial assets at FVPL of RMB225.2 million representing the fair value of certain non-principal protected RMB-denominated wealth management products that we purchased from licensed commercial banks in the PRC. These wealth management products had an expected interest rate from 1.3% to 6.2% per annum with generally no fixed maturity date and were redeemable upon demand.

We would in general invest in wealth management products with reasonable risk profile in accordance with our internal investment and treasury policies. Such investments were made by us with a view to gaining reasonably higher short-term investment returns on our surplus cash than regular bank deposits. After the Listing, we will consider to invest in wealth management products when we have surplus cash that is not required for any of our working capital purposes so as to gain higher investment returns on our excess cash than regular bank deposits. We will take a prudent approach in selecting such investment products issued by reputable financial institutions with reasonable risk features and annualised interest rate above the bank deposit interest rate. We will take internal control measures to review and monitor such investment decisions in terms of investment limit, risk assessment and management, as well as internal procedures for maintaining and monitoring relevant accounting record.

Unlisted equity securities and wealth management products are categorised as financial assets within level 3 of fair value measures which involve one or more significant inputs that is not based on observable market data. Our Directors have established and implemented rules and procedures to ensure the reasonableness of the valuation of such financial assets at fair value through profit or loss categorised within level 3 of fair value, including but not limited to: (i) our Group’s finance department is required to compile an investment report providing the information such as the investment target, investment term, investment amount, expected return rate, source of capital, investment return analysis and investment risk analysis, (ii) depending on the size of the investment, the investment will be approved by the Board or the responsible officers, (iii) the Board will conduct regular review on the status and returns of our major investments, and (iv) for level 3 investments, our Directors and responsible officers review the fair value measurement of the financial investments taking into account of the

FINANCIAL INFORMATION

valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable HKFRS. Having performed the above procedures, our Directors consider that the carrying amount of the level 3 investments including unlisted equity securities and wealth management products during the Track Record Period were reasonable and approximate to the fair values due to the short maturities of the investments. In addition, the Reporting Accountant has performed procedures in accordance with HKSIR200 on the historical financial information of our Group for the Track Record Period as a whole and issued an opinion on the historical financial information as set out in the Accountant's Report in Appendix IA to this prospectus.

Taking into account (i) our Directors' view as stated above; (ii) the unqualified opinion on our historical financial information for the Track Record Period as a whole issued by the Reporting Accountant; and (iii) the independent due diligence work performed by the Joint Sponsors, including (a) reviewing the disclosures in relevant notes (in particular note 24) to the Accountant's Report, which is set out in Appendix IA to this prospectus; (b) discussions with our management as to the relevant valuation work performed; (c) obtaining and reviewing the valuation report prepared by the independent valuer in relation to the unlisted equity securities which contain, among other things, the methodology, bases and assumptions adopted by it in arriving at its valuation; and (d) reviewing, on a sampling basis, product manuals with respect to the wealth management products held by our Group to understand their general features and risk levels as well as transaction records underlying the subscription and redemption of such products during the Track Record Period, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the valuation of our Group's financial assets categorised within level 3 of fair value measurements.

Trade Payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Our suppliers grant us credit terms generally ranging from 30 to 90 days.

The following table sets out the breakdown of our trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– Related parties	–	–	43,131	–
– Third parties	88,693	126,729	203,258	314,361
	88,693	126,729	246,389	314,361

FINANCIAL INFORMATION

The increase in trade payables to third parties from RMB88.7 million as at 31 December 2017 to RMB126.7 million as at 31 December 2018 and further to RMB203.3 million as at 31 December 2019 was primarily due to the expansion of our business, reflecting (i) an increase in the purchase of sub-contracting services from third-party service providers, and (ii) an increase in the purchase of other materials from suppliers, such as the materials and components used in engineering, cleaning and security services. Trade payables to related parties were in relation to our purchase of use rights of car park spaces from Sunac Group (and its joint ventures and associates). Such balance decreased to nil as at 30 June 2020 from RMB43.1 million as at 31 December 2019 primarily because, pursuant to the Car Park Agency Agreements, our trade payables to related parties for purchase of the use rights of car park spaces were re-designated to other payables to related parties with respect to the deposits payables to Sunac Group (and its joint ventures and associates).

The following table sets out an aging analysis of our trade payables based on the invoice date as at the dates indicated, and our average trade payables turnover days for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	85,606	123,014	241,930	308,035
1 to 2 years	2,143	2,434	2,808	3,824
2 to 3 years	722	810	1,059	1,866
Over 3 years	222	471	592	636
	88,693	126,729	246,389	314,361
Trade payables turnover days ⁽¹⁾	37	33	43	43

Note:

- (1) Our trade payables turnover days for a certain period is derived by dividing the closing balances of trade payables by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

Trade payables turnover days indicates the time we take to make payments to suppliers. Our trade payables turnover days are well within the credit term typically granted by our suppliers which was ranging from 30 to 90 days.

FINANCIAL INFORMATION

As at 30 September 2020, RMB183.5 million, or 58.4%, of our total trade payables as at 30 June 2020 had been subsequently settled.

Other Payables

Other payables represent (i) other payables to related parties which are non-trade in nature and mainly comprising advance from related parties, (ii) deposits from third parties, (iii) amounts collected on behalf of property owners (a) for subsequent payment to utility providers, and (b) arising from income generated from community space operation services which belongs to property owners, (iv) interest payable to third parties for the ABS and 2017 borrowings, which were fully repaid by us as at 31 December 2019, and (v) accruals and others including withholding social insurance contribution on behalf of employees and other administrative and office expenses and selling expenses.

The following table sets out the breakdown of our other payables as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Other payables								
- Related parties	241,229	-	136,286	-	224,102	-	99,106	-
- Third parties	131,683	-	174,151	-	255,307	-	660,359	181,624
- Deposits	74,954	-	95,302	-	149,027	-	206,506	-
- Amounts collected on behalf of property owners	33,780	-	51,833	-	69,323	-	136,875	-
- Interests payable	8,284	-	6,239	-	-	-	-	-
- Consideration payable for acquisition of New Century Property Management	-	-	-	-	-	-	242,165	181,624
- Accruals and others	14,665	-	20,777	-	36,957	-	74,813	-
	<u>372,912</u>	<u>-</u>	<u>310,437</u>	<u>-</u>	<u>479,409</u>	<u>-</u>	<u>759,465</u>	<u>181,624</u>
Payroll payable	114,630	-	179,446	-	298,356	-	268,971	-
Other tax payable	19,955	-	32,169	-	62,464	-	74,504	-
	<u>507,497</u>	<u>-</u>	<u>522,052</u>	<u>-</u>	<u>840,229</u>	<u>-</u>	<u>1,102,940</u>	<u>181,624</u>

FINANCIAL INFORMATION

As at 31 December 2017, 2018 and 2019 and 30 June 2020, other payables to related parties were unsecured, interest free and repayable on demand. Other payables to related parties mainly comprised of advance from related parties during the Track Record Period and as at the Latest Practicable Date, all of such payables to related parties which are non-trade in nature had been fully settled. The other payables to related parties of RMB99.1 million as at 30 June 2020 also included deposit payables to Sunac Group (and its joint ventures and associates) in connection with the Car Park Agency Agreements.

The balances of other payables to third parties generally increased over the Track Record Period which was in line with our business expansion. The increase in the balance of other payables to third parties as at 30 June 2020 as compared to as at 31 December 2019 was also due to the increases in balances of other payables such as deposits from third parties and amounts collected on behalf of property owners as a result of the acquisition of New Century Property Management, together with a consideration payable of RMB423.8 million in connection with a consideration of RMB242.2 million expected to be paid in 2021 and an additional consideration of RMB181.6 million expected to be paid in 2022, respectively, for the acquisition of New Century Property Management. For details, see “History, Reorganisation and Corporate Structure — Acquisition of New Century Property Management”.

Contract Liabilities

Contract liabilities represent our obligations to provide the contracted services. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services are yet to be provided. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had contract liabilities of RMB194.2 million, RMB285.2 million, RMB560.4 million and RMB728.0 million, respectively, the general increase of which was primarily as a result of the growth of our business.

The following table sets out the contract liabilities by business line as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	174,872	265,738	495,978	650,368
Value-added services to non-property owners	13,279	9,797	39,739	41,980
Community value-added services	6,056	9,647	24,671	35,689
Total	194,207	285,182	560,388	728,037

FINANCIAL INFORMATION

The following table sets out the breakdown of the revenue-related contract liabilities recognised by us as at the dates indicated:

	As at 31 December			As at 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Contract liabilities					
– Third parties	181,286	275,933	521,987	332,263	676,717
– Related parties	12,921	9,249	38,401	13,070	51,320
	194,207	285,182	560,388	345,333	728,037

Equity Balance

We recorded an opening balance of accumulated losses of RMB166.7 million, RMB132.8 million and RMB54.0 million as at 1 January 2017, 2018 and 2019, respectively. At the earlier stage of our business operation, the property management business was complementary to the property development business of Sunac China. Accordingly, we had focused on enhancing our service quality and invested significantly in building our internal infrastructure laying a solid foundation for our sustainable development and in support of Sunac China’s property development business. Such internal infrastructure encompasses the formulation, establishment, implementation and refinement of our business systems, operating models, process standardisation, human resource and organisational structure and functional management. The building and refinement of such internal infrastructure took time and effort as well as investment in manpower and internal resources, and involved new practices and adjustments, which in aggregate contributed to our accumulated loss position during the earlier stages of our business development. Meanwhile, when we entered into a new geographic region or local market, we had to incur set-up costs in preparation for existing and incoming projects and to pave way for our continuing and sustainable development in that region or market. Such set-up costs generally included staff costs and office and lease expenses in connection with the recruitment and reserve of necessary manpower, deployment of operating teams (including sub-contracting services) and preparation for offices and business venues. These set-up costs at the earlier stages of our business development had also contributed to the accumulated loss incurred during the earlier years. Moreover, with relatively smaller GFA under management at such earlier stages, economies of scale were yet to be fully achieved for our operations. Driven by a more focused development of the property management business of our Group, we had made continuous efforts to improve our financial performance and profitability. As our business and management process and systems matured over the years and as we expanded our business scale and deepened our presence in the market, we have been continuously monetising and benefiting from the foundation we established and managed to turn around our accumulated loss position. By leveraging our competitive strengths as set out in the section headed “Business — Competitive Strengths”, we have expanded our business scale, implemented successful cost-control measures and achieved a significant growth in business and results of operations. We have also further solidified our market position through a number

FINANCIAL INFORMATION

of mergers and acquisitions. In particular, we have recorded significant growth in net profit which amounted to RMB43.0 million, RMB98.3 million, RMB269.9 million, RMB53.6 million and RMB250.8 million for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. As at 31 December 2019, we no longer recorded any accumulated losses after accumulation of earnings. As at 31 December 2019 and 30 June 2020, we had retained earnings of RMB183.0 million and RMB421.1 million, respectively.

INDEBTEDNESS

As at 31 December 2017, 2018 and 2019 and 30 June and 30 September 2020, our total borrowings amounted to RMB1,327.8 million, RMB614.6 million, nil, nil and nil, respectively. As at the same dates, we had lease liabilities amounting to RMB12.3 million, RMB39.6 million, RMB35.0 million, RMB50.5 million and RMB43.3 million, respectively.

Our Directors confirm that during the Track Record Period and up to the date of this prospectus we did not have any material defaults in payment of our trade and non-trade payables and borrowings nor breaches of covenants. Except as disclosed herein, we did not have any banking facilities, outstanding loan capital, debt securities issued or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as at 30 September 2020, being the latest practicable date for the purpose of the indebtedness statement. Our Directors confirm that there was no material change in the indebtedness and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

The following table sets out our borrowings and lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2017	2018	2019	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Non-current liabilities					
Borrowings					
ABS – secured	827,800	614,600	–	–	–
Less: current portion of non-current borrowings . . .	(213,200)	(614,600)	–	–	–
	614,600	–	–	–	–
Lease liabilities	8,126	23,897	15,570	28,683	21,365

FINANCIAL INFORMATION

	As at 31 December			As at	As at
	2017	2018	2019	30 June	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
<i>Current liabilities</i>					
Borrowings					
Borrowings from bank	-	-	-	-	-
Borrowings from a financial institution – secured	500,000	-	-	-	-
Current portion of non-current borrowings . . .	213,200	614,600	-	-	-
	713,200	614,600	-	-	-
Lease liabilities	4,198	15,704	19,461	21,797	21,931
Total	1,340,124	654,201	35,031	50,480	43,296

Borrowings

ABS

In 2016, we entered into an ABS agreement with a third-party financing institution in an aggregate principal amount of RMB1,100.0 million for the purposes of providing financing to Sunac Real Estate, a subsidiary of Sunac China, as part of Sunac China's internal cash management at the time. The ABS comprised of several issuances with varying maturity dates and borne interests at rates ranging from 4.5% to 5.7% per annum. The ABS was guaranteed by Sunac Real Estate and secured by the right of receipt of the property management fees of our Group for the whole period of financing. In connection with the ABS, we had made loans to Sunac Real Estate with the same principal amount and at the same interest rate as those payable or paid under the ABS. In April 2019, Sunac Real Estate fully repaid the outstanding amounts of such loans provided by us. Subsequently, the ABS was fully repaid by us in April 2019 and the guarantee provided by Sunac Real Estate was released accordingly. For further details on the ABS, please refer to Note 27 of the Accountant's Report in Appendix IA to this prospectus.

FINANCIAL INFORMATION

The following sets out details of the outstanding ABS as at 31 December 2017 and 2018, respectively:

<u>Issue dates</u>	Principal amount		<u>Interest rate</u>	<u>Maturity</u>
	As at 31 December			
	<u>2017</u>	<u>2018</u>		
	<i>RMB'000</i>	<i>RMB'000</i>		
26 April 2016	827,800	614,600	5.30%-5.70%	1-2 years by installment

2017 Borrowings

In 2017, we had borrowings from a third-party financial institution in an aggregate principal amount of RMB500.0 million (the **2017 borrowings**) which were guaranteed by Sunac Real Estate. The interest rate was fixed at 6.7% per annum and the maturity date is 24 January 2018. The 2017 borrowings were fully repaid by us in January 2018 and the guarantee provided by Sunac Real Estate was released accordingly. For further details on the 2017 borrowings, please refer to Note 27 of the Accountant's Report in Appendix IA to this prospectus.

Facility Agreements

In the first half of 2020, we entered into a facility agreement with a bank in the PRC for a maximum credit line of RMB100.0 million which was secured by our trade receivables of RMB150.0 million. As at 30 June 2020, we had fully repaid all outstanding amount of borrowings incurred pursuant to this facility agreement. For the six months ended 30 June 2020, we incurred finance expenses of RMB27,000 with respect to the aforementioned borrowings. As at the Latest Practicable Date, this facility agreement had been subsequently canceled. In the second half of 2020, we entered into another facility agreement with a bank in the PRC for an initial credit line of RMB300.0 million. As at the Latest Practicable Date, we had made no drawdown under this facility agreement.

Lease Liabilities

We lease various properties in the PRC for our business operations or as staff dormitories and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 31 December 2017, 2018 and 2019 and 30 June and 30 September 2020, the balances of our lease liabilities were RMB12.3 million, RMB39.6 million, RMB35.0 million, RMB50.5 million and RMB43.3 million, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our total cash outflows for leases, including payments of lease liabilities and payments of interest expenses on leases, were in aggregate RMB8.8 million, RMB30.0 million, RMB47.9 million, RMB11.8 million and RMB26.8 million, respectively.

FINANCIAL INFORMATION

Contingent Liabilities

As at 31 December 2017, 2018 and 2019 and 30 June and 30 September 2020, we did not have any outstanding guarantees or other material contingent liabilities. Our Directors confirm that there was no material change in the indebtedness, capital commitments and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and procurement of property, plant and equipment and intangible assets. Cash flows from operating activities have been, and are expected to continue to be, our principal source of working capital in the foreseeable future. We plan to use a portion of the net proceeds from the Global Offering for satisfying our working capital needs.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	46,816	145,635	379,553	87,514	326,751
Changes in working capital . . .	39,568	24,049	352,999	(82,746)	(281,608)
Income tax paid	(3,294)	(11,337)	(25,619)	(16,918)	(62,737)
Net cash generated from/ (used in) operating activities .	<u>83,090</u>	<u>158,347</u>	<u>706,933</u>	<u>(12,150)</u>	<u>(17,594)</u>
Net cash (used in)/generated from investing activities . . .	(191,122)	775,790	603,023	500,544	(959,420)
Net cash generated from/ (used in) financing activities .	<u>163,822</u>	<u>(793,998)</u>	<u>(591,684)</u>	<u>(635,626)</u>	<u>1,053,443</u>
Net increase/(decrease) in cash and cash equivalents	55,790	140,139	718,272	(147,232)	76,429
Cash and cash equivalents at beginning of the year/period .	<u>176,004</u>	<u>231,794</u>	<u>371,933</u>	<u>371,933</u>	<u>1,090,197</u>
Cash and cash equivalents at end of the year/period	<u>231,794</u>	<u>371,933</u>	<u>1,090,197</u>	<u>224,701</u>	<u>1,171,484</u>

FINANCIAL INFORMATION

Cash Flows from Operating Activities

Cash flows from operating activities represented profit before income tax expense adjusted for (i) certain non-cash or non-operating activities related items such as finance costs, interest income from a related party, amortisation of intangible assets and depreciation of property, plant and equipment and rights-of-use assets, fair value gains from wealth management products and fair value changes of FVPL; (ii) the effect of changes in working capital, such as changes in trade receivables, prepayments and other receivables, trade and other payables and contract liabilities, and (iii) income tax paid.

For the six months ended 30 June 2020, we had net cash used in operating activities of RMB17.6 million, resulting from operating cash inflow before changes in working capital of RMB326.8 million and negative movements in working capital of RMB281.6 million. Our negative movements in working capital primarily reflected an increase in trade receivables of RMB283.9 million which was generally in line with our business expansion and partially as a result of the lower collection rates of property management fees due to seasonal fluctuation with an additional impact from COVID-19.

In 2019, we had net cash generated from operating activities of RMB706.9 million, resulting from operating cash inflow before changes in working capital of RMB379.6 million and positive movements in working capital of RMB353.0 million. Our positive movements in working capital primarily reflected (i) an increase in trade and other payables of RMB290.3 million mainly due to an increase in trade payables and payroll payable, and (ii) an increase in contract liabilities of RMB255.1 million, partially offset by an increase in trade receivables of RMB142.7 million, which were generally in line with our business expansion.

In 2018, we had net cash generated from operating activities of RMB158.3 million, resulting from operating cash inflow before changes in working capital of RMB145.6 million and positive movements in working capital of RMB24.0 million. Our positive movements in working capital primarily reflected (i) an increase in contract liabilities of RMB91.0 million, and (ii) a decrease in prepayments and other receivables of RMB75.5 million due to a decrease in other receivables as certain loans to a related party was fully repaid in January 2018, partially offset by an increase in trade receivables of RMB185.4 million and an increase in inventories of RMB20.2 million in relation to purchase of use rights of car park spaces.

In 2017, we had net cash generated from operating activities of RMB83.1 million, resulting from operating cash inflow before changes in working capital of RMB46.8 million and positive movements in working capital of RMB39.6 million. Our positive movements in working capital primarily reflected (i) an increase in trade and other payables of RMB85.1 million mainly due to an increase in other payables to related parties with respect to advance from related parties which are non-trade in nature, and (ii) an increase in contract liabilities of RMB72.8 million, partially offset by an increase in trade receivables of RMB76.4 million and an increase in inventories of RMB26.4 million in relation to the purchase of use rights of car park spaces.

FINANCIAL INFORMATION

Cash Flows of Investing Activities

For the six months ended 30 June 2020, net cash used in investing activities was RMB959.4 million, primarily reflecting net cash impact on business acquisition of RMB1,005.1 million in relation to our acquisition of New Century Property Management.

In 2019, net cash generated from investing activities was RMB603.0 million, primarily reflecting repayments from a related party of RMB614.6 million for the loans provided by us to Sunac Real Estate.

In 2018, net cash generated from investing activities was RMB775.8 million, primarily reflecting repayments from a related party of RMB568.7 million for the partial repayments of loans provided by us to Sunac Real Estate.

In 2017, net cash used in investing activities was RMB191.1 million, primarily reflecting loans granted to a related party of RMB500.0 million representing the loans provided by us to Sunac Real Estate, partially offset by (i) repayments from a related party of RMB195.7 million and interest received from a related party of RMB74.5 million in relation to loans provided to Sunac Real Estate, and (ii) net proceeds from disposal of wealth management products of RMB66.4 million.

Cash Flows of Financing Activities

For the six months ended 30 June 2020, net cash generated from financing activities was RMB1,053.4 million, reflecting primarily capital contribution from the shareholders of RMB1,226.3 million in connection with the Reorganisation.

In 2019, net cash used in financing activities was RMB591.7 million, reflecting primarily repayments of borrowings of RMB614.6 million in relation to our repayment of the ABS.

In 2018, net cash used in financing activities was RMB794.0 million, reflecting primarily (i) repayments of borrowings of RMB713.2 million for the repayment of the 2017 borrowings and the partial repayment of the ABS, and (ii) interest paid of RMB45.6 million in relation the aforementioned borrowings by us.

In 2017, net cash generated from financing activities was RMB163.8 million, reflecting primarily proceeds from borrowings of RMB500.0 million for the 2017 borrowings, which was partially offset by (i) repayments of borrowings of RMB195.7 million in relation to our partial repayment of the ABS, (ii) repayments of cash advances from related parties of RMB102.5 million, and (iii) interest paid of RMB74.5 million in relation to the aforementioned borrowings by us.

FINANCIAL INFORMATION

Net Current Assets or Liabilities

The following table sets out our current assets, current liabilities and net current assets or liabilities as at the dates indicated:

	As at 31 December			As at	As at
	2017	2018	2019	30 June	30
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current assets					
Inventories	26,400	46,573	82,336	29,403	34,908
Trade receivables	208,102	392,603	586,256	1,076,137	1,237,685
Prepayments and other					
receivables	752,924	732,692	359,443	216,740	268,286
Cash and cash equivalents	231,794	371,933	1,090,197	1,171,484	533,747
Restricted cash	–	–	–	5,459	5,069
Financial assets at fair value					
through profit or loss	176,000	–	–	225,179	716,988
Other financial assets at					
amortised cost	–	–	–	–	3,103
Total current assets	<u>1,395,220</u>	<u>1,543,801</u>	<u>2,118,232</u>	<u>2,724,402</u>	<u>2,799,786</u>
Current liabilities					
Borrowings	713,200	614,600	–	–	–
Lease liabilities	4,198	15,704	19,461	21,797	21,931
Trade and other payables	596,190	648,781	1,086,618	1,417,301	1,593,816
Contract liabilities	194,207	285,182	560,388	728,037	743,655
Current income tax liabilities . . .	10,162	28,338	84,643	98,521	156,416
Total current liabilities	<u>1,517,957</u>	<u>1,592,605</u>	<u>1,751,110</u>	<u>2,265,656</u>	<u>2,515,818</u>
Net current					
(liabilities)/assets	<u>(122,737)</u>	<u>(48,804)</u>	<u>367,122</u>	<u>458,746</u>	<u>283,968</u>

FINANCIAL INFORMATION

We had net current liabilities of RMB122.7 million and RMB48.8 million as at 31 December 2017 and 2018, respectively. Our net current liabilities as at 31 December 2017 was primarily attributable to a higher balance of other payables to related parties of RMB241.2 million as at the same date. Our net current liabilities decreased to RMB48.8 million as at 31 December 2018, mainly due to an increase in current assets primarily driven by an increase in trade receivables and cash and cash equivalents, coupled with our partial settlement of the other payables to related parties.

We had net current assets as at each of 31 December 2019, 30 June 2020 and 30 September 2020. Our net current assets position as at each of these dates was mainly attributable to our cash and cash equivalents, prepayments and other receivables and trade receivables, partially offset by our trade and other payables and contract liabilities. Our net current assets decreased from RMB458.7 million as at 30 June 2020 to RMB284.0 million as at 30 September 2020, mainly due to a decrease in cash and cash equivalents primarily in connection with the consideration paid for our investment in Tianjin Fengwu. Our net current assets increased from RMB367.1 million as at 31 December 2019 to RMB458.7 million as at 30 June 2020, primarily due to an increase in current assets mainly resulting from an increase in trade receivables and financial assets at fair value through profit or loss in relation with wealth management products. We had net current liabilities of RMB48.8 million as at 31 December 2018 and net current assets of RMB367.1 million as at 31 December 2019, which was mainly due to an increase in cash and cash equivalents and trade receivables which was generally in line with our business expansion. For further details, see “— Liquidity and Capital Resources — Cash Flows from Operating Activities”.

Working Capital

We had net current liabilities as at 31 December 2017 and 2018, respectively, which were mainly attributable to relatively higher balance of other payables to related parties as described above. A net current liability position may pose certain risks to our operations. We had net current assets as at each of 31 December 2019, 30 June 2020 and 30 September 2020. For details, see “— Liquidity and Capital Resources — Net Current Assets or Liabilities”.

We had sufficient cash and cash equivalents as at 31 December 2017, 2018 and 2019 for our working capital needs. We had net cash outflows from operating activities for the six months ended 30 June 2019 and 2020, which were primarily due to the relatively lower collection on trade receivables in the first half of the year which we believe reflects certain of our customers’ tendency to pay their property management fees toward the year-end out of payment preference and convenience which was in line with industry norm, according to China Index Academy. Our net cash outflow from operating activities in the first half of 2020 was also due to slower collection of trade receivables as impacted by COVID-19.

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the financial resources available to our Group and the estimated net proceeds of the Global Offering and our internally generated funds.

FINANCIAL INFORMATION

COMMITMENTS

Commitments represent minimum lease payments we are contracted to pay under non-cancellable leases (short-term or low-value lease) and significant capital expenditure contracted for at the end of the reporting period but which are not recognised on our consolidated financial statements. The following table sets out our commitments as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital Commitments				
– No later than 1 year	–	3,122	2,480	13,920
– Later than 1 year and no later than 5 years	–	–	–	113
	–	3,122	2,480	14,033
	–	3,122	2,480	14,033
Lease Commitments				
– No later than 1 year	1,398	8,175	12,632	9,198
– Later than 1 year and no later than 5 years	76	378	410	295
	1,474	8,553	13,042	9,493
	1,474	8,553	13,042	9,493

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for (i) payment for acquisition of a subsidiary, (ii) purchase of property, plant and equipment such as electronic equipment, leasehold improvements, furniture and office equipment, and (iii) purchase of intangible assets such as customer relationships and software.

FINANCIAL INFORMATION

The table below sets out the breakdown of our following capital expenditures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash impact on business acquisition	–	–	–	–	1,005,084
Payments for purchase of property, plant and equipment	8,094	13,026	16,102	3,918	6,467
Payments for purchase of intangible assets	16,014	8,747	9,799	6,376	4,965
Capital injection in a joint venture	500	–	–	–	–
	<u>24,608</u>	<u>21,773</u>	<u>25,901</u>	<u>10,294</u>	<u>1,016,516</u>

For more information on the uses of our capital expenditures during the Track Record Period, see “— Liquidity and Capital Resources — Cash Flows of Investing Activities”.

We currently expect our capital expenditures for the year ending 31 December 2020 to be RMB69.3 million, which will be used mainly for upgrade of information technology infrastructure and smart management systems for properties under our management.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions

During the Track Record Period, we had certain related party transactions, mainly (i) provision of services; (ii) purchase of goods; and (iii) interest income.

These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors confirm that all the aforementioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

Provision of services

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we had provided services, including property management services and value-added services to non-property owners, to related parties, primarily comprising Sunac Group and its joint ventures and associates, in an aggregate amount of RMB596.6 million, RMB1,129.1 million, RMB1,740.9 million, RMB708.8 million and RMB811.7 million, respectively.

Purchase of goods

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we had purchased the use rights of car park spaces from Sunac Group and its joint ventures and associates of RMB26.4 million, RMB33.9 million, RMB64.2 million, nil and nil, respectively.

Interest Income

In 2016 and in connection with the ABS, we entered into a loan agreement with Sunac Real Estate, pursuant to which we provided loans in the principal amount of RMB1,100.0 million to Sunac Real Estate by utilising the fund we raised under the ABS of RMB1,100.0 million. Such loans were provided to Sunac Real Estate to satisfy the general working capital needs of Sunac Real Estate as part of Sunac China's internal cash management at the time. The loans borne interest rates which were the same as the interest payable or paid by us under the ABS. The principal amount of and interest receivables from the loans were fully repaid by Sunac Real Estate in April 2019 and we subsequently fully repaid the ABS accordingly. Our interest income from these loans provided to Sunac Real Estate amounted to RMB51.7 million, RMB41.2 million, RMB11.1 million, RMB11.1 million and nil for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

In 2017, we provided loans in the principal amount of RMB500.0 million to Sunac Real Estate. The principal amount of and interest receivables from the loans were fully repaid by Sunac Real Estate in the first half of 2018. Our interest income from these loans provided to Sunac Real Estate amounted to RMB31.2 million, RMB2.3 million, nil, nil and nil for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

In 2020, we entered into a short-term loan agreement with Sunac Real Estate, pursuant to which we agreed to provide loans to Sunac Real Estate with a principal amount limit of no more than RMB400.0 million. As at 30 June 2020, Sunac Real Estate had repaid to us the outstanding principal amount of the aforementioned loans and our interest income therefrom was RMB17.6 million for the six months ended 30 June 2020.

FINANCIAL INFORMATION

Our PRC Legal Advisers advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. 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 Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”) which came into effect on 1 September 2015. According to Article 11 of the Judicial Interpretations on Private Lending Cases, the Supreme People’s Court recognises 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 at the Latest Practicable Date, we had not received any notice of claim or was subject to any investigation or penalty relating to the loans we provided to related parties during the Track Record Period. Our Directors confirm that all borrowings between related parties and us had been fully settled as at the Latest Practicable Date. On this basis, our PRC Legal Advisers are of the view that the risk of us being penalised for the above mentioned borrowings is remote. Our Directors further confirm that our Group will not engage in any borrowing arrangement with related parties in violation of the applicable laws and regulations in the future.

Related Party Balances and Guarantees

The following table sets out the breakdown of our related party balances as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June 2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts due from related parties				
– Trade receivables	97,848	254,914	349,303	475,419
– Other receivables	3,222	69,612	282,262	137,855
– Loans to a related party . . .	1,327,800	614,600	–	–
	1,428,870	939,126	631,565	613,274

FINANCIAL INFORMATION

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties				
– Trade and other payables	241,229	136,286	267,233	99,106
– Contract liabilities	12,921	9,249	38,401	51,320
	254,150	145,535	305,634	150,426

All of the outstanding amounts due from and due to our related parties which are non-trade in nature, had been settled as at the date of this prospectus. For further details on related party transactions and balances, see Note 34 of the Accountant's Report in Appendix IA to this prospectus.

We had guarantees from related party of RMB1,327.8 million, RMB614.6 million, nil and nil as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which represented the guarantees provided by Sunac Real Estate to us in connection with the 2017 borrowings and ABS. Such guarantees in connection with the 2017 borrowings were released in 2018 and those in connection with ABS were released in 2019, respectively.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative agreements that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any material off-balance sheet arrangements, nor do we have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended 30 June 2020
	2017	2018	2019	
	2017	2018	2019	2020
Current ratio ⁽¹⁾	0.9x	1.0x	1.2x	1.2x
Quick ratio ⁽²⁾	0.9x	0.9x	1.2x	1.2x
Return on equity ⁽³⁾⁽⁶⁾⁽⁷⁾ . . .	N/A	399.6%	54.2%	28.5%
Return on total assets ⁽⁴⁾⁽⁶⁾	2.1%	6.0%	11.9%	11.7%
Gearing ratio ⁽⁵⁾⁽⁷⁾	N/A	0%	0%	0%
Gross profit margin ⁽⁸⁾	21.0%	23.0%	25.5%	25.9%
Net profit margin ⁽⁹⁾	3.9%	5.3%	9.5%	14.0%

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.
- (3) Return on equity is calculated by dividing profit for the year or period (including the portion attributable to non-controlling interests) by the closing balances of total equity for the relevant year or period and multiplied by 100%.
- (4) Return on total assets is calculated by dividing profit for the year or period (including the portion attributable to non-controlling interests) by the closing balances of total assets for the relevant year or period and multiplied by 100%.
- (5) Gearing ratio is calculated by dividing total borrowings less lease liabilities by total equity as at the date indicated and multiplied by 100%. As part of Sunac China's internal cash management at the time, we had historically entered into, and utilised the funds raised under, the ABS for providing loans to a related party in the same principal amounts and at the same interest rates. Given the aforementioned arrangement in relation to the ABS, they were excluded from our calculation of total debt for the gearing ratio.
- (6) Return on equity and return on total assets ratios have been annualised to be comparable to those of prior years but are not indicative of the actual results.
- (7) Return on equity and gearing ratio of 2017 are not applicable to us as the total equity as at 31 December 2017 was negative.
- (8) Gross profit margin is calculated by dividing gross profit by total revenue for a relevant period.
- (9) Net profit margin is calculated by dividing profit for the year or period by total revenue for a relevant period.

FINANCIAL INFORMATION

Current Ratio

Our current ratio was 0.9 times, 1.0 times, 1.2 times and 1.2 times as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our current ratio increased over the Track Record Period primarily attributable to an increase in current assets mainly driven by an increase in trade receivables and cash and cash equivalents, respectively.

Quick Ratio

Our quick ratio was 0.9 times, 0.9 times, 1.2 times and 1.2 times as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our quick ratio increased from 0.9 times as at 31 December 2018 to 1.2 times as at 31 December 2019 primarily due to an increase in current assets (excluding inventories) driven by an increase in trade receivables and cash and cash equivalents, respectively.

Return on Equity

Our return on equity decreased from 399.6% in 2018 to 54.2% in 2019. Our total equity was negative as at 31 December 2017 and the total equity recorded by us as at 31 December 2018 was still at a relatively lower level which resulted in relatively higher return on equity in 2018. The decrease in our return on equity in 2019 was mainly due to an increase in total equity as Chengdu Global Century was consolidated into our financial information since 31 December 2019. Our return on equity decreased further from 54.2% in 2019 to 28.5% for the first half of 2020, mainly due to an increase in total equity as a result of capital contribution from shareholder in connection with the Reorganisation despite an increase in our annualised profit for the period. Return on equity is not applicable to us in 2017 as our total equity is negative as at 31 December 2017.

Return on Total Assets

Our return on total assets increased from 2.1% in 2017 to 6.0% in 2018 and further to 11.9% in 2019 mainly as a result of an increase in our profit for the year during the three years. Our return on total assets remained relatively stable at 11.9% in 2019 and at 11.7% for the first half of 2020, respectively.

Gearing Ratio

Our gearing ratio is 0% as at each of 31 December 2018 and 2019 and 30 June 2020. As part of Sunac China's internal cash management at the time, we had historically entered into, and utilised the funds raised under, the ABS for providing loans to a related party in the same principal amounts and at the same interest rates. Given the aforementioned arrangement in relation to the ABS, it was excluded from our calculation of total debt for the gearing ratio. As at 31 December 2017, we also had the 2017 borrowings from a financial institution in the PRC.

FINANCIAL INFORMATION

However, as our total equity was negative as at 31 December 2017, gearing ratio is not applicable to us as at such date. Save from the 2017 borrowings and the ABS which were fully repaid as at 31 December 2018 and 2019, respectively, we did not have any other borrowings as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Gross profit margin and net profit margin

For further details on the changes of our gross profit margins and net profit margins for the Track Record Period, see “— Period to Period Comparison”.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

In the normal course of business, we are exposed to various types of financial risks, mainly including market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of economic conditions and seeks to minimise potential adverse effects on our financial performance. For further details, see Note 3 of the Accountant’s Report in Appendix IA to this prospectus.

Foreign Exchange Risk

Our Group’s normal operating activities are principally conducted in Renminbi since all of our operating entities are based in the PRC. The foreign currency balances as at 31 December 2019 and 30 June 2020 were primarily related to bank deposits denominated in Hong Kong dollars. Our Group has not used any forward contracts, currency borrowings or other means to hedge our foreign exchange exposure.

Fair Value Interest Rate Risk

During the Track Record Period, our main interest rate risk arose from long-term borrowings and interest-bearing amounts due from a related party. Borrowings issued and amounts due from a related party with fixed rates expose us to fair value interest-rate risk. For the years ended 31 December 2017 and 2018, such of our borrowings were denominated in Renminbi.

Our management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from our management. The interest rate benchmark is reassessed annually by our management team.

FINANCIAL INFORMATION

Credit Risk

We are exposed to credit risk in relation to trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss. The carrying amounts of trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss represent our maximum exposure to credit risk in relation to financial assets.

We expect that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at banks with high credit rating. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables and other receivables, we have implemented 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 reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors believe that there is no material credit risk inherent in our outstanding balance of trade receivables and other receivables.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

DIVIDENDS

No dividend was declared or paid by our Company or the companies comprising our Group for the Track Record Period and up to the Latest Practicable Date save for the dividends of RMB208.6 million made by Chengdu Global Century in the six months ended 30 June 2020, and dividends made by New Century Property Management (and its subsidiaries), details of which are set out in Note 29 to Appendix IB to this prospectus. Our dividend distribution record, if any, in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

FINANCIAL INFORMATION

Any declaration of dividends is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant from time to time. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the Cayman Company Law, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC laws, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

The distributable reserves of our Company represented share premium and retained earnings. As at 30 June 2020, the aggregate amount of share premium and retained earnings of our Company amounted to RMB1,233.0 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF OUR GROUP

Please refer to Part A of Appendix II to this prospectus for the unaudited pro forma statement of adjusted net tangible assets of our Group, and is set out therein to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity holders of our Company as at 30 June 2020 as if the Global Offering had taken place on 30 June 2020 and assuming the Over-allotment Option is not exercised.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, since 30 June 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant's Report included in Appendix IA to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FINANCIAL INFORMATION

FINANCIAL INFORMATION OF NEW CENTURY PROPERTY MANAGEMENT

Description of Selected Consolidated Statements of Comprehensive Income Line Items

The table below sets out the selected consolidated statements of comprehensive income line items of New Century Property Management for the periods indicated which are extracted from the consolidated statements of comprehensive income of New Century Property Management set out in the accountant's report included in Appendix IB to this prospectus:

	For the year ended 31 December			For the period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	556,697	725,480	867,857	279,404	328,283
Cost of sales	(432,144)	(564,194)	(685,686)	(219,568)	(265,846)
Gross profit	124,553	161,286	182,171	59,836	62,437
Administrative expenses	(62,514)	(73,282)	(102,672)	(23,711)	(26,589)
Selling and marketing expenses	(6,401)	(8,345)	(11,989)	(3,441)	(3,665)
Net impairment losses on financial assets . . .	(6,464)	(5,243)	(2,809)	(7,412)	(3,784)
Other income	5,480	8,641	7,759	1,057	5,925
Other gains – net	10,379	219	4,790	644	3,757
Operating profit	65,033	83,276	77,250	26,973	38,081
Finance income	141	205	320	56	118
Finance costs	(81)	(663)	(856)	(294)	(285)
Finance income/(cost) – net	60	(458)	(536)	(238)	(167)
Share of net profits of joint ventures and associates	629	3,587	5,722	1,319	3,237
Profit before income tax	65,722	86,405	82,436	28,054	41,151
Income tax expense	(14,172)	(20,778)	(19,551)	(7,156)	(8,745)
Profit for the year/period	51,550	65,627	62,885	20,898	32,406

FINANCIAL INFORMATION

Revenue

The following table sets out the revenue of New Century Property Management by business lines for the periods indicated:

	For the year ended 31 December						Period from 1 January to 7 May			
	2017		2018		2019		2019		2020	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Property management services	510,934	91.8	677,459	93.4	811,214	93.5	263,932	94.5	314,128	95.7
Value-added services to non-property owners	33,467	6.0	33,815	4.7	40,698	4.7	10,624	3.8	11,680	3.6
Community value-added services	12,296	2.2	14,206	2.0	15,945	1.8	4,848	1.7	2,475	0.8
Total revenue	556,697	100.0	725,480	100.0	867,857	100.0	279,404	100.0	328,283	100.0

The revenue of New Century Property Management increased during the three years ended 31 December 2017, 2018 and 2019 and the period from 1 January to 7 May 2020, which was attributable to an increase in the revenue of each of its three business lines as described below:

- Property management services:** The revenue of New Century Property Management from property management services was RMB510.9 million, RMB677.5 million, RMB811.2 million, RMB263.9 million and RMB314.1 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The increase was generally attributable to an increase in the GFA under management and the number of projects managed by New Century Property Management as it steadily expanded its property management portfolio through market development.
- Value-added services to non-property owners:** The revenue of New Century Property Management from value-added services to non-property owners was RMB33.5 million, RMB33.8 million, RMB40.7 million, RMB10.6 million and RMB11.7 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The increase of such revenue from RMB33.8 million in 2018 to RMB40.7 million in 2019 was mainly due to an increase in the revenue from engineering services from RMB10.7 million in 2018 to RMB14.4 million in 2019, as more engineering projects were obtained for upgrade of light current systems and intelligent equipment for both hotels and residential communities.
- Community value-added services:** The revenue of New Century Property Management from community value-added services was RMB12.3 million, RMB14.2 million, RMB15.9 million, RMB4.8 million and RMB2.5 million for the

FINANCIAL INFORMATION

years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The increase of such revenue from 2017 to 2018 was mainly due to an increase in revenue from community space operation services from RMB5.5 million in 2017 to RMB9.8 million in 2018. The increase in revenue from this business line from 2018 to 2019 was mainly due to an increase in revenue from cultural and tourism community value-added services from RMB4.4 million in 2018 to RMB9.1 million in 2019, as New Century Property Management offered arts classes to children at a theatre in Hangzhou. The revenue from this business line experienced a decrease in the period from 1 January to 7 May of 2020 as compared to the same period in 2019 as community value-added services were affected by COVID-19.

Cost of sales

The following table sets out the cost of sales of New Century Property Management for the periods indicated:

	For the year ended 31 December						For the period from 1 January to 7 May			
	2017		2018		2019		2019		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Employee benefit expenses . . .	222,015	51.4	285,226	50.6	312,537	45.6	102,429	46.7	120,021	45.1
Outsourcing costs	150,124	34.7	205,301	36.4	279,338	40.7	88,381	40.3	111,820	42.1
Cost of consumables	10,028	2.3	13,170	2.3	15,353	2.2	4,689	2.1	5,140	1.9
Utilities	15,404	3.6	18,650	3.3	23,836	3.5	9,002	4.1	9,803	3.7
Depreciation of property, plant and equipment	1,249	0.3	2,266	0.4	4,160	0.6	1,033	0.5	1,646	0.6
Rental expense (short-term and low value)	5,713	1.3	5,152	0.9	6,030	0.9	1,945	0.9	1,829	0.7
Depreciation of right-of-use assets	322	0.1	3,014	0.5	4,921	0.7	2,070	0.9	1,576	0.6
Amortisation of intangible asset	152	0.0	43	0.0	42	0.0	13	0.0	81	0.0
Travelling expenses	1,501	0.3	1,163	0.2	1,329	0.2	382	0.2	195	0.1
Employee uniform expenses . .	3,413	0.8	2,784	0.5	3,337	0.5	790	0.4	819	0.3
Bank charge										
Office expenses	2,652	0.6	2,051	0.4	3,635	0.5	1,027	0.5	796	0.3
Others	19,571	4.5	25,374	4.5	31,168	4.5	7,807	3.6	12,120	4.6
Total cost of sales, selling and marketing and administrative expenses	432,144	100.0	564,194	100.0	685,686	100.0	219,568	100.0	265,846	100.0

FINANCIAL INFORMATION

The cost of sales mainly represent: (i) employee benefit expenses relating to the labour costs of employees directly providing on-site property management and other related services at the properties under management, (ii) outsourcing costs for services outsourced to third-party sub-contractors, (iii) cost of consumables and utilities, (iv) depreciation and amortisation, and (v) other costs, such as travelling costs, office costs and employee uniform expenses.

The cost of sales of New Century Property Management was RMB432.1 million, RMB564.2 million, RMB685.7 million, RMB219.6 million and RMB265.8 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The increase was generally attributable to: (i) an increase in employee benefit expenses which amounted to RMB222.0 million, RMB285.2 million, RMB312.5 million, RMB102.4 million and RMB120.0 million, respectively, accounting for 51.4%, 50.6%, 45.6%, 46.7% and 45.1% of the total cost of sales for the respective periods. Such an increase in employee benefit expenses was generally in line with the increase in the number of employees of New Century Property Management directly providing the relevant services during such periods, coupled with a general increase in staff wages; and (ii) an increase in outsourcing costs which amounted to RMB150.1 million, RMB205.3 million, RMB279.3 million, RMB88.4 million and RMB111.8 million, respectively, accounting for 34.7%, 36.4%, 40.7%, 40.3% and 42.1% of the total cost of sales for the respective periods. The increase in outsourcing costs was mainly due to an increase in the purchase of sub-contracting services.

Gross profit and gross profit margin

The following table sets out the breakdown of the gross profit and gross profit margin of New Century Property Management by business line for the periods indicated:

	For the year ended 31 December						For the period from 1 January to 7 May			
	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
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Property management services	106,604	20.9	140,979	20.8	157,663	19.4	52,862	20.0	57,242	18.2
Value-added services to non-property owners	10,176	30.4	7,937	23.5	11,709	28.8	2,970	28.0	3,055	26.2

(Unaudited)

FINANCIAL INFORMATION

	For the year ended 31 December						For the period from 1 January to 7 May			
	2017		2018		2019		2019		2020	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(Unaudited)</i>									
Community value- added services	7,773	63.2	12,370	87.1	12,799	80.3	4,004	82.6	2,140	86.5
Total	124,553	22.4	161,286	22.2	182,171	21.0	59,836	21.4	62,437	19.0

The overall gross profit margins of New Century Property Management were 22.4%, 22.2%, 21.0%, 21.4% and 19.0% for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The fluctuation in the overall gross profit margins was attributable to below:

- Property management services:** Gross profit margin of property management services remained stable from 2017 to 2018. It decreased from 20.8% in 2018 to 19.4% in 2019, mainly due to an increasing revenue contribution from certain non-residential properties, such as hospitals, schools and government agencies, which generally had lower gross profit margins as compared to residential properties. Gross profit margins of property management services decreased from 20.0% for the period from 1 January to 7 May of 2019 to 18.2% for the same period in 2020, which was mainly because New Century Property Management agreed to charge property management fees at discount for certain non-residential properties, such as convention centres and parks, which were temporarily closed down during the outbreak of COVID-19, whereas certain costs for managing such properties, such as employee benefit expenses, were still incurred during such a period.
- Value-added services to non-property owners:** Gross profit margin of value-added services to non-property owners decreased from 30.4% in 2017 to 23.5% in 2018, primarily due to an increase in revenue contribution from engineering services which generally had lower gross profit margins compared to other value-added services to non-property owners, such as sales assistance services. Gross profit margin of value-added services to non-property owners increased from 23.5% in 2018 to 28.8% in 2019, mainly due to an increase in revenue contribution from property agency services of car park spaces and pre-delivery services which generally had higher gross profit margins compared to other value-added services to non-property owners. Gross profit margin of value-added services to non-property

FINANCIAL INFORMATION

owners decreased from 28.0% for the period from 1 January to 7 May of 2019 to 26.2% for the same period in 2020, primarily because a decrease in revenue contribution from property agency services of car park spaces and pre-delivery services.

- **Community value-added services:** Gross profit margin of community value-added services increased from 63.2% in 2017 to 87.1% in 2018, mainly as a result of improved profitability achieved in community space operation services as relatively higher fees were charged to customers, such as media and advertising companies. Gross profit margin of community value-added services decreased from 87.1% in 2018 to 80.3% in 2019, mainly because of the increase in revenue contribution from cultural and tourism community value-added services which generally had a lower gross profit margin as compared to community space operation services. Gross profit margin of community value-added services increased from 82.6% for the period from 1 January to 7 May of 2019 to 86.5% for the same period in 2020, mainly as a result of a decrease in revenue contribution from cultural and tourism community value-added services following the outbreak of COVID-19.

Administrative expenses

Administrative expenses mainly represent: (i) employee benefit expense of administrative related staff, (ii) cost of consumables and utilities, (iii) depreciation and amortisation, (iv) other administrative expenses, such as travelling and office expenses, employee uniform expenses and auditor' remuneration.

Administrative expenses were RMB62.5 million, RMB73.3 million, RMB102.7 million, RMB23.7 million and RMB26.6 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively, accounting for 11.2%, 10.1%, 11.8%, 8.5% and 8.1% of the total revenue for the respective periods. The increase of administrative expenses during such periods was mainly attributable to the increase in employee benefit expense of administrative related staff as a result of (1) the increase in total number of employees during the periods and (2) significant increase in share based payment expenses in 2019 from an equity incentive plan as adopted by New Century Property Management since the vesting period requirement in respect of granted restricted shares has been removed and all granted shares were fully vested in 2019.

Selling and marketing expenses

Selling and marketing expenses mainly represent: (i) employee benefit expenses of selling and marketing staff, and (ii) advertising and promotion expenses for market development and promotion of brand and services.

FINANCIAL INFORMATION

Selling and marketing expenses were RMB6.4 million, RMB8.3 million, RMB12.0 million, RMB3.4 million and RMB3.7 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively. The general increase during such periods was mainly attributable to: (i) an increase in employee benefit expenses due to the increase in the number of selling and marketing staff for the establishment and development of its market development department, and (ii) an increase in advertising and promotion expenses as rigorous efforts were made by New Century Property Management to obtain projects from other sources other than its related parties, such as participation in industry exhibitions, conducting industry and market studies and organising promotional activities with major customers and other industrial participants.

Net impairment losses on financial assets

Net impairment losses on financial assets represent provision for loss allowance recognised in profit or loss with respect to (i) trade receivables, and (ii) deposits and other receivables, which amounted to RMB6.5 million, RMB5.2 million, RMB2.8 million, RMB7.4 million and RMB3.8 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively.

Other income

Other income represent: (i) government grants mainly comprising financial support funds from local government and certain refund of the value-added tax under applicable policies without attached conditions which amounted to RMB1.2 million, RMB3.1 million, RMB6.9 million, RMB0.7 million and RMB5.9 million for the years ended 31 December 2017, 2018 and 2019 and the periods from 1 January to 7 May of 2019 and 2020, respectively, and (ii) interest income from other financial assets at amortised cost in the amount of RMB4.3 million, RMB5.6 million, RMB0.8 million, RMB0.4 million and nil for the respective periods, which represented the interest income from the investment in debenture assets. For details, see Note 9 of the accountant's report set out in Appendix IB to this prospectus.

Other gains – net

Other gains mainly represent: (i) gain from disposal of subsidiaries of RMB9.6 million in 2017 in relation to the disposal of a substantial interest in a subsidiary in the same year, (ii) fair value gains or losses of wealth management products and investment in unlisted equity, (iii) indemnity income recorded in 2017 and 2018 mainly in relation to compensation from the landlord for renovation costs incurred in connection with a terminated lease, and (iv) loss on disposal of property, plant and equipment. For details, see Note 10 of the accountant's report set out in Appendix IB to this prospectus.

FINANCIAL INFORMATION

Finance income and cost

Finance income represents interest income from bank deposits. Finance costs represent interest expense on lease liabilities. For details, see Note 11 of the accountant's report set out in Appendix IB to this prospectus.

Share of profits of investments accounted for using the equity method

Share of profits of investments accounted for using the equity method represents the share of profits from the investment by New Century Property Management in several of its joint ventures and associates. For details, see Note 19 of the accountant's report set out in Appendix IB to this prospectus.

The directors of New Century Property Management consider that one of the joint ventures, namely, Jiangsu New Century Jinchang Property Management Company Limited (“**Jinchang Property Management**”), in which New Century Property Management had an equity interest of 49% was individually significant to New Century Property Management. Save from Jinchang Property Management, other joint ventures and associates are not significant to New Century Property Management in terms of profit contribution. New Century Property Management has no significant contingent liabilities or commitments relating to its interest in these joint ventures and associates as at 31 December 2017, 2018 and 2019 and 7 May 2020, respectively.

Income tax expense

Income tax provision of New Century Property Management (and its subsidiaries) in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years or periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January to 7 May of 2020.

According to Caishui [2011] No. 58 issued on 27 July 2011, “Notice of Taxation on In-depth Implementation of the Strategy for Western Region Development” and relevant regulations of the State Administration of Taxation, from 1 January 2011 to 31 December 2020, enterprises in the encouraged industries located in the western region are entitled for a preferential corporate income tax rate of 15%. Some subsidiaries of New Century Property Management are qualified to enjoy such preferential enterprise income tax rate for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January to 7 May of 2020.

FINANCIAL INFORMATION

Description of Consolidated Statements of Cash Flows

The following table sets out the cash flows of New Century Property Management for the periods indicated:

	For the year ended 31 December			For the period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	65,017	95,344	107,605	38,357	43,353
Changes in working capital	46,513	(39,271)	8,737	(24,073)	(30,236)
Income tax paid	(17,248)	(18,434)	(27,286)	(15,861)	(10,708)
Net cash generated from/(used in) operating activities	94,282	37,639	89,056	(1,577)	2,409
Net cash (used in)/generated from investing activities	(69,356)	(41,229)	124,716	17,833	(209,246)
Net cash used in financing activities	(8,579)	(39,715)	(5,901)	(2,826)	(3,220)
Net increase/(decrease) in cash and cash equivalents	16,347	(43,305)	207,871	13,430	(210,057)
Cash and cash equivalents at beginning of the year/period	87,823	104,170	60,865	60,865	268,736
Cash and cash equivalents at end of the year/period	104,170	60,865	268,736	74,295	58,679

Cash flows from operating activities

For the period from 1 January to 7 May 2020, New Century Property Management had net cash generated from operating activities of RMB2.4 million, resulting from profit before income tax of RMB41.2 million and negative movements in working capital. The negative movements in working capital primarily reflected an increase in trade receivables of RMB88.2 million which was generally in line with the business expansion of New Century Property Management and partially as a result of the lower collection of property management fees and other trade receivables from customers due to seasonal fluctuation, partially offset by (i) an increase in contract liabilities of RMB43.6 million and (ii) an increase in trade and other payables of RMB27.1 million, mainly due to an increase in trade payables to third parties and other payables for staff salaries and welfare which was generally in line with business expansion.

FINANCIAL INFORMATION

In 2019, New Century Property Management had net cash generated from operating activities of RMB89.1 million, resulting from profit before income tax of RMB82.4 million and negative movements in working capital. The negative movements in working capital primarily reflected (i) an increase in trade receivables of RMB15.5 million which was generally in line with the business expansion, and (ii) an increase in prepayments, deposits and other receivables of RMB4.4 million, mainly due to an increase in (a) other receivables from related parties in relation to the indemnity amount receivable from the then-controlling shareholder of New Century Property Management in connection with its attempted ChiNext Application and (b) deposits representing performance guarantees and bidding guarantees placed with customers, partially offset by an increase in trade and other payables of RMB20.9 million, mainly as a result of an increase in trade payables to third parties and other payables for staff salaries and welfare which was generally in line with business expansion.

In 2018, New Century Property Management had net cash generated from operating activities of RMB37.6 million, resulting from profit before income tax of RMB86.4 million and negative movements in working capital. The negative movements in working capital primarily reflected an increase in trade receivables of RMB47.5 million, primarily due to expansion of business, partially offset by an increase in trade and other payables of RMB24.7 million, which was mainly attributable to an increase in trade payables to third parties, which was generally in line with business expansion, as well as an increase in other payables for amounts collected on behalf of property owners in relation to community space operation services.

In 2017, New Century Property Management had net cash generated from operating activities of RMB94.3 million, resulting from profit before income tax of RMB65.7 million and positive movements in working capital. The positive movements in working capital primarily reflected (i) an increase in trade and other payables of RMB47.2 million, mainly due to an increase in other payables in connection with amounts collected on behalf of property owners with respect to community space operation services and utility fees, and (ii) an increase in contract liabilities of RMB26.4 million, partially offset by (i) an increase in trade receivables of RMB14.9 million, which was generally in line with business expansion, and (ii) an increase in prepayments, deposits and other receivables of RMB10.9 million, which was mainly attributable to an increase in deposits and prepayments for service fees and rental fees in connection with daily business operations.

Cash flows of investing activities

For the period from 1 January to 7 May 2020, net cash used in investing activities was RMB209.2 million, primarily reflecting purchase of financial assets at fair value through profit or loss of RMB670.3 million net of proceeds from disposal of financial assets at fair value through profit or loss of RMB456.9 million in relation to the investment in wealth management products.

FINANCIAL INFORMATION

In 2019, net cash generated from investing activities was RMB124.7 million, primarily reflecting (i) net proceeds from disposal of financial assets at fair value through profit or loss in relation to the investment in wealth management products, and (ii) net proceeds from disposal of other financial assets at amortised cost in relation to the investment in debenture assets.

In 2018, net cash used in investing activities was RMB41.2 million, primarily reflecting (i) purchase of financial assets at fair value through profit or loss of RMB120.0 million net of proceeds from disposal of financial assets at fair value through profit or loss of RMB102.3 million in relation to the investment in wealth management products, (ii) payments for purchase of property, plant and equipment of RMB9.2 million and (iii) purchase of investment in associates of RMB8.8 million.

In 2017, net cash used in investing activities was RMB69.4 million, primarily reflecting purchase of financial assets at fair value through profit or loss of RMB60.0 million in relation to the investment in wealth management products.

Cash flows of financing activities

For the period from 1 January to 7 May 2020, net cash used in financing activities was RMB3.2 million, reflecting primarily (i) payments for lease liabilities of RMB1.8 million and (ii) dividends paid to shareholders of RMB1.4 million.

In 2019, net cash used in financing activities was RMB5.9 million, reflecting primarily payments for lease liabilities of RMB7.6 million.

In 2018, net cash used in financing activities was RMB39.7 million, reflecting primarily (i) dividends paid to shareholders of RMB32.9 million, and (ii) payments for lease liabilities of RMB6.4 million.

In 2017, net cash used in financing activities was RMB8.6 million, reflecting primarily dividends paid to shareholders of RMB9.5 million, partially offset by capital contribution from non-controlling shareholders of RMB1.5 million.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$11.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$7,810.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$11.60 per Offer Share (being the mid-point of the indicative Offer Price range):

- Approximately 65%, or HK\$5,076.5 million, will be used to pursue selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations and with a view to expanding our business scale and solidifying our leading industry position, among which, (i) approximately 50%, or HK\$3,905.0 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. According to China Index Academy, market concentration through initiatives such acquisitions is one of the key trends in the property management industry in China in recent years. When we evaluate a potential investment or acquisition target, we would generally prefer those property management companies that have, amongst others, (a) GFA under management of at least 2.0 million sq.m., (b) maintained annual revenue of at least RMB36.0 million for the most recent financial year, (c) property management portfolios of mid- to high-end residential properties, and/or non-residential properties which would help us expand with respect to urban property management, (d) financial capability, such as profitability, comparable to existing companies of our Group with similar business scale, (e) geographic locations in higher-tier cities in China that can facilitate with our business integration in terms of geographic coverage, and (f) reputable brand and good corporate creditworthiness. We are also more inclined to consider companies in which we would have the controlling interest to better employ our investment strategies and business integration. According to China Index Academy, there are more than 200 players among the Top 100 Property Management Companies each with a GFA under management of at least 2.0 million sq.m. and an annual revenue of at least RMB36.0 million in 2019. Amongst these companies, around 50 of them are not affiliated with property developers in China, according to China Index Academy. As such, our Directors believe that there are sufficient number of suitable target companies available in the market for our aforementioned expansion plan, even if when taking into account property management companies’ affiliation with property developers. In addition,

FUTURE PLANS AND USE OF PROCEEDS

our Directors consider that, for property management companies affiliated with property developers of relatively small business size, there are still potential opportunities for investment or acquisitions as these companies are more inclined to achieve better business development through consolidation with a prominent, large-scale and fast-growing market player such as our Group, (ii) approximately 10%, or HK\$781.0 million, will be used to acquire or invest in companies which provide community products and services complementary to those of us, including companies engaging in areas such as, community medical care, smart management and education services, by utilising the expertise and experience of these companies and by tapping into the needs of the property owners and residents in these areas, in particular, for our community value-added services, and (iii) approximately 5%, or HK\$390.5 million, will be used to acquire or invest in companies engaging in providing property management related services, such as security, cleaning, gardening or maintenance services providers. According to China Index Academy, acquisitions in the property management industry are extending to segment markets with targets providing a wide spectrum of value-added services from a variety of sectors that are complimentary to property management, such as technologies, education, engineering and financial services. In line with such market trends, we consider that investment in or acquisitions of targets along the business value chain provide abundant opportunities for our business expansion. As at the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering;

- Approximately 15%, or HK\$1,171.5 million, will be used to upgrade our systems for smart management services and for the development of our smart communities, offering a high-quality living experience with convenience for our property owners and residents and enhancing cost-efficiency for our property management, among which, (i) approximately 9%, or HK\$702.9 million, will be used to purchase and upgrade hardware for the deployment of smart devices and Internet of Things facilities. We expect to purchase hardware for smart traffic management system, smart security system and smart car park monitoring system to further achieve automatic resource allocation, reduce labour costs and energy consumption, improve property management efficiency and provide customers with more convenient living experience. We plan to use approximately 2.6%, 3.2% and 3.2% of the net proceeds of the Global Offering for such expansion plan, or HK\$203.1 million, HK\$249.9 million and HK\$249.9 million in 2021, 2022 and 2023, respectively; (ii) approximately 3%, or HK\$234.3 million, will be used for the upgrade and maintenance of our “Zhenxin” mobile application, smart community management platform and other internal business operation systems. We plan to conduct research and develop new software for such as fire protection, elevator control and energy saving to further enhance efficiency of property management. We also plan to upgrade our internal management platforms for quality control, collection of property management fees, human resources, etc. to improve work efficiency and accuracy of our employees. We plan to use approximately 1.7% and 1.3% of the net proceeds of the Global Offering for such expansion plan, or HK\$132.8 million and

FUTURE PLANS AND USE OF PROCEEDS

HK\$101.5 million in 2021 and 2022, respectively; and (iii) approximately 3%, or HK\$234.3 million, will be used for the further upgrade and development of our online service platform, in particular, our “Sunac Livable Community” mobile application. We expect to upgrade the basic services on our online service platform and also realise its function of customer reward points and benefits in order to improve customer experience and satisfaction. We also plan to construct customer database to realise refined operations and precise analysis of customer needs. We plan to use approximately 1.3%, 0.8% and 0.9% of the net proceeds of the Global Offering for such expansion plan, or HK\$101.5 million, HK\$62.5 million and HK\$70.3 million in 2021, 2022 and 2023, respectively.

- Approximately 10%, or HK\$781.0 million, will be used to further develop our community value-added services in an effort to diversify our service offering and enhance profitability, among which, (i) approximately 5%, or HK\$390.5 million, will be used to develop our existing community value-added services, including community living, property interior decoration and community space operation services; and (ii) approximately 5%, or HK\$390.5 million, will be used to upgrade hardware and information technology infrastructure, develop operation services for commercial facilities, as well as related trainings of employees, to enhance the operational efficiency and user experience for our community value-added services; and
- Approximately 10%, or HK\$781.0 million, will be used for working capital and general corporate purpose. We expect to have increasing needs of working capital as a result of the rapid expansion of our business, as we enlarge our GFA under management and enrich our property management portfolio.

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 or that the Over-allotment Option is exercised.

If the Offer Price is fixed at HK\$12.65 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$8,520.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$10.55 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be approximately HK\$7,100.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$1,070.1 million (assuming an Offer Price of HK\$10.55 per Offer Share, being the low end of the proposed Offer Price range) to HK\$1,283.1 million (assuming an Offer Price of HK\$12.65 per Offer Share, being the high end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us 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 in 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.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with an aggregate amount of US\$370 million (to be converted to Hong Kong dollars based on the actual exchange rate to be used; for illustration purpose only, the exchange rate of US\$1.00 to HK\$7.75 has been adopted in this section) (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$10.55 per Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 271,798,000 Offer Shares, representing approximately 39.39% of the Offer Shares and approximately 9.06% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$11.60 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 247,197,000 Offer Shares, representing approximately 35.83% of the Offer Shares and approximately 8.24% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$12.65 per Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 226,677,000 Offer Shares, representing approximately 32.85% of the Offer Shares and approximately 7.56% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that the Cornerstone Investors are reputable and renowned PRC and global investors and would form part of the institutional shareholder base of our Company upon completion of the Global Offering. We believe that the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is not an existing Shareholder, and is independent of our Company, connected persons, and their respective associates; (ii) we become acquainted with each of the Cornerstone Investors either through the introduction of Sunac China (in the case of Tencent and Magical Carpet Limited) or the Underwriters (in the case of the Hillhouse Funds and the Snow Lake Funds); (iii) each of the Cornerstone Investors expects to fund the respective cornerstone investment with its internal resources; (iv) the subscription for Offer Shares by the Cornerstone Investors under the Cornerstone Placing is not financed directly or indirectly by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, or existing

CORNERSTONE INVESTORS

Shareholders or any of its subsidiaries or their respective close associates; (v) each of the Cornerstone Investors is making independent investment decisions and none of them is accustomed to taking instructions from our Company, our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, or existing Shareholders, or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (vi) there is no side agreement or arrangement between our Company and each of the Cornerstone Investors or any direct or indirect benefit conferred on the Cornerstone Investors by virtue of or in relation to their investments in our Company; and (vii) no preferential treatment has been, nor will be, given to any Cornerstone Investor.

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become a substantial shareholder of our Company.

The investment amount for the Offer Shares to be subscribed for by each of the Cornerstone Investors under the Cornerstone Placing will be paid at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Delivery of the Offer Shares subscribed for by the Cornerstone Investors will take place on the Listing Date subject to due payment being made. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

In the event of over-subscription under the Hong Kong Public Offering, the number of Offer Shares to be subscribed for by the Cornerstone Investors may be affected by the reallocation of Shares between the International Offering and the Hong Kong Public Offering. If the total demand for Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this prospectus, the number of Offer Shares subscribed for by each of the Cornerstone Investors may be deducted on a pro rata basis to satisfy the public demands under the Hong Kong Public Offering.

THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Tencent

Image Frame Investment (HK) Limited, a limited liability company incorporated under the laws of Hong Kong, is a wholly-owned subsidiary of Tencent Holdings Limited (“**Tencent**”), a company listed on the Hong Kong Stock Exchange (stock code: 00700). Tencent is a leading provider of Internet value-added services in China, including communications and social, digital content, advertising, fintech and cloud services.

Magical Carpet Limited

Magical Carpet Limited is incorporated in the British Virgin Islands and has two classes of shares, i.e. voting shares and non-voting shares. Direct Galore Limited, as the investment manager, holds the only voting share in Magical Carpet Limited. The source of fund of Magical Carpet Limited is from funds advised or managed by IDG Capital, which hold non-voting shares in Magical Carpet Limited. IDG Capital, previously known as IDG Capital Partners, represents private equity and venture capital fund managers, investment advisors and other business entities. Focusing on Chinese technology investments since the early 1990s, IDG Capital was one of the first firms to bring foreign venture capital into China. Mr. Ho Chi Sing, who joined IDG Capital in 2000 and is currently serving as the chief financial officer of IDG Capital, is the sole shareholder of Direct Galore Limited.

Hillhouse Funds

Gaoling Fund, L.P. and YHG Investment, L.P. (the “**Hillhouse Funds**”) are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. (“**Hillhouse Capital**”) serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital’s investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Snow Lake Funds

Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd. and Snow Lake Asia Master Fund Limited (the “**Snow Lake Funds**”) are exempted companies established under the laws of the Cayman Islands.

Snow Lake Capital (HK) Limited (“**Snow Lake Capital**”), a Hong Kong incorporated company, serves as the investment manager of the Snow Lake Funds. Snow Lake Capital, together with its affiliates, is an Asian alternative investment management firm founded in 2009. The firm employs a long-term fundamental investment approach, leveraging its in-house proprietary research capabilities and disciplined investment process in selecting high quality businesses with forward-thinking management. Snow Lake Capital mainly invests in leading companies in the TMT, consumer, healthcare, financial services and real estate sectors. Snow Lake Capital manages capital mainly for institutional clients globally, including endowments, foundations, sovereign wealth funds and pensions.

CORNERSTONE INVESTORS

The following table sets forth details on the Cornerstone Placing:

Cornerstone Investor	Total investment amount (US\$ in million)	Hong Kong dollar equivalent (Note)	Number of Offer Shares to be subscribed (Note)	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
				Approximate percentage of the Offer Shares	Approximate percentage of the International Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	Approximate percentage of the Offer Shares	Approximate percentage of the International Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering
Assuming an Offer Price of HK\$10.55 per Share (being the low-end of the indicative Offer Price range)									
Tencent	150	1,162.5	110,189,000	15.97%	17.17%	3.67%	13.89%	14.79%	3.55%
Magical Carpet Limited	100	775	73,459,000	10.65%	11.45%	2.45%	9.26%	9.86%	2.37%
Hillhouse Funds	60	465	44,075,000	6.39%	6.87%	1.47%	5.55%	5.91%	1.42%
Snow Lake Funds	60	465	44,075,000	6.39%	6.87%	1.47%	5.55%	5.91%	1.42%
Total	370	2,867.5	271,798,000	39.39%	42.36%	9.06%	34.25%	36.47%	8.76%
Assuming an Offer Price of HK\$11.60 per Share (being the mid-point of the indicative Offer Price range)									
Tencent	150	1,162.5	100,215,000	14.52%	15.62%	3.34%	12.63%	13.45%	3.23%
Magical Carpet Limited	100	775	66,810,000	9.68%	10.41%	2.23%	8.42%	8.97%	2.15%
Hillhouse Funds	60	465	40,086,000	5.81%	6.25%	1.34%	5.05%	5.38%	1.29%
Snow Lake Funds	60	465	40,086,000	5.81%	6.25%	1.34%	5.05%	5.38%	1.29%
Total	370	2,867.5	247,197,000	35.83%	38.52%	8.24%	31.15%	33.17%	7.97%

CORNERSTONE INVESTORS

	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised				
	Total investment amount (US\$ in million)	Hong Kong dollar equivalent (Note)	Number of Offer Shares to be subscribed (Note)	Approximate percentage of the International Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	Approximate percentage of the International Offer Shares	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering
Cornerstone Investor							
		(HK\$ in million)					
Assuming an Offer Price of HK\$12.65 per Share (being the high-end of the indicative Offer Price range)							
Tencent	150	1,162.5	91,897,000	13.32%	14.32%	11.58%	12.33%
Magical Carpet Limited	100	775	61,264,000	8.88%	9.55%	7.72%	8.22%
Hillhouse Funds	60	465	36,758,000	5.33%	5.73%	4.63%	4.93%
Snow Lake Funds	60	465	36,758,000	5.33%	5.73%	4.63%	4.93%
Total	370	2,867.5	226,677,000	32.85%	35.32%	28.57%	30.42%

Note: Calculated based on an exchange rate of US\$1.00 to HK\$7.75 for illustration purpose only. The actual investment amount of each Cornerstone Investor in Hong Kong dollars may change due to the actual exchange rate to be used. The actual number of Shares subscribed by each Cornerstone Investor may change due to rounding down to the nearest whole board lot of 1,000 Shares.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligations of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the Underwriters);
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no Laws (as defined in the relevant Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries or affiliates (as the case may be) which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
ABCI Securities Company Limited
BOCI Asia Limited
CMB International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
ICBC International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public 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 subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 48,300,000 Hong Kong Offer Shares and the International Offering of initially 641,700,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Distribution and the Capitalisation Issue on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or

UNDERWRITING

procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors 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 prospective 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 United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of our Group or its business operations (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change, or any development involving a prospective change (whether or not permanent), in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or
 - (iii) 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 London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

UNDERWRITING

- (iv) any general moratorium on commercial banking activities in or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (v) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions on any member of the Group; or
- (vii) any valid demand by any creditor for repayment or payment of any indebtedness of our Company or in respect of which we are liable prior to its stated maturity; or
- (viii) the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis in or affecting any Relevant Jurisdictions; or
- (ix) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, calamity, economic sanction, strike, labour dispute, crisis, public disorder, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9), COVID-19 or such related/mutated forms), pandemic, outbreak of infectious disease, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, explosion, volcanic eruption, civil commotion, riot, public disorder, escalation of hostilities (whether or not war has been declared), tsunami, fire or lock-out; or
- (x) that there is any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or trading or otherwise, or performance of the Group, taken as a whole (the "**Material Adverse Change**"), or any development involving a prospective material adverse change or development, in the assets, liabilities, business, general

UNDERWRITING

affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of Sunac China; or

- (xi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, Application Forms or offering circular (or to any other offer document in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Joint Sponsors and the Joint Representatives (which consent not to be unreasonably withheld or delayed); or
- (xii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of this prospectus, the Application Forms and the formal notice; or
- (xiii) any change, development or event involving actual materialisation of, any of the risks set out in "Risk Factors" in this prospectus; or
- (xiv) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything equivalent thereto occurs in respect of any member of our Group; or
- (xv) any contravention by any member of our Group or any Director of the Listing Rules, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the PRC Company Law or the Articles of Association or the SFO or other applicable laws; or
- (xvi) a prohibition by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

UNDERWRITING

- (xvii) any non-compliance of this prospectus (or any other document used in connection with the Distribution and the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Distribution and/or the Global Offering with the Listing Rules or the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Companies Ordinance or the PRC Company Law or the Articles of Association or other applicable laws; or
- (xviii) any material litigation or other legal or regulatory proceeding being threatened or instigated against (i) any member of our Group; (ii) Sunac China; or (iii) any executive Director; or
- (xix) any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any executive Director or Sunac China; or
- (xx) the chairman or chief executive officer of our Company or any executive Director vacating his or her office; or
- (xxi) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors:

- (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group as a whole; or
- (B) has or will or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (C) makes or will or may make it inadvisable or inexpedient or impracticable for any part of the Distribution or the Hong Kong Public Offering or the International Offering to proceed or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus; or

UNDERWRITING

- (D) has or will or may have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing or delaying 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 Bookrunners, the Joint Representatives, the Joint Global Coordinators or any of the Hong Kong Underwriters:
 - (i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the post-hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Offer Related Documents**”) (but excluding information relating to the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners or the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), constitute a material omission from, or misstatement in, any of the Offer Related Documents; or
 - (iii) that any of the representations, warranties, agreements and undertakings given by our Company or our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is or becomes untrue, incorrect or incomplete in any material respect or misleading in any respect; or
 - (iv) that there is a material breach of any provisions of, or any obligations imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters or the International Underwriters); or

UNDERWRITING

- (v) there is an event, act or omission which gives or is likely to give rise to any liability of any of the Company or Sunac China pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (vi) that the investment commitments by any cornerstone investor after signing of agreements with such cornerstone investor have been withdrawn, terminated, cancelled or otherwise not fulfilled, which has or will or may have a material adverse effect on the success or marketability of the Global Offering; or
- (vii) any of the experts specified under “Statutory and general information – D. Other Information – 9. Consents of experts” in Appendix IV to this prospectus (other than the Joint Sponsors) with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, this prospectus; or
- (viii) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option), the Distribution and the Capitalisation Issue 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
- (ix) that our Company withdraws this prospectus and/or any other document issued or used in connection with the Distribution or the Global Offering; or
- (x) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares pursuant to the terms of the Global Offering and/or the Shares pursuant to the Distribution; or
- (xi) any Material Adverse Change.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement or arrangement to such an issue (whether or not such issue of Shares or such other securities will be completed within six months from the Listing

UNDERWRITING

Date), except (a) pursuant to the Capitalisation Issue, the Distribution and the Global Offering (including the issue of additional Shares pursuant to the exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement, it will not (and will procure that the relevant registered holder(s) will not) without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised 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 Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by a Controlling Shareholder and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the Capitalisation Issue, the Distribution, the issue, offer or sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), and under any of the circumstances as permitted under Rule 10.08 of the Listing Rules, not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or 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 or other equity securities of our Company, or any interest in any of the foregoing) or deposit any Shares or other equity securities of our Company, with a depositary in connection with the issue of depositary receipts;
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing);

UNDERWRITING

- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or
- (iv) offer or agree or contract to effect any transaction set out in paragraphs (i), (ii) or (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

Undertakings by Sunac China

Sunac China undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, and to procure each of the other Controlling Shareholders, that, except pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement and provided that the below restrictions shall not apply to any pledge or charge of Shares of any of the Controlling Shareholders in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, it shall not, and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters):

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of those securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any Shares or other securities of us

UNDERWRITING

or any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or other securities of our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement on the Price Determination Date with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially 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. See “Structure of the Global Offering — The International Offering” in this prospectus.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an aggregate of 103,500,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering — The International Offering — Over-allotment Option” in this prospectus.

Commissions and Expenses

The Underwriters will receive a gross underwriting commission of 1.5% of the aggregate Offer Price payable for all the Offer Shares (including any Offer Shares to be issued pursuant to the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission to the International Underwriters at the rate applicable to the International Offering, and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, our Company may, at its sole and absolute discretion, also pay to the Underwriters an incentive fee of up to 0.5% of the aggregate Offer Price in respect of the Offer Shares.

UNDERWRITING

Indemnity

We have agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by us of the Hong Kong Underwriting Agreement.

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 or stabilising process.

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 loans and other debt.

In relation to our Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our Shares (which financing may be secured by our Shares) in the Global Offering, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our 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 our Shares, which may have a negative impact on the trading price of our Shares. All such activities could occur in Hong Kong and elsewhere

UNDERWRITING

in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock 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 our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our 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 (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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 us and our 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.

STRUCTURE OF 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 48,300,000 Shares in Hong Kong as described in the paragraph headed “— The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 641,700,000 Shares to be offered (i) to qualified institutional buyers in the United States in reliance on Rule 144A or another exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Representatives, as representatives of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 103,500,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

Of the 641,700,000 Offer Shares initially being offered under the International Offering, 26,000,000 Offer Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering.

Our Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.03 of and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules in relation to the participation by the Eligible Directors in the Employee Preferential Offering. See “Waivers from Strict Compliance Requirements under the Listing Rules — Waiver and Consents in Respect of the Employee Preferential Offering” for further details.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “— The Hong Kong Public Offering — Reallocation” below.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 48,300,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 7% of the total number of Offer Shares initially available under 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. The Hong Kong Offer Shares will represent approximately 1.61% of the Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. 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 as set out in the paragraph headed “— Conditions of the Global Offering” below.

Allocation

Allocation of the Hong Kong 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.

The total number of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering is to be divided 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 the Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

STRUCTURE OF THE GLOBAL OFFERING

For the purpose of the immediate preceding paragraph only, the “price” for the Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of the 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 24,150,000 Hong Kong Offer Shares (being 50% of the 48,300,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are 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 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 7% of the Global Offering and, in the event of over-subscription under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the Underwriters) shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows (the “**Mandatory Reallocation**”):

- (i) 48,300,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed

- (ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 49 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 75,900,000 Shares, representing 11% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 49 times or more but less than 98 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the

STRUCTURE OF THE GLOBAL OFFERING

Offer Shares available under the Hong Kong Public Offering will be 96,600,000 Shares, representing 14% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

- (iv) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 98 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 193,200,000 Shares, representing 28% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares so reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the discretion (but not the obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 14 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed, then up to 48,300,000 Offer Shares may be reallocated from the International offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 96,600,000 Shares, representing 14% of the number of the Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised), and the Offer Price shall be fixed at HK\$10.55 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus) in accordance with Guidance Letter HKEx-GL91-18.

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 has 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

STRUCTURE OF THE GLOBAL OFFERING

Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if 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\$12.65 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “— Pricing of the Global Offering” below, is less than the maximum Offer Price of HK\$12.65 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the 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”.

THE DISTRIBUTION

On 26 October 2020, the board of directors of Sunac China declared a conditional special dividend to the Qualifying Sunac Shareholders, being registered holders of Sunac Shares whose names appear on one or both of the registers of members of Sunac China on the Record Date. The Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Sunac Shareholders of an aggregate of 150,000,000 Shares, representing 5% of the issued share capital of our Company immediately following the completion of the Spin-off and the Global Offering, in proportion to their respective shareholdings in Sunac China on the Record Date. Pursuant to the Distribution, the Qualifying Sunac Shareholders will be entitled to one Share for every 31.08 Sunac Shares held on the Record Date.

Fractional entitlements of the Qualifying Sunac Shareholders to the Shares under the Distribution will be retained by Sunac China for sale in the market and Sunac China will keep the net proceeds of sale, after deduction of the relevant expenses, for the benefit of Sunac China.

Sunac China has appointed The Hongkong and Shanghai Banking Corporation Limited to provide matching services, on a best efforts basis, to the Qualifying Sunac Shareholders to facilitate the trading of odd lots of Shares which the Qualifying Sunac Shareholders may receive under the Distribution. For further details, please refer to the announcement dated 26 October 2020 issued by Sunac China.

The Distribution is conditional on the Global Offering becoming unconditional in all respects. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place. Subject to the Distribution becoming unconditional, we expect to despatch share certificates to Qualifying Sunac Shareholders who are entitled to receive Shares under the Distribution on or before Wednesday, 18 November 2020. Share certificates will only become valid if the Distribution becomes unconditional.

STRUCTURE OF THE GLOBAL OFFERING

Excluded Sunac Shareholders (if any) will be entitled to the Distribution but will not receive Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by Sunac China on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale, provided that if the amount that an Excluded Sunac Shareholder would be entitled to receive is less than HK\$50, such sum will be retained for the benefit of Sunac China. The proceeds of such sale, net of expenses, will be paid to the Excluded Sunac Shareholders (if any) in Hong Kong dollars. Such payment is expected to be made on or before Tuesday, 1 December 2020.

None of Sunac China, our Company or the Joint Sponsors take any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any underlying beneficial owner of Sunac Shares. Sunac China reserves the right, in its absolute discretion, to allow the participation of any Sunac Shareholder in the Distribution.

According to the “Stock Connect Shareholding Search” available on the Stock Exchange’s website (www.hkexnews.hk), as at 5 November 2020, ChinaClear held 789,487,891 Sunac Shares, representing approximately 16.93% of the total issued Sunac Shares. ChinaClear is a CCASS Participant with HKSCC Nominees. The Sunac PRC Stock Connect Investors may hold our Shares pursuant to the Distribution through ChinaClear. Pursuant to the Shenzhen Stock Exchange Measures for the Implementation of Shenzhen-Hong Kong Stock Connect promulgated and effective on 30 September 2016 and last amended on 13 March 2020 and the Shanghai Stock Exchange Measures for the Implementation of Shanghai-Hong Kong Stock Connect revised and effective on 30 September 2016 and last amended on 13 March 2020, the Sunac PRC Stock Connect Investors (or the relevant ChinaClear participants, as the case may be) whose stock accounts in ChinaClear are credited with our Shares may only sell them on the Stock Exchange under the Shanghai Stock Connect and Shenzhen Stock Connect.

Sunac PRC Stock Connect Investors should seek advice from their intermediary (including broker, custodian, nominee or ChinaClear participant) and/or other professional advisors for details of the logistical arrangements as required by ChinaClear.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 641,700,000 International Offer Shares representing 93% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised, and approximately 21.39% of the Company’s enlarged issued share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International 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 International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “— Pricing of the Global Offering” 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered the International 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 Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 103,500,000 additional Offer Shares, representing 15% 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 will represent approximately 3.45% of the Company’s enlarged issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

Employee Preferential Offering

Of the 641,700,000 Offer Shares initially being offered under the International Offering, 26,000,000 Employee Reserved Shares (representing approximately 4.05% of the total number of Offer Shares initially available under the International Offering and approximately 3.77% of the total number of Offer Shares initially available under the Global Offering before any exercise of the Over-allotment Option) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering.

The Employee Reserved Shares are being offered out of the International Offer Shares but will not be subject to the clawback mechanism set out in “— The Hong Kong Public Offering — Reallocation” above.

Eligible Employees in the PRC may apply for Employee Reserved Shares through any legally permissible means (including, without limitation, via their personal securities account(s) in Hong Kong or by way of OTC Swaps (as defined below)) at their discretion. To the extent that an Eligible Employee is subject to restrictions on participation in the Employee Preferential Offering under relevant PRC laws and regulations either as a result of him/her being a PRC national or being subject to currency exchange controls, it is intended that Employee Reserved Share(s) will be placed to the Placee to allow an Eligible Employee to enjoy the economic exposure of such share(s) through the OTC Swaps. The Placee and CICC will enter into a series of cross-border delta-one over-the-counter swap transactions with each other and with a privately-offered investment fund product (the “**Product**”) which is available for subscription by Eligible Employees (the “**OTC Swaps**”). Employee Reserved Shares will then be placed to the Placee to hedge the OTC Swaps, while the economic risks and return of such shares will pass through to the subscribing Eligible Employee(s). Title to all Employee Reserved Shares to be placed to the Placee will be held by it as nominee holder for the benefit of the Eligible Employees, and no voting rights will be exercised in respect of such Employee Reserved Shares.

An Eligible Employee who makes an application for the Employee Reserved Shares may not apply for International Offer Shares under the International Offering or apply for or indicate an interest for Hong Kong Offer Shares under the Hong Kong Public Offering.

None of the Eligible Employees (including the Eligible Directors) will apply for such number of Employee Reserved Shares which is more than the total number of Employee Reserved Shares.

Save for the application made by the Placee, any application for more than 780,000 Employee Reserved Shares by any Eligible Employee will be treated as if it were an application for 780,000 Employee Reserved Shares (representing approximately 3.00% of the total number of Employee Reserved Shares). The total number of Employee Reserved Shares that the Placee may subscribe for under the Employee Preferential Offering shall not exceed

STRUCTURE OF THE GLOBAL OFFERING

780,000 Employee Reserved Shares times the number of Eligible Employees who subscribe for the Product. Such measure is designed to ensure that no single Eligible Employee would be allotted an excessively large number of Employee Reserved Shares to the disadvantage of other Eligible Employees.

Allocation of the Employee Reserved Shares will be made based on written guidance issued to the Eligible Employees which will generally be consistent with the allocation guidelines set out in Practice Note 20 of the Listing Rules. In particular, allocation of the Employee Reserved Shares will be made in an equitable manner based on the subscription amount of each Eligible Employee, and not on the identity, seniority, length of service or work performance of any Eligible Employee. The allocation basis will be consistent with that commonly adopted in the case of over-subscriptions in public offerings in Hong Kong using a “scale down” ratio formula, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. No favour will be given to Eligible Employees who apply for a large number of Employee Reserved Shares. No preferential treatment will be given to Eligible Directors in the allocation of the Employee Reserved Shares under the Employee Preferential Offering as compared to the other Eligible Employees.

Each Eligible Employee who is not an Eligible Director (a “**Non-director Participant**”) who participates in the Employee Preferential Offering will confirm that:

- (a) the subscription by such Non-director Participant for the Employee Reserved Shares will not be funded directly or indirectly by a core connected person of the Company; and
- (b) such Non-director Participant is not and will not be accustomed to taking instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Employee Reserved Share(s) so subscribed by him/her.

Any Employee Reserved Shares not subscribed for by the Eligible Employees will be available for subscription by the other institutional and professional investors and other investors in the International Offering after the reallocation as described above in “— The Hong Kong Public Offering — Reallocation” above. The total number and percentage of Shares allocated to the Eligible Employees and the Eligible Directors, respectively, will be disclosed in our allotment results announcement.

Allocation of the Employee Reserved Shares will be handled by the Hong Kong Branch Share Registrar. Eligible Directors who intend to apply for Employee Reserved Shares will not participate in any decision of our Company in relation to the allocation basis for the Employee Preferential Offering.

The Placee is a member of the same group of companies as CICC and therefore, constitutes a “connected client” of CICC. Our Company has applied for, and the Stock Exchange has granted us, a consent under paragraph 5(1) of Appendix 6 to the Listing Rules

STRUCTURE OF THE GLOBAL OFFERING

to permit the Placee to act as a placee in the Global Offering to facilitate the participation of Eligible Employees in the Employee Preferential Offering. See “Waivers from Strict Compliance Requirements under the Listing Rules — Waiver and Consents in Respect of the Employee Preferential Offering” for further details.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager and Sunac Services Investment will enter into the Stock Borrowing Agreement. Under the Stock Borrowing Agreement, Sunac Services Investment will agree with the Stabilising Manager that, if requested by the Stabilising Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 103,500,000 Shares held by Sunac Services Investment by way of stock lending, in order to cover over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that such stock borrowing arrangement will only be effected by the Stabilising Manager for the purpose of settling over-allocations of Shares in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option. The maximum number of Shares to be borrowed from Sunac Services Investment under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option. The same number of Shares so borrowed is to be returned to Sunac Services Investment or its nominee(s), as the case may be, not later than the third business day following the earlier of (i) the day on which the Over-allotment Option is exercised in full, or (ii) the last day on which the Over-allotment Option may be exercised by the Stabilising Manager. The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefits will be made to Sunac Services Investment by the Stabilising Manager or any of the International Underwriters in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the

STRUCTURE OF THE GLOBAL OFFERING

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 Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of the Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising 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 Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 103,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering assuming that the Over-allotment Option is not exercised, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price;
- (b) stock borrowing;
- (c) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;
- (d) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (e) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (f) selling the Shares to liquidate a long position held as a result of those purchases; and
- (g) offering or attempting to do anything described in (c), (d), (e) and (f) above.

STRUCTURE OF THE GLOBAL OFFERING

Stabilising actions by the Stabilising 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 stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising 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 Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising 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.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising 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 stabilising period is expected to end on Saturday, 12 December 2020. As a result, demand for the Shares and their market price may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, 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 stabilising action taken by the Stabilising 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 stabilising period. Bids for or market purchases of the Shares by the Stabilising 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 applicants. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be not more than HK\$12.65 per Offer Share and is expected to be not less than HK\$10.55 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 indicative Offer Price range stated in the prospectus.

STRUCTURE OF THE GLOBAL OFFERING

REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF OFFER SHARES

The Joint Representatives, 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 the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price 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, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.sunacservice.com) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares offered in the Global Offering and/or the Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated 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 entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 7% of the total number of Hong Kong Offer Shares in the Global Offering, assuming that the Over-allotment Option is not exercised. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

The level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.sunacservice.com).

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements and the respective Underwriting Agreements are summarised in the section headed “Underwriting”.

ADMISSION OF THE SHARES INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies 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

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 19 November 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 19 November 2020. Our Shares will be traded in board lots of 1,000 Shares each and the stock code of our Shares will be 01516.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Distribution and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the execution and delivery of the International Underwriting Agreement no later than on or around the Price Determination Date (or such later date as may be agreed between our Company and the Joint Representatives (on behalf of the Underwriters)); and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

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 the Company on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.sunacservice.com) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — F. Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 18 November 2020 but will only become valid certificates of title at 8:00 a.m. on Thursday, 19 November 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **WHITE Form eIPO** service at www.eipo.com.hk; 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 Representatives, the **WHITE Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the 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 United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **WHITE Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid 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 authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **WHITE Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- a director of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR THE HONG KONG OFFER SHARES

Which Application Channel to Use

For the Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 9 November 2020 till 12:00 noon on Thursday, 12 November 2020 from:

- (i) any of the following offices of the Hong Kong Underwriters:

The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center
 99 Queen's Road Central
 Hong Kong

ICBC International Securities Limited 37/F, ICBC Tower
 3 Garden Road
 Hong Kong

(ii) any of the designated branches of the following receiving banks:

Industrial and Commercial Bank of China (Asia) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
	Yaumatei Branch	542 Nathan Road, Yaumatei, Kowloon
New Territories	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories
	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARES

CMB Wing Lung Bank Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong	Kennedy Town Branch	28 Catchick Street
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 9 November 2020 till 12:00 noon on Thursday, 12 November 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging the 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 — Sunac 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:

- Monday, 9 November 2020 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 10 November 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 11 November 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, 12 November 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 Thursday, 12 November 2020, the last application day or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **WHITE Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance 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 the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or 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 International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their

HOW TO APPLY FOR HONG KONG OFFER SHARES

respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or parties involved in the Global Offering, 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 the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or parties involved in the Global Offering, 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) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvii) understand that our Company and the Joint Representatives 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 **WHITE Form eIPO** 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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— A. Applications for Hong Kong Offer Shares — 2. Who can apply” in this section, may apply through the **WHITE Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **WHITE Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **WHITE Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **WHITE Form eIPO** service.

Time for Submitting Applications under the WHITE Form eIPO

You may submit your application to the **WHITE Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 9 November 2020 until 11:30 a.m. on Thursday, 12 November 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 12 November 2020 or such later time under “— C. Effects of Bad Weather on the Opening of the Application Lists” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **WHITE Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **WHITE Form eIPO** service to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **WHITE Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **WHITE Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each 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).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “SUNAC SERVICES HOLDINGS LIMITED” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a 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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and our Hong Kong Branch Share Registrar.

Giving Electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares 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 International Offer Shares under the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, the Directors and the Joint Representatives 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;
- **authorise** our Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **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 the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or 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 Branch Share Registrar, receiving bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or parties involved in the Global Offering;
- **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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with 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 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 the 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 the giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- **agree** with the 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;
- **agree** with the Company, for itself and for the benefit of each of the Shareholder and each Director, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each Director, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by any relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- **agree** with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that the Shares are freely transferable by their holders;
 - **authorise** the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in 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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application 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 authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, 9 November 2020 – 9:00 a.m. to 8:30 p.m.
- Tuesday, 10 November 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 11 November 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 12 November 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 9 November 2020 until 12:00 noon on Thursday, 12 November 2020 (24 hours daily, except on Thursday, 12 November 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 12 November 2020, the last application day or such later time as described in “— C. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

Note: These times 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Forms headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents, affiliates and advisers, and any other persons or parties involved in the Global Offering about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **WHITE Form eIPO** service is also only a facility provided by the **WHITE Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **WHITE Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should 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 on Thursday, 12 November 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. 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.

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 **WHITE Form eIPO** 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer 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 **WHITE Form eIPO** 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 Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing of the Global Offering”.

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 November 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 Thursday, 12 November 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

D. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 18 November 2020 on the websites of the Company (www.sunacservice.com) and of the Stock Exchange (www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of the Company at www.sunacservice.com and of the Stock Exchange at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, 18 November 2020;
- from the designated results of allocations website at www.iporesults.com.hk (or, alternatively, at <https://www.eipo.com.hk/en/Allotment> (English) or <https://www.eipo.com.hk/zh-hk/Allotment> (Chinese)) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 18 November 2020 to 12:00 midnight on Tuesday, 24 November 2020;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Wednesday, 18 November 2020 to Friday, 20 November 2020 and Monday, 23 November 2020; or
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 18 November 2020 to Friday, 20 November 2020 at all the receiving bank’s designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE OFFER SHARES

You should note the following situations in which the Hong Kong Offer 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 through the **WHITE Form eIPO** service, 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 the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance 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 its agents exercise their discretion to reject your application:

The Company, the Global Coordinators, the **WHITE Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer 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 the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- 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;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **WHITE Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

F. 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\$12.65 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Global Offering”, or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 18 November 2020.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all the 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).

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** or **YELLOW** 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 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 favour 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, 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 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(s), 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificates are expected to be posted on or before Wednesday, 18 November 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 Thursday, 19 November 2020 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade the 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 Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form 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 Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 November 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch 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 (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 18 November 2020, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(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 for collection of refund cheques. 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 or before Wednesday, 18 November 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 Wednesday, 18 November 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 Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of the Hong Kong Public 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 the paragraph "— D. Publication of Results" in this section above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 November 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 **WHITE Form eIPO** Service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **WHITE Form eIPO** service, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 November 2020, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheque(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 1,000,000 or less Hong Kong Offer Shares through the **WHITE Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 18 November 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-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 the Hong Kong Offer Shares

For the purposes of allocating the 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 Wednesday, 18 November 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “— D. Publication of Results” above on Wednesday, 18 November 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 November 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of the 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 the 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 Wednesday, 18 November 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 the 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 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 without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 18 November 2020.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our 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 our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages IA-1 to IA-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 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNAC SERVICES HOLDINGS LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Sunac Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-86, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020, the company statements of financial position as at 31 December 2019 and 30 June 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 31 December 2017, 2018 and 2019 and the six months ended 30 June 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 IA-4 to IA-86 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 9 November 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.

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, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting 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 31 December 2019 and 30 June 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 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 statement of cash flows for the six months ended 30 June 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 IA-4 have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which states that no dividends have been paid by Sunac Services Holdings Limited 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

9 November 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 (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	1,111,525	1,841,542	2,827,374	1,171,354	1,790,624
Cost of sales	9	(878,214)	(1,417,589)	(2,107,080)	(936,628)	(1,325,977)
Gross profit		233,311	423,953	720,294	234,726	464,647
Administrative expenses	9	(196,275)	(294,377)	(383,128)	(164,624)	(175,156)
Selling and marketing expenses	9	(96)	(3,708)	(18,669)	(6,586)	(10,212)
Net impairment losses on financial assets	9	(1,463)	(1,535)	(2,759)	(4,637)	(7,435)
Other income and expenses	7	85,535	45,913	36,604	18,307	31,296
Other gains and losses	8	16,294	2,505	4,159	1,290	3,610
Operating profit		137,306	172,751	356,501	78,476	306,750
Finance income		253	474	1,365	456	7,421
Finance costs		(83,342)	(45,125)	(13,228)	(12,226)	(1,032)
Finance (costs)/income – net	11	(83,089)	(44,651)	(11,863)	(11,770)	6,389
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	19	–	883	1,289	438	2,511
Profit before income tax		54,217	128,983	345,927	67,144	315,650
Income tax expense	13	(11,259)	(30,676)	(76,029)	(13,519)	(64,873)
Profit for the year/period		42,958	98,307	269,898	53,625	250,777
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income for the year/period		42,958	98,307	269,898	53,625	250,777
Total comprehensive income is attributable to:						
– Owner of the Company		42,958	98,307	269,898	53,625	238,130
– Non-controlling interests		–	–*	–*	–*	12,647
		42,958	98,307	269,898	53,625	250,777
Earnings per share (expressed in RMB per share)						
– Basic and diluted earnings per share	14	4.52	10.35	28.41	5.64	25.07

* Less than RMB1,000

Consolidated statements of financial position

	Note	As at 31 December			As at
		2017	2018	2019	30 June
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
Assets					
Non-current assets					
Property, plant and equipment	15	11,575	19,062	28,981	51,547
Right-of-use assets	16	11,909	41,788	35,763	51,818
Intangible assets	17	15,128	20,197	63,230	1,327,090
Deferred tax assets	31	22,206	15,084	21,698	35,942
Investments accounted for using the equity method . .	19	500	1,383	2,672	52,381
Other non-current assets	22	614,600	–	–	62,530
Prepayments	22	–	1,082	570	2,380
Total non-current assets		675,918	98,596	152,914	1,583,688
Current assets					
Inventories	20	26,400	46,573	82,336	29,403
Trade receivables	21	208,102	392,603	586,256	1,076,137
Prepayments and other receivables	22	752,924	732,692	359,443	216,740
Cash and cash equivalents	23	231,794	371,933	1,090,197	1,171,484
Restricted cash	23	–	–	–	5,459
Financial assets at fair value through profit or loss . .	24	176,000	–	–	225,179
Total current assets		1,395,220	1,543,801	2,118,232	2,724,402
Total assets		2,071,138	1,642,397	2,271,146	4,308,090
Equity					
Equity attributable to the owner of the Company					
Share capital	25	–	–	–	88
Combined capital	26	50,000	50,000	122,760	–
Reserves	26	9,111	28,640	61,482	1,310,930
(Accumulated losses)/retained earnings		(132,816)	(54,038)	183,018	421,148
		(73,705)	24,602	367,260	1,732,166
Non-controlling interests		–	–*	130,615	34,322
Total equity		(73,705)	24,602	497,875	1,766,488
Liabilities					
Non-current liabilities					
Borrowings	27	614,600	–	–	–
Lease liabilities	28	8,126	23,897	15,570	28,683
Trade and other payables	29	–	–	–	181,624
Deferred tax liabilities	31	4,160	1,293	6,591	65,639
		626,886	25,190	22,161	275,946
Current liabilities					
Borrowings	27	713,200	614,600	–	–
Lease liabilities	28	4,198	15,704	19,461	21,797
Trade and other payables	29	596,190	648,781	1,086,618	1,417,301
Contract liabilities	6	194,207	285,182	560,388	728,037
Current income tax liabilities		10,162	28,338	84,643	98,521
		1,517,957	1,592,605	1,751,110	2,265,656
Total liabilities		2,144,843	1,617,795	1,773,271	2,541,602
Total equity and liabilities		2,071,138	1,642,397	2,271,146	4,308,090

* Less than RMB1,000

Company statements of financial position

	<i>Note</i>	As at 31 December 2019	As at 30 June 2020
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Interests in subsidiaries	12	50,000	1,231,992
Current assets			
Cash and cash equivalents	23	–	51,170
Total assets		<u>50,000</u>	<u>1,283,162</u>
Equity			
Equity attributable to the owner of the Company			
Share capital	25	–	88
Reserves	26	50,000	1,276,256
(Accumulated losses)/retained earnings		<u>(51)</u>	<u>6,722</u>
Total equity		<u>49,949</u>	<u>1,283,066</u>
Liabilities			
Current liabilities			
Trade and other payables		<u>51</u>	<u>96</u>
Total equity and liabilities		<u>50,000</u>	<u>1,283,162</u>

Consolidated statements of changes in equity

Note	Attributable to the owner of the Company					(Accumulated losses)/ retained earnings	Subtotal	Non-controlling interests	Total Equity	
	Share capital	Statutory reserves	Combined capital	Other reserves	Share premium					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000					RMB'000
Balance at 1 January 2017	-	-	50,000	-	-	(166,663)	(116,663)	-	(116,663)	
Profit for the year	-	-	-	-	-	42,958	42,958	-	42,958	
Transactions with the owner of the Company										
Appropriation of statutory reserves	26(a)	-	9,111	-	-	(9,111)	-	-	-	
Balance at 31 December 2017		-	9,111	50,000	-	-	(132,816)	(73,705)	-	(73,705)
Balance at 1 January 2018		-	9,111	50,000	-	-	(132,816)	(73,705)	-	(73,705)
Profit for the year		-	-	-	-	98,307	98,307	-*	98,307	
Transactions with the owner of the Company										
Appropriation of statutory reserves	26(a)	-	19,529	-	-	(19,529)	-	-	-	
Balance at 31 December 2018		-	28,640	50,000	-	-	(54,038)	24,602	-*	24,602
Balance at 1 January 2019		-	28,640	50,000	-	-	(54,038)	24,602	-*	24,602
Profit for the year		-	-	-	-	269,898	269,898	-*	269,898	
Transactions with the owner of the Company										
Appropriation of statutory reserves	26(a)	-	32,842	-	-	(32,842)	-	-	-	
Effect of group reorganisation in respect of acquisition of Sunac Property Services Group Limited ("Sunac Services Group")	26(b)	-	-	(50,000)	-	-	(50,000)	-	(50,000)	
Effect of combination of Chengdu Global Century Property Services Co., Ltd. ("Chengdu Global Century")	12	-	-	122,760	-	-	122,760	130,615	253,375	
Balance at 31 December 2019		-	61,482	122,760	-	-	183,018	367,260	130,615	497,875

	Note	Attributable to the owner of the Company					(Accumulated losses)/ retained earnings	Subtotal	Non- controlling interests	Total Equity
		Share capital	Statutory reserves	Combined capital	Other reserves	Share premium				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
Balance at 1 January										
2020		-	61,482	122,760	-	-	183,018	367,260	130,615	497,875
Profit for the period		-	-	-	-	-	238,130	238,130	12,647	250,777
Transactions with the owner of the Company										
Capitalisation of loans from a fellow subsidiary	26(c)	-	-	10,000	-	-	-	10,000	-	10,000
Effect of group reorganisation in respect of acquisition of a fellow subsidiary	26(e)	-	-	(10,000)	-	-	-	(10,000)	-	(10,000)
Capital injection from Sunac Services Investment Limited ("Sunac Services Investment")	25	88	-	-	-	1,226,256	-	1,226,344	-	1,226,344
Dividends paid by Chengdu Global Century to its then shareholders	12(e)	-	-	(101,076)	-	-	-	(101,076)	(107,544)	(208,620)
Effect of group reorganisation in respect of acquisition of Chengdu Global Century	12(e)	-	-	(21,684)	23,192	-	-	1,508	(10,180)	(8,672)
Non-controlling interests arising on business combination of a third party	30	-	-	-	-	-	-	-	8,784	8,784
Balance at 30 June										
2020		88	61,482	-	23,192	1,226,256	421,148	1,732,166	34,322	1,766,488
(Unaudited)										
Balance at 1 January										
2019		-	28,640	50,000	-	-	(54,038)	24,602	-*	24,602
Profit for the period		-	-	-	-	-	53,625	53,625	-	53,625
Transactions with the owner of the Company										
Effect of group reorganisation in respect of acquisition of Sunac Services Group	26(b)	-	-	(50,000)	-	-	-	(50,000)	-	(50,000)
Balance at 30 June										
2019		-	28,640	-	-	-	(413)	28,227	-	28,227

* Less than RMB1,000

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	32(a)	86,384	169,684	732,552	4,768	45,143
Income tax paid		(3,294)	(11,337)	(25,619)	(16,918)	(62,737)
Net cash generated from/(used in) operating activities		83,090	158,347	706,933	(12,150)	(17,594)
Cash flows from investing activities						
Net cash impact on business acquisition	30	-	-	-	-	(1,005,084)
Payments for purchases of property, plant and equipment		(8,094)	(13,026)	(16,102)	(3,918)	(6,467)
Payments for purchases of intangible assets		(16,014)	(8,747)	(9,799)	(6,376)	(4,965)
Payments for the investment of wealth management products		(122,230)	(359,450)	(1,034,000)	(677,000)	(1,151,000)
Capital injection in a joint venture		(500)	-	-	-	-
Proceeds from disposal of equity interest in an unlisted equity		-	176,000	-	-	-
Proceeds from disposal of wealth management products		188,616	362,226	1,038,640	547,183	1,155,677
Proceeds from disposal of property, plant and equipment		36	33	20	6	132
Loans granted to a related party		(500,000)	-	-	-	(400,000)
Repayments of loans to a related party		195,700	568,711	614,600	614,600	400,000
Collection of cash advances to related parties		71	8,306	3,765	12,623	61,047
Cash advances to related parties		(3,248)	(3,864)	(11,474)	(3,947)	(8,760)
Interest received from a related party		74,541	45,601	17,373	17,373	-
Net cash (used in)/generated from investing activities		(191,122)	775,790	603,023	500,544	(959,420)
Cash flows from financing activities						
Cash impact on effect of combination of Chengdu Global Century	12	-	-	54,526	-	-
Capital contribution from the shareholders		-	-	-	-	1,226,344
Proceeds from borrowings		500,000	-	-	-	7,700
Repayments of borrowings	32(b)	(195,700)	(713,200)	(614,600)	(614,600)	(7,700)
Cash advances from related parties		39,774	20,025	9,195	7,870	3,081
Repayments of cash advances from related parties		(102,463)	(43,028)	(2,193)	(1,482)	(164,637)
Interest paid		(74,541)	(45,601)	(17,373)	(17,373)	(27)
Lease payments	32(b)	(3,248)	(12,194)	(21,239)	(10,041)	(11,318)
Net cash generated from/(used in) financing activities		163,822	(793,998)	(591,684)	(635,626)	1,053,443
Net increase/(decrease) in cash and cash equivalents		55,790	140,139	718,272	(147,232)	76,429
Cash and cash equivalents at beginning of the year/period		176,004	231,794	371,933	371,933	1,090,197
Effects of exchange rate changes on cash and cash equivalents		-	-	(8)	-	4,858
Cash and cash equivalents at end of the year/period		231,794	371,933	1,090,197	224,701	1,171,484

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Sunac Services Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 10 January 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Company is an investment company and its subsidiaries (the “Group”) are principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The ultimate holding company of the Company is Sunac China Holdings Co., Ltd. (the “Sunac China”), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As at the date of this report, the Company is wholly owned by Sunac China.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the “Reorganisation”) and after the Reorganisation, the Listing Business operated through Sunac Services Group, its subsidiaries and certain fellow subsidiaries previously not held under Sunac Services Group (collectively, the “Operating Entities”) in the PRC during the Track Record Period. Sunac Services Group is indirect wholly owned by Sunac China.

In preparation for the initial listing of the Company’s Shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken pursuant to the Operating Entities, engaged in the Listing Business, were transferred to the Company. The Reorganisation mainly involved the following steps:

- (i) On 10 January 2019, the Company was incorporated in the Cayman Islands and held indirectly by Sunac China.
- (ii) On 10 January 2019, the Company acquired one share of Sunac Services Investment I Limited (“Sunac Services Investment I”) and Sunac Services Investment I became the wholly-owned subsidiary of the Company.
- (iii) On 28 March 2019, Tianjin Rongjia Property Services Co., Ltd. (“Tianjin Rongjia”) was incorporated in the PRC and wholly owned indirectly by Sunac Services Investment I and the Company through several intermediate holding companies.
- (iv) On 6 May 2019, Tianjin Rongjia acquired the entire equity interest in Sunac Services Group from a fellow subsidiary of the Group at a consideration of RMB50,000,000.
- (v) On 19 August 2019, Sunac Services Group acquired Zhejiang Sunac Property Services Co., Ltd. from a fellow subsidiary of the Group at a consideration of Nil.
- (vi) On 3 April 2020, a 51% owned fellow subsidiary of the Group transferred 95% equity interest in Chengdu Global Century to a 70% owned subsidiary of Sunac Services Group. Details of the transfer are set out in Note 12(e) to this report.
- (vii) On 9 April 2020, Sunac Services Group acquired Tianjin Sunac Tourism Property Co., Ltd. from a fellow subsidiary of the Group at a consideration of RMB10,000,000.

Following completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group engaged in the Listing Business. Particulars of the subsidiaries of the Group are set out in Note 12 to this report.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is conducted through the Operating Entities, which are controlled by Sunac China. Pursuant to the Reorganisation, the Operating Entities and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the Operating Entities for all periods presented.

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 principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of 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 Accounting policy and disclosures

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2020 are consistently applied to the Group throughout the Track Record Period.

Standards and amendments that have been issued but not yet effective for the Track Record Period and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or Non-current	1 January 2023
Amendments to HKAS 3 – Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16 – Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract	1 January 2022
Amendments to HKFRS 16 – Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The directors of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group.

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The Group has assessed the nature of its joint arrangement and determined it to be joint ventures. Interests in joint ventures is accounted for using the equity method (see Note 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

2.2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognised at cost.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise 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 recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised 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. Unrealised 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.

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint ventures is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 in the consolidated financial statements of the investee's net assets including goodwill.

2.4 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 (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

(iii) *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 recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.6 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 recognised 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 derecognised 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, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	<u>Estimated useful lives</u>	<u>Estimated net residual value</u>
Buildings	20 years	5%
Machinery	5-10 years	5%
Vehicle	4-5 years	5%
Electronic equipment	3-10 years	5%
Furniture and office equipment	3-5 years	5%
Leasehold Improvements	Estimated useful lives or remaining lease terms whichever is shorter	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. These are included in profit or loss.

2.7 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.2.1. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised 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 ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs 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, being the operating segments.

(ii) Software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 2-5 years on a straight-line basis.

(iii) Customer relationships

Customer relationships include customer relationships directly acquired from third parties and customer relationships identified in business combinations. Customer relationships directly acquired from third parties are initially recognised at cost. Customer relationships identified in business combination are initially

recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts, which is 5 to 8 years.

(iv) Exclusive operating rights

Exclusive operating rights are initially recognised at cost of the difference between the present values of the refundable deposits of the individual car park spaces paid by the Group and the contractual amounts of deposits. Amortisation is calculated using the straight-line method over the expected useful lives of each contract, which is 1.25 years to 1.5 years.

(v) Brand

Brand acquired in a business combination is recognised at fair value at the acquisition date. Brand has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of 10 years.

2.8 Impairment of non-financial assets

Goodwill that has an indefinite useful life is not subject to amortisation and is 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 recognised 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 (CGUs). 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.

Impairment testing of the investments in subsidiaries, associates or joint ventures are required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries or associates or jointly controlled entities in the period the dividend is declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, 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 ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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:

- **Amortised 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 amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** 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 FVOCI. 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) 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 following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are amounts due from customers for services or goods sold performed in the ordinary course of business. If collection of trade 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 4(b) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and banks, deposits held at call with financial institutions, other short-term, highly liquid investments 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. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated financial position.

2.14 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.

2.15 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 recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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 recognised in profit or loss as 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.

2.17 Borrowing costs

Given the Group has no qualifying assets during the Track Record Period, all borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

2.18 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 and its subsidiaries and associates operate and generate taxable income. The 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 financial statements. However, deferred tax liabilities are not recognised 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised 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 recognised 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 where there is a legally enforceable right to offset current tax assets and liabilities and where 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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits**(i) Short-term obligations**

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised 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 recognised until the time of leave.

(ii) 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.

(iii) 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.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises 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 recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination 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 their present value.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses, where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised 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 can be reliably estimated. Provisions are not recognised 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 recognised 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

The Group provides property management services, value-added services to non-property owners, community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The following is a description of the accounting policy for the principal revenue stream of the Group.

For property management services, the Group bills a fixed amount for services provided and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed on a monthly basis.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises 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.

Value-added services to non-property owners mainly includes (i) on-site sales assistance services, which mainly includes cleaning and security services to property developer to assist with their sales and marketing activities at property sales venues and display units, which are billed based on the pre-determined price calculated under estimated cost plus method and revenue is recognised over time when such services are provided; (ii) Consultancy services and other services at the pre-delivery stage, which are calculated based on the unit price and areas of each project and revenue is recognised over time when the services are provided; (iii) Commission income for sales of properties and the use rights of car park spaces, which are recognised on a net basis at point in time when the control of properties or the use rights of car park spaces are transferred to the customer; (iv) Engineering services mainly include engineering and maintenance services of elevator and intelligent security equipment. Revenue from engineering services is recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the actual outcomes achieved up to the end of the reporting period as a percentage of total contract quantity. As receivable is recognised over time when the services are rendered that the consideration is unconditional because only the passage of time is required before the payment is due.

Community value-added services mainly includes (i) Commission income from sales and rental of secondhand properties, which is billed to property owners and third parties immediately upon the services are provided and is recognised on a net basis at point in time; (ii) Revenue from public resources management services, which is recognised over the time when such services are rendered; (iii) Revenue from other community convenience services are charged for each service provided and recognised when the relevant services are rendered; (iv) Revenue from sales of the use rights of car park spaces is recognised when the control of the use rights of car park spaces is transferred to the customer and is billable immediately.

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 contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

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.

2.22 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 outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.23 Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

Lease payments are allocated between principal 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 for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Rental income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognised 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 relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.26 Interest income

Interest income from financial assets at FVPL is included in the other gains.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. 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 financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit 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 Financial risk factors

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk**(i) Foreign exchange risk**

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2019 and 30 June 2020 were primarily related to bank deposits denominated in Hong Kong dollar ("HKD").

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	<u>31 December</u>	<u>30 June</u>
	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
USD	–	18
HKD	–	52,243
	<u> </u>	<u> </u>
Liabilities		
HKD	286	446
	<u> </u>	<u> </u>

The aggregate net foreign exchange (losses)/gains recognised in profit or loss were:

	<u>31 December</u>	<u>30 June</u>
	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange gains included in finance income – net	–	4,578
Exchange losses on foreign currency amount payable included in finance costs – net	–	(9)
Exchange (losses)/gains on foreign currency bank deposits included in finance (costs)/income – net	(8)	280
	<u> </u>	<u> </u>
Total net foreign exchange (losses)/gains recognised in profit before tax for the period	<u> </u> (8)	<u> </u> 4,849

As at 31 December 2019 and 30 June 2020, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, the post-tax profit for the year ended 31 December 2019 and the six months ended 30 June 2020 would have been RMB11,000 higher/lower and RMB1,943,000 lower/higher, respectively.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign exchange exposure.

(ii) Fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from a related party. Borrowings issued and amounts due from a related party with fixed rates expose the Group to fair value interest-rate risk. For the years ended 31 December 2017 and 2018, the Group's borrowings were denominated in RMB.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by maturity dates.

RMB'000	Fixed rates		Total
	Less than 1 year	1 to 5 years	
At 31 December 2017			
Other receivables	713,200	614,600	1,327,800
Borrowings	713,200	614,600	1,327,800
At 31 December 2018			
Other receivables	614,600	–	614,600
Borrowings	614,600	–	614,600

The Group's management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from the Group management. The interest rate benchmark is reassessed annually by the Group management team.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss. The carrying amounts of trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables and other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables and other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive 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 borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including change in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

<u>Category</u>	<u>Group definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) Trade receivables and other receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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. The expected credit loss also incorporate forward looking information.

The Group uses the expected credit loss model in Note (i) to determine the expected loss provision for other receivables. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has assessed that the expected loss rate for trade and other receivables from related parties was immaterial considering the good finance position and credit history of the entities. Thus, no loss allowance provision for trade and other receivables from related parties was recognised during the Track Record Period.

The Group accounts for credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjust for forward looking macroeconomic data. Since the actual loss rates for operating lease and trade receivables and other receivables and adjustments for forward looking macroeconomic data did not have significant change during the Track Record Period, the Directors of the Company consider that the changes in the expected loss rate for the provision matrix are insignificant throughout the Track Record Period.

As at 31 December 2017, 2018 and 2019, no individually impaired trade receivables was identified after the Group's assessment. As at 30 June 2020, the loss allowance of individually impaired trade receivables is determined as follow, which is derived from the originally impaired trade receivables from NCPM since the date of acquisition.

<u>Individually impaired</u>	<u>Trade receivables</u>	<u>Expected credit loss rate</u>	<u>Loss allowance</u>	<u>Reason</u>
Trade receivables 1	5,359	2%	120	The likelihood of recovery

Loss allowance for trade receivables as at 30 June 2020 for originally impaired trade receivables from NCPM since the date of acquisition are determined as follows and the ageing for these originally impaired trade receivables is consistent with NCPM.

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
At 30 June 2020							
Gross carrying amount (RMB'000)	109,641	14,798	3,430	719	221	203	129,012
Expected loss rate	0%	1%	5%	8%	0%	0%	
Loss allowance (RMB'000)	–	92	181	59	–	–	332

Except for the loss allowance provided for individually impaired trade receivables and originally impaired trade receivables from NCPM, the other loss allowance for trade receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020 are determined as follows:

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables from related parties)							
At 31 December 2017							
Gross carrying amount (RMB'000)	80,701	22,646	6,763	2,970	1,051	1,343	115,474
Expected loss rate	2%	5%	7%	13%	41%	92%	
Loss allowance (RMB'000)	1,596	1,072	504	374	435	1,239	5,220
At 31 December 2018							
Gross carrying amount (RMB'000)	98,017	27,823	13,079	2,409	1,379	1,112	143,819
Expected loss rate	2%	5%	7%	13%	41%	92%	
Loss allowance (RMB'000)	1,939	1,318	975	303	570	1,025	6,130
At 31 December 2019							
Gross carrying amount (RMB'000)	153,332	43,024	31,418	16,841	3,040	1,038	248,693
Expected loss rate	2%	5%	7%	13%	41%	92%	
Loss allowance (RMB'000)	3,026	2,037	2,342	2,121	1,257	957	11,740
At 30 June 2020							
Gross carrying amount (RMB'000)	370,235	74,882	22,134	11,862	3,642	1,032	483,787
Expected loss rate	2%	5%	7%	13%	41%	92%	
Loss allowance (RMB'000)	7,837	3,546	1,650	1,494	1,507	954	16,988

Loss allowance for other receivables as at 30 June 2020 for originally impaired other receivables from NCPM since the date of acquisition are determined as follows and the ageing for these originally impaired other receivables is consistent with NCPM.

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
At 30 June 2020							
Gross carrying amount of tender deposits (RMB'000)	373	356	54	–	–	–	783
Expected loss rate	0%	0%	0%	0%	0%	0%	
Loss allowance (RMB'000)	–	–	–	–	–	–	–
Gross carrying amount (excluding tender deposits) (RMB'000)	21,670	7,489	2,229	647	191	7	32,233
Expected loss rate	0%	10%	33%	57%	0%	0%	
Loss allowance (RMB'000)	–	746	741	366	–	–	1,853
Total Loss allowance (RMB'000)	–	746	741	366	–	–	1,853

Except for the loss allowance provided for originally impaired other receivables from NCPM since the date of acquisition, the other loss allowance for other receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020 are determined as follows:

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
Other receivables (excluding other receivables from related parties)							
At 31 December 2017							
Gross carrying amount of deposits (RMB'000)	4,602	821	3	40	11	11	5,488
Expected loss rate*	1%	1%	1%	1%	1%	1%	
Loss allowance (RMB'000)	46	8	–	–	–	–	54
Gross carrying amount (excluding deposits) (RMB'000)	18,804	3,733	1,918	666	–	–	25,121
Expected loss rate	1%	5%	15%	20%	45%	67%	
Loss allowance (RMB'000)	128	185	306	130	–	–	749
Total Loss allowance (RMB'000)	174	193	306	130	–	–	803
At 31 December 2018							
Gross carrying amount of deposits (RMB'000)	4,294	1,619	802	3	40	23	6,781
Expected loss rate*	1%	1%	1%	1%	1%	1%	
Loss allowance (RMB'000)	43	16	8	–	–	–	67
Gross carrying amount (excluding deposits) (RMB'000)	19,883	6,000	2,828	1,918	232	–	30,861
Expected loss rate	1%	5%	15%	20%	45%	67%	
Loss allowance (RMB'000)	135	297	452	374	103	–	1,361
Total Loss allowance (RMB'000)	178	313	460	374	103	–	1,428

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
At 31 December 2019							
Gross carrying amount of deposits (RMB'000)	5,560	3,182	737	616	–	53	10,148
Expected loss rate*	1%	1%	1%	1%	1%	1%	
Loss allowance (RMB'000)	55	32	7	5	–	1	100
Gross carrying amount (excluding deposits) (RMB'000)	41,594	3,286	1,171	2,766	1,855	–	50,672
Expected loss rate	1%	5%	15%	20%	45%	67%	
Loss allowance (RMB'000)	282	163	187	539	824	–	1,995
Total Loss allowance (RMB'000)	337	195	194	544	824	1	2,095
	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
Other receivables (excluding other receivables from related parties)							
At 30 June 2020							
Gross carrying amount of deposits (RMB'000)	9,797	2,234	1,918	137	76	28	14,190
Expected loss rate*	1%	1%	1%	1%	1%	1%	
Loss allowance (RMB'000)	98	22	19	1	1	–	141
Gross carrying amount (excluding deposits) (RMB'000)	41,969	6,351	3,391	1,121	2,559	1,913	57,304
Expected loss rate	1%	5%	15%	20%	45%	67%	
Loss allowance (RMB'000)	284	315	542	219	1,138	1,264	3,762
Total Loss allowance (RMB'000)	382	337	561	220	1,139	1,264	3,903

* Management determines the expected credit loss rate of deposits (included in other receivables) by considering its nature and historical default rates. The deposits mainly represent house rental deposits which had low historical default rates and there were no major change in the composition and risk profile; and the deposit balances are insignificant to the Group as a whole. Thus, management applies 1% expected credit loss rate to the total deposit balances for the Track Record Period.

The Group assessed the loss allowance of trade and other receivables (excluding related-party receivables) based on an assessment of the expected credit losses to be incurred, including an assessment of the historical collection rate and forward looking adjustments when applicable.

The expected credit loss rate of trade receivables and other receivables due from third parties remained stable throughout the Track Record Period due to the following reasons:

- management consistently applied the same policies and procedures on collection of trade receivables, resulting in stable collection rate and loss rate of trade receivables throughout the Track Record Period.
- other receivables mainly represented deposit receivables, payments on behalf of property owners and advances to employees, of which the credit risk remained stable throughout the Track Record Period.
- management's expectation of future economic environment and risk of default stay stable on the Track Record Period.

The director are of the view that the industrial characteristics factors with regard to the trade and other receivables' collections have been taken into accounts in the assessment on the expected credit loss rate throughout the Track Record Period.

As at 30 June 2020, the loss allowance provision for trade and other receivables (excluding related parties) for originally impaired trade receivables and other receivables from NCPM reconciles to the date of acquisition for that provision as follows:

	Trade receivables (excluding trade receivables from related parties)	Other Receivables (excluding other receivables from related parties)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 7 May 2020	-	-	-
Provision for loss allowance recognised in profit or loss	452	1,853	2,305
Unused amount reversed	-	-	-
At 30 June 2020	452	1,853	2,305

Except for the loss allowance provision for trade and other receivables (excluding related parties) for originally impaired trade receivables and other receivables from NCPM as at 30 June 2020, other loss allowance provision for trade and other receivables (excluding related parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties)	Other receivables (excluding other receivables from related parties)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	4,140	420	4,560
Provision for loss allowance recognised in profit or loss	3,085	568	3,653
Unused amount reversed	(2,005)	(185)	(2,190)
At 31 December 2017	5,220	803	6,023
At 1 January 2018	5,220	803	6,023
Provision for loss allowance recognised in profit or loss	3,466	880	4,346
Unused amount reversed	(2,556)	(255)	(2,811)
At 31 December 2018	6,130	1,428	7,558
At 1 January 2019	6,130	1,428	7,558
Provision for loss allowance recognised in profit or loss	4,960	1,114	6,074
Unused amount reversed	(2,761)	(554)	(3,315)
Effect of combination of Chengdu Global Century	3,411	107	3,518
At 31 December 2019	11,740	2,095	13,835

	Trade receivables (excluding trade receivables from related parties)	Other receivables (excluding other receivables from related parties)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	6,130	1,428	7,558
Provision for loss allowance recognised in profit or loss	7,691	1,298	8,989
Unused amount reversed	(3,802)	(550)	(4,352)
At 30 June 2019 (Unaudited)	10,019	2,176	12,195
At 1 January 2020	11,740	2,095	13,835
Provision for loss allowance recognised in profit or loss	12,009	2,358	14,367
Unused amount reversed	(6,761)	(550)	(7,311)
At 30 June 2020	16,988	3,903	20,891

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the gross carrying amount of trade and other receivables was RMB1,574,953,000, RMB1,120,587,000, RMB941,078,000 and RMB1,335,942,000 respectively, and thus the maximum exposure to loss was RMB1,568,930,000, RMB1,113,029,000, RMB927,243,000 and RMB1,312,746,000 respectively.

Impairment losses on trade and other receivables (excluding related parties) represented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impairment losses					
Movement in loss allowance for trade and other receivables	3,653	4,346	6,074	8,989	16,672
Reversal of previous impairment losses	(2,190)	(2,811)	(3,315)	(4,352)	(7,311)
Net impairment losses on trade and other receivables	1,463	1,535	2,759	4,637	9,361

(c) *Liquidity risk*

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2017					
Borrowings (<i>Notes 27 and 29</i>)	(721,484)	(620,839)	–	–	(1,342,323)
Trade and other payables (excluding interests payable, accrued payroll and other tax payable) (<i>Note 29</i>)	(453,321)	–	–	–	(453,321)
Lease liabilities	(4,856)	(4,328)	(4,490)	–	(13,674)
	<u>(1,180,661)</u>	<u>(629,167)</u>	<u>(8,980)</u>	<u>–</u>	<u>(1,818,828)</u>
At 31 December 2018					
Borrowings (<i>Notes 27 and 29</i>)	(620,839)	–	–	–	(620,839)
Trade and other payables (excluding interests payable, accrued payroll and other tax payable) (<i>Note 29</i>)	(430,927)	–	–	–	(430,927)
Lease liabilities	(18,889)	(12,857)	(13,441)	–	(45,187)
	<u>(1,070,655)</u>	<u>(12,857)</u>	<u>(13,441)</u>	<u>–</u>	<u>(1,107,053)</u>
At 31 December 2019					
Trade and other payables (excluding interests payable, accrued payroll and other tax payable) (<i>Note 29</i>)	(725,798)	–	–	–	(725,798)
Lease liabilities	(19,408)	(10,657)	(8,047)	–	(38,112)
	<u>(745,206)</u>	<u>(10,657)</u>	<u>(8,047)</u>	<u>–</u>	<u>(763,910)</u>
At 30 June 2020					
Trade and other payables (excluding interests payable, accrued payroll and other tax payable) (<i>Note 29</i>)	(1,073,826)	(181,624)	–	–	(1,255,450)
Lease liabilities	(23,492)	(16,532)	(15,050)	–	(55,074)
	<u>(1,097,318)</u>	<u>(198,156)</u>	<u>(15,050)</u>	<u>–</u>	<u>(1,310,524)</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders 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, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the applicable accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements at 31 December 2017	Level 3
	<i>RMB'000</i>
Financial assets at FVPL – unlisted equity interest	176,000
	176,000
Recurring fair value measurements at 30 June 2020	Level 3
	<i>RMB'000</i>
Investments in wealth management products	225,179
	225,179

The Group had no financial assets at FVPL as at 31 December 2018 and 2019.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- for other financial instruments – discounted cash flow analysis.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the Track Record Period.

	Wealth management products	Unlisted equity interest
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance 1 January 2017	65,281	160,000
Addition	122,230	–
Disposal	(188,616)	–
Change in fair value	1,105	16,000
	–	176,000
Closing balance 31 December 2017	–	176,000

	Wealth management products	Unlisted equity interest
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance 1 January 2018	–	176,000
Addition	359,450	–
Disposal	(362,226)	(176,000)
Change in fair value	2,776	–
	<u>–</u>	<u>–</u>
Closing balance 31 December 2018	<u>–</u>	<u>–</u>
Opening balance 1 January 2019	–	–
Addition	1,034,000	–
Disposal	(1,038,640)	–
Change in fair value	4,640	–
	<u>–</u>	<u>–</u>
Closing balance 31 December 2019	<u>–</u>	<u>–</u>
Opening balance 1 January 2020	–	–
Additions from acquisition of a subsidiary	226,136	–
Addition	1,151,000	–
Disposal	(1,155,677)	–
Change in fair value	3,720	–
	<u>225,179</u>	<u>–</u>
Closing balance 30 June 2020	<u>225,179</u>	<u>–</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) 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(b) above.

(c) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. For details, please refer to Note 17(b).

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 directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of property management services and value-added services in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

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 31 December 2017, 2018 and 2019 and 30 June 2020, all of the non-current assets of the Group were located in the PRC.

6 REVENUE OF SERVICES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue by category for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 was as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Property management services	574,757	760,067	1,148,198	494,621	1,052,708
Value-added services					
– Non-property owners	524,119	1,028,700	1,572,496	648,363	676,343
– Community (i)	12,649	52,775	106,680	28,370	61,573
	<u>1,111,525</u>	<u>1,841,542</u>	<u>2,827,374</u>	<u>1,171,354</u>	<u>1,790,624</u>

- (i) For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from value-added services related to community included revenue from sales of the use rights of car park spaces of Nil, RMB25,928,000, RMB52,803,000, RMB6,534,000 and RMB16,668,000 respectively.

A breakdown by revenue generated from services provided by the Group to its fellow subsidiaries, associates and joint ventures of Sunac China, associates and joint ventures of the Group and independent third parties for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 was as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fellow subsidiaries	304,295	608,891	1,002,791	426,874	463,306
Associates and joint ventures of Sunac China	292,260	520,164	738,085	281,923	347,531
Associates and joint ventures of the Group	–	–	–	–	906
Independent third parties	514,970	712,487	1,086,498	462,557	978,881
	<u>1,111,525</u>	<u>1,841,542</u>	<u>2,827,374</u>	<u>1,171,354</u>	<u>1,790,624</u>

Other than entities controlled by Sunac China, associates and joint ventures of Sunac China and associates and joint ventures of the Group, 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.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<i>Recognised over time</i>					
– Property management services	551,705	744,987	1,120,883	483,284	1,037,146
– Value-added services to non-property owners	521,296	979,240	1,418,445	567,414	622,563
– Community value-added services	11,586	15,294	34,301	14,033	37,297
	<u>1,084,587</u>	<u>1,739,521</u>	<u>2,573,629</u>	<u>1,064,731</u>	<u>1,697,006</u>
<i>Recognised at a point in time</i>					
– Property management services	23,052	15,080	27,315	11,337	15,562
– Value-added services to non-property owners	2,823	49,460	154,051	80,949	53,780
– Community value-added services	1,063	37,481	72,379	14,337	24,276
	<u>26,938</u>	<u>102,021</u>	<u>253,745</u>	<u>106,623</u>	<u>93,618</u>
	<u>1,111,525</u>	<u>1,841,542</u>	<u>2,827,374</u>	<u>1,171,354</u>	<u>1,790,624</u>

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
– Third parties	181,286	275,933	521,987	676,717
– Related parties	12,921	9,249	38,401	51,320
	<u>194,207</u>	<u>285,182</u>	<u>560,388</u>	<u>728,037</u>

(b) Significant changes in contract assets and 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 recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in each of the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended	
	2017	2018	2019	30 June	
	RMB'000	RMB'000	RMB'000	2019	2020
				<i>(Unaudited)</i>	
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year/period</i>					
Property management services	103,663	162,244	241,673	194,901	451,439
Value-added services to non-property owners	882	12,115	8,428	2,522	24,250
Community value-added services	1,283	3,975	8,279	1,284	3,215
	<u>105,828</u>	<u>178,334</u>	<u>258,380</u>	<u>198,707</u>	<u>478,904</u>

(d) Unsatisfied performance obligation

Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, RMB105,828,000, RMB178,334,000, RMB258,380,000, RMB198,707,000 and RMB478,904,000 was recognised in the current year/period related to carried-forward contract liabilities, respectively.

(e) Assets recognised from incremental cost to obtain a contract

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, there was no significant incremental cost to obtain a contract.

7 OTHER INCOME AND EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest income from a related party (<i>Note 34 (a)</i>)	82,825	43,556	11,134	11,134	17,629
Government grants (<i>a</i>)	2,485	1,500	23,813	6,840	13,451
Others – net	225	857	1,657	333	216
	<u>85,535</u>	<u>45,913</u>	<u>36,604</u>	<u>18,307</u>	<u>31,296</u>

- (a) 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.

8 OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Fair value gains from wealth management products	1,105	2,776	4,640	1,497	3,720
Fair value gains on financial assets at FVPL – unlisted equity interests	16,000	–	–	–	–
Others	(811)	(271)	(481)	(207)	(110)
	<u>16,294</u>	<u>2,505</u>	<u>4,159</u>	<u>1,290</u>	<u>3,610</u>

9 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on financial assets are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefit expenses (<i>Note 10</i>)	652,637	1,091,713	1,631,653	743,142	943,065
Security, maintenance, cleaning and greening costs	230,960	324,258	437,985	169,715	306,664
Agency fees	–	26,608	77,097	45,258	18,367
Travelling, transportation and entertainment expenses	29,185	47,070	60,816	23,800	28,548
Cost of selling the use rights of car park spaces	–	15,466	22,863	3,174	7,217
Consumable cost	36,942	42,279	53,244	34,139	46,071
Office and communication expenses	27,941	40,007	53,522	18,063	24,522
Utilities	41,245	36,920	45,268	22,577	44,044
Depreciation and amortisation	7,665	17,179	34,675	16,561	31,324
Short-term leases and low-value assets	5,573	17,770	26,699	14,612	15,471
Taxes and surcharges	4,886	8,860	14,915	5,082	8,023
Community activity costs	9,322	11,931	13,556	1,375	2,604
Recruitment and training expenses	8,489	10,685	12,493	2,844	3,758
Advertising and promotion expenses	–	3,582	6,711	1,774	3,931
Employee uniform expenses	8,253	8,833	5,998	915	3,295
Professional fees	7,374	7,575	5,730	2,264	4,551
Car park leasing expenses	–	–	–	–	3,255
Management service charges	–	–	–	–	2,061
Bank charges	2,304	2,951	4,142	1,637	2,757
Auditors' remuneration – audit services	218	270	425	213	387
Listing expenses	–	–	–	–	8,324
Allowance for impairment of receivables	1,463	1,535	2,759	4,637	7,435
– Trade receivables	1,080	910	2,199	3,889	4,240
– Other receivables	383	625	560	748	3,195
Others	1,591	1,717	1,085	693	3,106
	<u>1,076,048</u>	<u>1,717,209</u>	<u>2,511,636</u>	<u>1,112,475</u>	<u>1,518,780</u>

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	538,105	891,805	1,350,937	620,887	814,801
Social insurance expenses (a)	66,369	116,411	178,211	76,020	52,972
Employee welfare	33,182	54,581	57,378	27,347	49,175
Housing benefits	14,981	28,916	45,127	18,888	26,117
	<u>652,637</u>	<u>1,091,713</u>	<u>1,631,653</u>	<u>743,142</u>	<u>943,065</u>

(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 for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 include Nil, Nil, 2, 2 and 2 directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining 5, 5, 3, 3 and 3 individuals during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	7,150	9,310	10,295	5,073	5,167
Social insurance expenses, housing benefits and other employee benefits	379	556	463	218	131
	<u>7,529</u>	<u>9,866</u>	<u>10,758</u>	<u>5,291</u>	<u>5,298</u>

The emoluments fell within the following bands:

Emolument bands (in HKD)	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Nil – HKD1,000,000	–	–	–	5	4
HKD1,000,001 – HKD2,000,000	4	2	–	–	1
HKD2,000,001 – HKD3,000,000	1	2	4	–	–
HKD3,000,001 – HKD4,000,000	–	1	1	–	–
	<u>–</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>5</u>

11 FINANCE (COSTS)/INCOME – NET

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Finance costs					
Interest expense of asset-backed securities ("ABS")	(51,652)	(41,230)	(11,134)	(11,134)	–
Interest of lease liabilities	(517)	(1,569)	(2,086)	(1,087)	(1,005)
Interest expense of other borrowings	(31,173)	(2,326)	–	–	(27)
Exchange losses	–	–	(8)	(5)	–
	<u>(83,342)</u>	<u>(45,125)</u>	<u>(13,228)</u>	<u>(12,226)</u>	<u>(1,032)</u>
Finance income					
Interest income on bank deposits	253	474	1,365	456	2,572
Exchange gains	–	–	–	–	4,849
	<u>(83,089)</u>	<u>(44,651)</u>	<u>(11,863)</u>	<u>(11,770)</u>	<u>6,389</u>

12 SUBSIDIARIES

The Company

	As at	As at
	31 December	30 June
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	50,000	50,000
Amount due from a subsidiary (a)	–	1,181,992
Interests in subsidiaries	<u>50,000</u>	<u>1,231,992</u>

- (a) As at 30 June 2020, amount due from a subsidiary was unsecured, interest free, had no fixed repayment terms. The balance was denominated in HKD. The Company expects to realise amount due from a subsidiary after more than twelve months of each reporting date.

The Group's subsidiaries at 31 December 2017, 2018 and 2019 and 30 June 2020 are set out below:

Name of the subsidiaries	Place and date of incorporation/ establishment	Issued capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
			31 December		30 June				
			2017	2018	2019	2020			
<i>Directly owned by the Company:</i>									
(1) . . . Sunac Services Investment I	British Virgin Islands 8 January 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
(2) . . . Sunac Services Investment II Limited	British Virgin Islands 8 January 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
(3) . . . Sunac Services Investment III Limited	British Virgin Islands 8 January 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
<i>Indirectly owned by the Company:</i>									
(4) . . . Sunac Life Services Group Limited	British Virgin Islands 11 January 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
(5) . . . Grace Home (BVI) Investment Limited	British Virgin Islands 8 January 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
(6) . . . Grace Home (HK) Investment Limited	British Virgin Islands 4 February 2019	USD1	NA	NA	100%	100%	Investment Holding company	Note a	
(7) . . . Tianjin Rongjia Property Service Ltd.	Tianjin, the PRC 28 March 2019	RMB50,000,000	NA	NA	100%	100%	Property management Tianjin, the PRC	Note a	
(8) . . . Sunac Property Services Group Co., Ltd.	Tianjin, the PRC 16 January 2004	RMB300,000,000	100%	100%	100%	100%	Property management Tianjin, the PRC	CAC CPA Limited Liability Partnership ("CAC CPA") for the years ended 31 December 2017 and 2018, Zhongxingcai Guanghua Certified Public Accountants LLP ("Zhongxingcai") for the year ended 31 December 2019	

Name of the subsidiaries	Place and date of incorporation/ establishment	Issued capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
			31 December			30 June			
			2017	2018	2019	2020			
(9) . . . Tianjin Sunac Engineering Equipment Installation Co., Ltd.	Tianjin, the PRC 13 May 2016	RMB25,000,000	100%	100%	100%	100%	Engineering services, Tianjin, the PRC	CAC CPA for the year ended 31 December 2018, Zhongxingcai for the year ended 31 December 2019; Note c	
(10) . . . Tianjin Sunac Zhijia Life Services Co., Ltd.	Tianjin, the PRC 25 December 2018	RMB2,000,000	NA	100%	100%	100%	Household services, Tianjin, the PRC	Note b	
(11) . . . Beijing Sunac Orient Provence Property Services Co., Ltd.	Beijing, the PRC 30 August 2005	RMB3,000,000	100%	100%	100%	100%	Property management, Beijing, the PRC	CAC CPA for the year ended 31 December 2018; Note c and Note g	
(12) . . . Beijing YiLife Community Services Co., Ltd.	Beijing, the PRC 14 July 2017	RMB1,000,000	100%	100%	100%	100%	Property management, Beijing, the PRC	Note d	
(13) . . . Qingdao Sunac A Tour Town Property Services Co., Ltd.	Qingdao, the PRC 17 July 2018	RMB3,000,000	NA	70%	70%	70%	Property management, Qingdao, the PRC	Note b	
(14) . . . Shijiazhuang Sunac Property Services Co., Ltd.	Shijiazhuang, the PRC 3 April 2019	RMB2,000,000	NA	NA	100%	100%	Property management, Shijiazhuang, the PRC	Note a	
(15) . . . Zhejiang Sunac Property Services Co., Ltd.	Hangzhou, the PRC 22 May 2017	RMB60,000,000	100%	100%	100%	100%	Property management, Hangzhou, the PRC	Note d	
(16) . . . Ningbo Sunac Property Services Co., Ltd.	Ningbo, the PRC 4 September 2019	RMB5,000,000	NA	NA	100%	100%	Property management, Ningbo, the PRC	Note a	
(17) . . . Hainan Rongxiang Travel Agency Co., Ltd.	Haikou, the PRC 13 September 2018	RMB20,000,000	NA	100%	100%	100%	Domestic tourism consultation and service, Haikou, the PRC	Note b	

Name of the subsidiaries	Place and date of incorporation/establishment	Issued capital	Attributable equity interest of the Group			Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
			31 December		30 June			
			2017	2018	2019			
(18) · Hainan Rongwu Construction Engineering Co., Ltd.	Haikou, the PRC 27 February 2018	RMB30,000,000	NA	100%	100%	100%	Engineering services, Haikou, the PRC	Note b
(19) · Tianjin Sunac Property Management Services Co., Ltd.	Tianjin, the PRC 21 June 2010	RMB5,000,000	100%	100%	100%	100%	Commercial management, Tianjin, the PRC	CAC CPA for the years ended 31 December 2017 and 2018; Note g
(20) · Hubei Ronglin Real Estate Brokerage Co., Ltd.	Wuhan, the PRC 3 July 2019	RMB20,000,000	NA	NA	100%	100%	Real estate brokerage service, Wuhan, the PRC	Note a
(21) · Xinjiang Sunac Property Services Co., Ltd.	Urumqi, the PRC 14 August 2018	RMB5,000,000	NA	100%	100%	100%	Property management, Urumqi, the PRC	Note b
(22) · Chongqing Sunac Property Management Co., Ltd.	Chongqing, the PRC 10 September 2004	RMB5,000,000	100%	100%	100%	100%	Property management, Chongqing, the PRC	CAC CPA for the years ended 31 December 2017 and 2018; Note g
(23) · Chongqing Sunac Zhimei Property Services Co., Ltd.	Chongqing, the PRC 24 May 2007	RMB500,000	100%	100%	100%	100%	Property management, Chongqing, the PRC	CAC CPA for the years ended 31 December 2017 and 2018; Note g
(24) · Shenzhen Sunac Property Services Group Co., Ltd.	Shenzhen, the PRC 12 December 2019	RMB30,000,000	NA	NA	100%	100%	Property management, Shenzhen, the PRC	Note a
(25) · Chengdu Global Century	Chengdu, the PRC 7 July 2005	RMB5,000,000	NA	NA	48.45%	66.50%	Property management, Chengdu, the PRC	Note e and Note g
(26) · Tianjin Sunac Tourism Property Co., Ltd.	Tianjin, the PRC 24 January 2018	RMB10,000,000	NA	100%	100%	100%	Commercial housing agent sales, Tianjin, the PRC	CAC CPA for the years ended 31 December 2018 and 2019
(27) · Wenzhou Sunac Property Services Co., Ltd.	Zhejiang, the PRC 8 January 2020	RMB5,000,000	NA	NA	NA	100%	Property management, Zhejiang, the PRC	Note f

Name of the subsidiaries	Place and date of incorporation/ establishment	Issued capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
			31 December		30 June				
			2017	2018	2019	2020			
(28) · Shijiazhuang Ronglin Real Estate Brokerage Co., Ltd.	Hebei, the PRC 17 March 2020	RMB20,000,000	NA	NA	NA	100%	100% Real estate brokerage service, Hebei, the PRC	Note f	
(29) · Tianjin Rongzhen Investment Co., Ltd.	Tianjin, the PRC 9 March 2020	HKD1,400,000,000	NA	NA	NA	100%	100% Investment activity, Tianjin, the PRC	Note f	
(30) · Tianjin Rongyue Management Consultancy Co., Ltd. ("Tianjin Rongyue")	Tianjin, the PRC 21 March 2020	RMB1,100,000,000	NA	NA	NA	100%	100% Socioeconomic counselling, Tianjin, the PRC	Note f	
(31) · Langfang Sunac Sunshine County Property Services Limited	Langfang, the PRC 17 June 2020	RMB31,000,000	NA	NA	NA	55%	55% Property management services, Langfang, the PRC	Note f	
(32) · Henan Rongshou Joint Creation Property Management Limited	Xinxiang, the PRC 6 June 2020	RMB500,000	NA	NA	NA	60%	60% Property management services, Xinxiang, the PRC	Note f	
(33) · Henan Rongshan Property Services Limited	Zhengzhou, the PRC 28 June 2020	RMB1,000,000	NA	NA	NA	100%	100% Property management services, Zhengzhou, the PRC	Note f	
(34) · Hubei Sunac Services Property Limited	Wuhan, the PRC 8 June 2020	RMB1,000,000	NA	NA	NA	100%	100% Property management services, Wuhan, the PRC	Note f	
(35) · Zhejiang New Century Property Management Limited	Hangzhou, the PRC 26 June 2001	RMB41,076,000	NA	NA	NA	99.17%	99.17% Property management services, Hangzhou, the PRC	Note 30 and Note h	
(36) · Chun'an Qian dao Lake New Century Property Management Co., Ltd.	Hangzhou, the PRC 17 January 2018	RMB500,000	NA	NA	NA	99.17%	99.17% Property management services, Hangzhou, the PRC	Note h	

Name of the subsidiaries	Place and date of incorporation/establishment	Issued capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
			31 December		30 June				
			2017	2018	2019	2020			
(37) · Hangzhou New Century Security Service Co., Ltd.	Hangzhou, the PRC 22 January 2013	RMB5,000,000	NA	NA	NA	99.17%	Property management services, Hangzhou, the PRC	Note h	
(38) · Hangzhou New Century Assets Management Co., Ltd.	Hangzhou, the PRC 7 February 2013	RMB1,000,000	NA	NA	NA	99.17%	Assets management, Hangzhou, the PRC	Note h	
(39) · Hangzhou Ledu Property Services Co., Ltd.	Hangzhou, the PRC 29 January 2014	RMB500,000	NA	NA	NA	99.17%	Property management services, Hangzhou, the PRC	Note h	
(40) · Hangzhou Yinyi Gardening Project Co., Ltd.	Hangzhou, the PRC 29 January 2014	RMB2,000,000	NA	NA	NA	99.17%	Property management services, Hangzhou, the PRC	Note h	
(41) · Hangzhou Jinjian Intelligence Technology Co., Ltd.	Hangzhou, the PRC 12 February 2014	RMB1,000,000	NA	NA	NA	84.29%	Property management services, Hangzhou, the PRC	Note h	
(42) · Xuzhou Mindu Property Management Co., Ltd.	Hangzhou, the PRC 19 February 2014	RMB500,000	NA	NA	NA	99.17%	Property management services, Xuzhou, the PRC	Note h	
(43) · Hangzhou Xiaoshan Theatre Operation Management Co., Ltd.	Hangzhou, the PRC 4 January 2016	RMB1,000,000	NA	NA	NA	79.34%	Theatre management, Hangzhou, the PRC	Note h	
(44) · Taixing Yiyuan Property Management Co., Ltd.	Hangzhou, the PRC 12 January 2017	RMB1,000,000	NA	NA	NA	50.58%	Property management services, Jiangsu, the PRC	Note h	
(45) · Hangzhou New Century Yigao Property Services Co., Ltd.	Hangzhou, the PRC 7 February 2017	RMB3,000,000	NA	NA	NA	50.58%	Property management services, Hangzhou, the PRC	Note h	
(46) · Hangzhou New Century Education Technology Co., Ltd.	Hangzhou, the PRC 7 February 2017	RMB500,000	NA	NA	NA	99.17%	Educational software development, educational supplies research and development, Hangzhou, the PRC	Note h	

	Name of the subsidiaries	Place and date of incorporation/ establishment	Issued capital	Attributable equity interest of the Group			Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditors and periods covered
				31 December		30 June			
				2017	2018	2019			
(47)	Hangzhou New Century Qixin hygiene Technology Co., Ltd.	Hangzhou, the PRC 17 February 2017	RMB2,000,000	NA	NA	99.17%	99.17%	Property management services, housekeeping services, Hangzhou, the PRC	Note h
(48)	Hangzhou Kaixin Diandian Home Service Co., Ltd.	Hangzhou, the PRC 16 March 2017	RMB500,000	NA	NA	99.17%	99.17%	Property management services, Hangzhou, the PRC	Note h
(49)	Taizhou New Century Property Management Co., Ltd.	Hangzhou, the PRC 31 March 2017	RMB3,000,000	NA	NA	99.17%	99.17%	Property management services, Taizhou, the PRC	Note h
(50)	Hangzhou New Century Theatre Operation Management Co., Ltd.	Hangzhou, the PRC 14 August 2017	RMB1,000,000	NA	NA	79.34%	79.34%	Theatre management, Hangzhou, the PRC	Note h
(51)	Suqian Yuanxin Property Management Co., Ltd.	Suqian, the PRC 19 April 2018	RMB500,000	NA	NA	69.42%	69.42%	Property management services, Suqian, the PRC	Note h
(52)	Taizhou Guangda New Century Property Management Co., Ltd.	Taizhou, the PRC 14 October 2019	RMB3,000,000	NA	NA	64.46%	64.46%	Property management services, Taizhou, the PRC	Note h
(53)	Hubei Rongshou Joint Creation Services Limited	Hubei, the PRC 5 June 2020	RMB5,000,000	NA	NA	50%	50%	Property management services, Hubei, the PRC	Note f

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese Names as they do not have an official English name.

Note a: No statutory audited financial statements for the year ended 31 December 2019 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note b: No statutory audited financial statements for the years ended 31 December 2018 and 2019 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note c: No statutory audited financial statements for the year ended 31 December 2017 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note d: No statutory audited financial statements for the years ended 31 December 2017, 2018 and 2019 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note e:

At 31 December 2019, a fellow subsidiary of the Group under Sunac China acquired from a third party 51% equity interests in Global Sunac Convention Cultural Tourism Group Co., Ltd. ("Global Sunac"), which is principally engaged in business unrelated to the Listing Business. One of Global Sunac's subsidiaries which was held as to 95%, Chengdu Global Century, is engaged in the Listing Business. The net assets and results of Chengdu Global Century, have been combined in the Historical Financial Information of the Group since 31 December 2019. Net assets of Chengdu Global Century as at 31 December 2019 (being the date of combination) is summarised as follows:

	As at 31 December 2019
	<i>RMB'000</i>
Non-current assets	
Property, plant and equipment	2,423
Intangible assets	35,861
Deferred tax assets	527
Current assets	
Cash and cash equivalents	54,526
Trade receivables	56,283
Inventories	3,036
Prepayments and other receivables	216,514
Current liabilities	
Trade and other payables	89,248
Contract liabilities	20,138
Current income tax liabilities	1,075
Deferred tax liabilities	5,334
Net assets	253,375
Less: Non-controlling interests	(130,615)
Fair value of the net assets acquired	122,760

In April 2020, the Group, through its 70% indirectly owned subsidiary, acquired 95% equity interest in Chengdu Global Century from Global Sunac at a consideration of RMB9 million after Chengdu Global Century distributed dividend of RMB209 million to Global Sunac and the 5% minority shareholder. The distribution of dividend was accounted for a distribution to the owners of the Company and reduction of non-controlling interests amounting to RMB101 million and RMB108 million in April 2020, respectively. The difference between the reduction of non-controlling interests and the consideration payable to Global Sunac was recognised within equity of the Group.

Note f:

No statutory audited financial statements have been prepared for the companies as they were newly incorporated in 2020.

Note g:

Statutory audited financial statements of companies for the year ended 31 December 2019 have not been issued as of the date of this report.

Note h:

No statutory audited financial statements have been prepared for the companies as they were newly acquired in 2020.

13 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows how the tax expense is affected by non-assessable and non-deductible items.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Current income tax					
– PRC Corporate income tax	10,796	26,421	82,152	54,832	68,320
Deferred income tax (<i>Note 31</i>)					
– PRC Corporate income tax	463	4,255	(6,123)	(41,313)	(3,447)
	11,259	30,676	76,029	13,519	64,873

(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 profit tax

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/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

According to Caishui [2011] No. 58 issued by the authorities on 27 July 2011, “Notice of Taxation on In-depth Implementation of the Strategy for Western Region Development” and relevant regulations of the State Administration of Taxation, from 1 January 2011 to 31 December 2020, enterprises in the encouraged industries located in the western region are entitled for a preferential corporate income tax rate of 15%. Some subsidiaries of the Group are qualified to enjoy such preferential corporate income tax rate during the Relevant Periods.

- (d) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statements of profit to the income tax expenses is listed below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before income tax	54,217	128,983	345,927	67,144	315,650
Tax calculated at applicable corporate income tax rate of 25%	13,554	32,246	86,482	16,786	78,913
Tax effects of:					
– Expenses not deductible for taxation purposes	2,737	1,378	808	533	1,358
– Income not taxable for tax purpose	–	(221)	(322)	(110)	(628)
– Difference in overseas tax rates	–	–	–	–	(1,721)
– Effects of preferential tax rate to different subsidiaries of the Group	(5,032)	(2,727)	(10,939)	(3,690)	(13,049)
	<u>11,259</u>	<u>30,676</u>	<u>76,029</u>	<u>13,519</u>	<u>64,873</u>

14 EARNINGS PER SHARE

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted number of ordinary shares deemed to be in issue during each of the years ended 31 December 2017, 2018, 2019 and each of the six months ended 30 June 2019 and 2020. In determining the weighted average number of ordinary shares deemed to be in issue, the 9,500,000 shares of the Company issued in relation to the Reorganisation as detailed in Note 1.2 were deemed to have been in issue since 1 January 2017 after taking account into the repurchase of 12,500 shares of USD1.00 each and issue of 9,500,000 shares of HKD0.01 each on 27 October 2020 as detailed in Note 25(c) to this report.

The Company did not have any potential ordinary shares outstanding during the Track Record Period. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit attributable to Owners of the Company (RMB'000)	42,958	98,307	269,898	53,625	238,130
Weighted average number of ordinary shares in issue	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
Basic earnings per share for profit attributable to the owners of the Company during the year/period (expressed in RMB per share).	4.52	10.35	28.41	5.64	25.07

15 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Vehicles	Electronic equipment	Furniture and office equipment	Leasehold Improvements	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017							
Cost	620	3,831	9,738	1,391	1,411	-	16,991
Accumulated depreciation	(290)	(2,469)	(6,039)	(704)	-	-	(9,502)
Net book amount	330	1,362	3,699	687	1,411	-	7,489
Year ended 31 December 2017							
Opening net book amount	330	1,362	3,699	687	1,411	-	7,489
Additions	156	825	4,601	926	1,586	-	8,094
Disposals	(2)	(50)	(32)	(11)	-	-	(95)
Depreciation charges	(84)	(560)	(2,186)	(279)	(804)	-	(3,913)
Closing net book amount	400	1,577	6,082	1,323	2,193	-	11,575
As at 31 December 2017							
Cost	746	4,376	13,613	2,137	3,507	-	24,379
Accumulated depreciation	(346)	(2,799)	(7,531)	(814)	(1,314)	-	(12,804)
Net book amount	400	1,577	6,082	1,323	2,193	-	11,575
Year ended 31 December 2018							
Opening net book amount	400	1,577	6,082	1,323	2,193	-	11,575
Additions	920	690	6,625	912	3,879	-	13,026
Disposals	(1)	(4)	(53)	(3)	-	-	(61)
Depreciation charges	(136)	(544)	(3,319)	(472)	(1,007)	-	(5,478)
Closing net book amount	1,183	1,719	9,335	1,760	5,065	-	19,062
As at 31 December 2018							
Cost	1,653	4,755	19,399	2,896	7,386	-	36,089
Accumulated depreciation	(470)	(3,036)	(10,064)	(1,136)	(2,321)	-	(17,027)
Net book amount	1,183	1,719	9,335	1,760	5,065	-	19,062
Year ended 31 December 2019							
Opening net book amount	1,183	1,719	9,335	1,760	5,065	-	19,062
Effect of combination of Chengdu Global Century	554	1,426	303	140	-	-	2,423
Additions	580	743	11,159	1,708	1,912	-	16,102
Disposals	(5)	(9)	(30)	(3)	-	-	(47)
Depreciation charges	(377)	(506)	(5,387)	(491)	(1,798)	-	(8,559)
Closing net book amount	1,935	3,373	15,380	3,114	5,179	-	28,981

	Machinery	Vehicles	Electronic equipment	Furniture and office equipment	Leasehold Improvements	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019							
Cost	2,682	6,869	29,878	4,686	9,296	–	53,411
Accumulated depreciation	(747)	(3,496)	(14,498)	(1,572)	(4,117)	–	(24,430)
Net book amount	1,935	3,373	15,380	3,114	5,179	–	28,981
As at 1 January 2020							
Cost	2,682	6,869	29,878	4,686	9,296	–	53,411
Accumulated depreciation	(747)	(3,496)	(14,498)	(1,572)	(4,117)	–	(24,430)
Net book amount	1,935	3,373	15,380	3,114	5,179	–	28,981
Six months ended 30 June 2020							
Opening net book amount	1,935	3,373	15,380	3,114	5,179	–	28,981
Acquisition of subsidiaries (Note 30)	3,082	2,227	7,213	6,080	3,108	1,703	23,413
Additions	575	272	3,560	831	1,229	–	6,467
Disposals	(37)	(2)	(54)	(67)	–	–	(160)
Depreciation charges	(360)	(768)	(3,830)	(644)	(1,537)	(15)	(7,154)
Closing net book amount	5,195	5,102	22,269	9,314	7,979	1,688	51,547
As at 30 June 2020							
Cost	6,292	9,361	40,469	11,510	13,633	1,703	82,968
Accumulated Depreciation	(1,097)	(4,259)	(18,200)	(2,196)	(5,654)	(15)	(31,421)
Net book amount	5,195	5,102	22,269	9,314	7,979	1,688	51,547
As at 1 January 2019							
Cost	1,653	4,755	19,399	2,896	7,386	–	36,089
Accumulated depreciation	(470)	(3,036)	(10,064)	(1,136)	(2,321)	–	(17,027)
Net book amount	1,183	1,719	9,335	1,760	5,065	–	19,062
Six months ended 30 June 2019 (unaudited)							
Opening net book amount	1,183	1,719	9,335	1,760	5,065	–	19,062
Additions	50	81	3,211	231	345	–	3,918
Disposals	(3)	(7)	(14)	(2)	–	–	(26)
Depreciation charges	(142)	(271)	(2,331)	(217)	(907)	–	(3,868)
Closing net book amount	1,088	1,522	10,201	1,772	4,503	–	19,086
As at 30 June 2019 (unaudited)							
Cost	1,696	4,701	22,332	3,104	7,730	–	39,563
Accumulated depreciation	(608)	(3,179)	(12,131)	(1,332)	(3,227)	–	(20,477)
Net book amount	1,088	1,522	10,201	1,772	4,503	–	19,086

Depreciation expenses are charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Cost of sales	1,920	2,275	4,270	1,855	3,588
Administrative expenses . .	1,993	3,203	4,284	2,011	3,560
Selling expenses	–	–	5	2	6
	<u>3,913</u>	<u>5,478</u>	<u>8,559</u>	<u>3,868</u>	<u>7,154</u>

16 RIGHT-OF-USE ASSETS

	Leasing properties	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2017			
Cost	8,464	74	8,538
Accumulated depreciation	(1,395)	(5)	(1,400)
Net book amount	<u>7,069</u>	<u>69</u>	<u>7,138</u>
Year ended 31 December 2017			
Opening net book amount	7,069	69	7,138
Additions	7,608	29	7,637
Depreciation charges	(2,851)	(15)	(2,866)
Closing net book amount	<u>11,826</u>	<u>83</u>	<u>11,909</u>
As at 31 December 2017			
Cost	16,072	103	16,175
Accumulated depreciation	(4,246)	(20)	(4,266)
Net book amount	<u>11,826</u>	<u>83</u>	<u>11,909</u>
Year ended 31 December 2018			
Opening net book amount	11,826	83	11,909
Additions	37,020	882	37,902
Depreciation charges	(7,939)	(84)	(8,023)
Closing net book amount	<u>40,907</u>	<u>881</u>	<u>41,788</u>
As at 31 December 2018			
Cost	52,810	985	53,795
Accumulated depreciation	(11,903)	(104)	(12,007)
Net book amount	<u>40,907</u>	<u>881</u>	<u>41,788</u>

	Leasing properties	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2019			
Opening net book amount	40,907	881	41,788
Additions	13,764	819	14,583
Depreciation charges	(20,277)	(331)	(20,608)
Closing net book amount	34,394	1,369	35,763
As at 31 December 2019			
Cost	59,958	1,804	61,762
Accumulated depreciation	(25,564)	(435)	(25,999)
Net book amount	34,394	1,369	35,763
As at 1 January 2020			
Cost	59,958	1,804	61,762
Accumulated depreciation	(25,564)	(435)	(25,999)
Net book amount	34,394	1,369	35,763
Six months ended 30 June 2020			
Opening net book amount	34,394	1,369	35,763
Acquisition of subsidiaries (<i>Note 30</i>)	21,254	–	21,254
Additions	5,761	310	6,071
Depreciation charges	(11,007)	(263)	(11,270)
Closing net book amount	50,402	1,416	51,818
As at 30 June 2020			
Cost	79,546	2,114	81,660
Accumulated depreciation	(29,144)	(698)	(29,842)
Net book amount	50,402	1,416	51,818
As at 1 January 2019			
Cost	52,810	985	53,795
Accumulated depreciation	(11,903)	(104)	(12,007)
Net book amount	40,907	881	41,788
Six months ended 30 June 2019 (unaudited)			
Opening net book amount	40,907	881	41,788
Additions	10,171	240	10,411
Depreciation charges	(9,789)	(143)	(9,932)
Closing net book amount	41,289	978	42,267
As at 30 June 2019 (unaudited)			
Cost	62,081	1,224	63,305
Accumulated depreciation	(20,792)	(246)	(21,038)
Net book amount	41,289	978	42,267

Amounts recognised in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets					
Leased properties and others	2,866	8,023	20,608	9,932	11,270
Interest expense (included in finance costs)	517	1,569	2,086	1,087	1,005
Expense relating to short-term leases and low-value assets (included in cost of sales, selling and marketing expenses and administrative expenses)	5,573	17,770	26,699	14,612	15,471

The total cash outflow for leases for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 is RMB8,821,000, RMB29,964,000, RMB47,938,000, RMB24,653,000 and RMB26,789,000, respectively.

17 INTANGIBLE ASSETS

	Software	Customer relationships	Exclusive operating rights	Brand	Goodwill	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Note (a))</i>			<i>(Note (b))</i>	
As at 1 January 2017						
Cost and net book amount	-	-	-	-	-	-
Year ended 31 December 2017						
Opening net book amount	-	-	-	-	-	-
Additions	-	16,014	-	-	-	16,014
Amortisation	-	(886)	-	-	-	(886)
Closing net book amount	-	15,128	-	-	-	15,128
As at 31 December 2017						
Cost	-	16,014	-	-	-	16,014
Accumulated amortisation	-	(886)	-	-	-	(886)
Net book amount	-	15,128	-	-	-	15,128
Year ended 31 December 2018						
Opening net book amount	-	15,128	-	-	-	15,128
Additions	-	8,747	-	-	-	8,747
Amortisation	-	(3,678)	-	-	-	(3,678)
Closing net book amount	-	20,197	-	-	-	20,197

	Software	Customer relationships	Exclusive operating rights	Brand	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (a))			(Note (b))	
As at 31 December 2018						
Cost	–	24,761	–	–	–	24,761
Accumulated amortisation	–	(4,564)	–	–	–	(4,564)
Net book amount	–	20,197	–	–	–	20,197
Year ended 31 December 2019						
Opening net book amount	–	20,197	–	–	–	20,197
Effect of combination of Chengdu Global Century (Note 12(e))	299	35,562	–	–	–	35,861
Additions	12,680	–	–	–	–	12,680
Amortisation	(1,396)	(4,112)	–	–	–	(5,508)
Closing net book amount	11,583	51,647	–	–	–	63,230
As at 31 December 2019						
Cost	12,979	60,323	–	–	–	73,302
Accumulated amortisation	(1,396)	(8,676)	–	–	–	(10,072)
As at 31 December 2019	11,583	51,647	–	–	–	63,230
As at 1 January 2020						
Cost	12,979	60,323	–	–	–	73,302
Accumulated amortisation	(1,396)	(8,676)	–	–	–	(10,072)
Net book amount	11,583	51,647	–	–	–	63,230
Six months ended 30 June 2020						
Opening net book amount	11,583	51,647	–	–	–	63,230
Acquisition of subsidiaries (Note 30)	4,535	195,611	–	47,250	1,020,216	1,267,612
Additions	3,997	–	5,151	–	–	9,148
Amortisation	(2,053)	(10,059)	–	(788)	–	(12,900)
Closing net book amount	18,062	237,199	5,151	46,462	1,020,216	1,327,090
As at 30 June 2020						
Cost	21,511	255,934	5,151	47,250	1,020,216	1,350,062
Accumulated amortisation	(3,449)	(18,735)	–	(788)	–	(22,972)
Net book amount	18,062	237,199	5,151	46,462	1,020,216	1,327,090
As at 1 January 2019						
Cost	–	24,761	–	–	–	24,761
Accumulated amortisation	–	(4,564)	–	–	–	(4,564)
Net book amount	–	20,197	–	–	–	20,197
Six months ended 30 June 2019 (unaudited)						
Opening net book amount	–	20,197	–	–	–	20,197
Additions	5,407	–	–	–	–	5,407
Amortisation	(537)	(2,224)	–	–	–	(2,761)
Closing net book amount	4,870	17,973	–	–	–	22,843

	Software	Customer relationships	Exclusive operating rights	Brand	Goodwill	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Note (a))</i>			<i>(Note (b))</i>	
As at 30 June 2019						
(unaudited)						
Cost	5,407	24,761	–	–	–	30,168
Accumulated amortisation	(537)	(6,788)	–	–	–	(7,325)
Net book amount	4,870	17,973	–	–	–	22,843

Amortisation of intangible assets has been charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Cost of sales	886	3,678	4,112	2,224	10,059
Administrative expense	–	–	1,396	537	2,841
	886	3,678	5,508	2,761	12,900

(a) Customer relationships

In 2017 and 2018, the Group acquired 3 and 2 customer relationships at the consideration of RMB16,014,000 and RMB8,747,000, respectively.

On 31 December 2019, a fellow subsidiary of the Group under Sunac China acquired Global Sunac from a third party (Note 12 (e)). Total identifiable net assets of Chengdu Global Century was amounted to RMB253,375,000, including customer relationships of RMB35,562,000 recognised by the Group.

On 8 May 2020, a subsidiary of the Group acquired NCPM from third parties (Note 30). Total identifiable net assets of NCPM was amounted to RMB476,120,000, including customer relationships of RMB195,611,000 and brand of RMB47,250,000 recognised by the Group.

(b) Goodwill

The directors of the Company regard NCPM as one reporting segment and goodwill impairment testing are performed at NCPM level.

Goodwill arises from the Group's acquisition of subsidiaries (Note 30) and was determined at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees. Goodwill has been assessed based on the related acquiree's CGU for impairment testing.

The recoverable amount of the property management business operated by NCPM have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Management determined a projection period of five years based on expected development trend of NCPM and industry experiences. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the related industry in which the CGU's operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry.

The following table sets forth each key assumption at 30 June 2020, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue 2020 (% annual growth rate)	21.0%
Revenue 2021 (% annual growth rate)	20.3%
Revenue 2022 to 2024 (% annual growth rate)	9.8%-19.0%
Net profit margin (% of revenue)	7.2%-8.3%
Terminal growth rate	3.0%
Pre-tax discount rate	19.3%

As at 30 June 2020, the recoverable amount of RMB1,321,294,000, which was calculated based on VIU calculation, exceeded its carrying amount of RMB1,296,153,000 (including goodwill of RMB1,028,755,000) by RMB25,141,000.

The directors of the Company has undertaken sensitivity analysis based on the assumptions that expected growth rate of revenue or pre-tax discount rate would be changed by taking into accounts the volatility of the business and industry in which NCPM are engaged. The following table set 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 of 30 June 2020:

Expected annual growth rate	-1.79% (Revenue 2020 to 2024 annual growth rates decrease to 9.62%-20.62%)
Pre-tax discount rate	+1.74% (increase to 19.64%)

If the expected annual growth rate used in VIU calculation had been 1% lower than management estimates as of 30 June 2020, the recoverable amount calculated based on VIU calculation would be less than its carrying amount by RMB57,151,000. If the expected pre-tax discount rate had been 1% higher than management estimates as of 30 June 2020, the recoverable amount calculated based on VIU calculation would be less than its carrying amount by RMB46,709,000.

Except for the above changes, the Company considered there is no other reasonably possible change in key parameters would cause the carrying amount of the CGU to exceed its recoverable amount.

With reference to the recoverable amount assessed as at 30 June 2020, the directors of the Company determined that there was no provision for impairment of goodwill for the Track Record Period.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Financial assets				
Financial assets at amortised cost				
– Cash and cash equivalents (Note 23)	231,794	371,933	1,090,197	1,171,484
– Trade and other receivables (excluding prepayments) (Notes 21 and 22)	1,568,930	1,113,029	927,243	1,312,746
– Financial assets at fair value through profit or loss (Note 24)	176,000	–	–	225,179
	<u>1,976,724</u>	<u>1,484,962</u>	<u>2,017,440</u>	<u>2,709,409</u>

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Financial liabilities				
Liabilities at amortised cost				
– Trade and other payables (excluding payroll payables and other tax payables) (Note 29) . . .	461,605	437,166	725,798	1,255,450
– Lease liabilities (Note 28)	12,324	39,601	35,031	50,480
– Borrowings (Note 27)	1,327,800	614,600	–	–
	<u>1,801,729</u>	<u>1,091,367</u>	<u>760,829</u>	<u>1,305,930</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December			Six months ended
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
At 1 January	–	500	1,383	2,672
Additions from acquisition of subsidiaries	–	–	–	47,198
Capital injection to a joint venture	500	–	–	–
Share of profits of associates and joint ventures	–	883	1,289	2,511
At 31 December/30 June	<u>500</u>	<u>1,383</u>	<u>2,672</u>	<u>52,381</u>

Set out below are the particulars of joint ventures and associates of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020. In the opinion of the directors of the Group, one of the joint ventures named Jiangsu New Century Jinchang Property Management Company Limited (“Jinchang PM”) was individually significant to the Group in respect of investments in associates and joint ventures. The joint ventures and associates as listed below have capital consisting solely of ordinary shares, which are held directly by the Group according to the Group’s percentage holding. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of incorporation and operation	Principal activities	Nature of relationship	Equity interest held	
				As at	As at
				31 December 2017, 2018 and 2019	30 June 2020
Chongqing Rongbi Property Services Co., Ltd. (重慶融碧物業服務有限公司) . . .	Chongqing, the PRC	Property management	Joint venture	50%	50%
Fuzhou Rongjusheng Property Services Co., Ltd. (福州融巨盛物業服務有限公司) . . .	Fuzhou, the PRC	Property management	Joint venture	45%	45%

	Place of incorporation and operation	Principal activities	Nature of relationship	Equity interest held	
				As at 31 December 2017, 2018 and 2019	As at 30 June 2020
Jiangsu New Century Jinchang Property Management Company Limited 江蘇開元金昌物業管理有限公司 . . .	Jiangsu, the PRC	Property management	Joint venture	–	49.59%
Hangzhou New Century Jiuweike Property Management Co., Ltd. 杭州開元玖維客物業服務有限公司 .	Hangzhou, the PRC	Property management	Joint venture	–	48.59%
Hangzhou New Century Sibinsai Newwork Technology Co., Ltd. 杭州開元斯賓塞網絡科技有限公司 .	Hangzhou, the PRC	Network technology	Associate	–	34.71%
Hangzhou Xiaoshan City Property Management Co., Ltd. 杭州蕭山城市物業服務有限公司 . . .	Hangzhou, the PRC	Property management	Associate	–	48.59%
Hangzhou Xiaoshan Guotou Jiashi Property Management Co., Ltd. 杭州蕭山國投嘉時物業管理有限 公司	Hangzhou, the PRC	Property management	Associate	–	44.63%
Hangzhou Qian Century City New Century Property Management Service Co., Ltd 杭州錢江世紀城開元物業服務有限 公司	Hangzhou, the PRC	Property management	Associate	–	48.59%
Shaoxing New Century Real Estate Service Co., Ltd. 紹興開元置業服務有限公司	Shaoxing, the PRC	Property management	Associate	–	48.59%
Xinchang Gaoxin New Century Property Management Co., Ltd. 新昌縣高新開元物業服務有限公司 .	Shaoxing, the PRC	Property management	Associate	–	44.63%

* The English name of the joint ventures and associates represents the best efforts made by the management of the Group in translating its Chinese names as it does not have an official English name.

The Group determined that it does not have controlling interest in the above companies, but rather possesses significant influence. The associates and joint ventures as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Group's interest in the associates and joint ventures.

Set out below are the summarised financial information for Jinchang PM which is accounted for using the equity method.

	As at 30 June 2020 RMB'000
Reconciliation to carrying amounts	
Opening net assets as at the date of acquisition of NCPM	10,528
Profit for the period	637
Closing net assets as at 30 June 2020	<u>11,165</u>

	As at 30 June
	2020
	<i>RMB'000</i>
The Group's share:	
Percentage of interest	48.59%
Interest in the associates	5,425
Goodwill	18,608
	<hr/>
Carrying amounts	24,033
	<hr/> <hr/>
	For the period from the date of acquisition of NCPM to 30 June 2020
	<i>RMB'000</i>
Revenue	12,944
Profit from continuing operations	637
	<hr/>
The Group's share:	
Percentage of interest	48.59%
	<hr/>
Share of profit for the period	310
	<hr/> <hr/>

20 INVENTORIES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The use rights of car park spaces	26,399	44,838	66,937	–
Other materials and components	1	1,735	15,399	29,403
	<hr/>	<hr/>	<hr/>	<hr/>
	26,400	46,573	82,336	29,403
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the Track Record Period, the Group purchased car park spaces from fellow subsidiaries, associates and joint ventures of Sunac China and sold these car park spaces to third party customers.

As at 30 June 2020, the Group entered into property agency services agreements with the fellow subsidiaries, associates and joint ventures of Sunac China (“Sunac Group”) (the “Car park Agency Agreements”) pursuant to which, the Group transferred the ownership of unsold car park spaces held by the Group as at 30 June 2020 and provide sales agency services in respect of these unsold car park spaces commencing from 30 June 2020 to 31 December 2021. Upon completion or termination of each contract, the remaining balance of the deposits in respect of unsold car park spaces, shall be refunded to the Group by Sunac Group in full. Accordingly, unsold inventories as at 30 June 2020 of RMB60,491,000 were re-designated to other receivables of RMB57,578,000 and intangible assets of RMB2,913,000 for the right of exclusive agency, respectively. As at 30 June 2020, the refundable deposits were measured at their present values by discounting the expected cashflow based on management’s best estimation for the utilisation of these deposits upon sale of car park spaces and the entity’s incremental borrowing rates. The difference between the present values of the refundable deposits and the contractual amounts of deposits was recognised as the right of exclusive agency and included in intangible assets.

21 TRADE RECEIVABLES

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Trade receivables (<i>Note (a)</i>)				
– Related parties (<i>Note 34(b)</i>)	97,848	254,914	349,303	475,419
– Third parties	115,474	143,819	248,693	618,158
	<u>213,322</u>	<u>398,733</u>	<u>597,996</u>	<u>1,093,577</u>
Less: allowance for impairment of trade receivables	(5,220)	(6,130)	(11,740)	(17,440)
	<u>208,102</u>	<u>392,603</u>	<u>586,256</u>	<u>1,076,137</u>

- (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 are 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.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the ageing analysis of the trade receivables based on date of revenue recognition were as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within 1 year	178,549	352,931	502,635	958,654
1 to 2 years	22,646	27,823	43,024	91,581
2 to 3 years	6,763	13,079	31,418	25,738
3 to 4 years	2,970	2,409	16,841	12,506
4 to 5 years	1,051	1,379	3,040	3,863
Over 5 years	1,343	1,112	1,038	1,235
	<u>213,322</u>	<u>398,733</u>	<u>597,996</u>	<u>1,093,577</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts due to short credit term.

The Group applies the simplified approach to provide 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(b). For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, a provision of RMB1,080,000, RMB910,000 and RMB2,199,000 and RMB5,248,000 was made against the gross amounts of trade receivables. For the year ended 31 December 2019, a provision of RMB3,411,000 was derived from the effect of combination of Chengdu Global Century. For the six months ended 30 June 2020, a provision of RMB452,000 was made against the originally impaired trade receivables from NCPM since the date of acquisition. The provision for impairment increased during the Track Record Period due to the increase of trade receivables.

22 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	RMB'000		RMB'000		RMB'000		RMB'000	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Prepayments								
– Utilities	4,573	–	7,637	–	5,711	–	9,300	–
– Short-term rental fees	758	–	2,692	–	5,323	–	11,466	–
– Raw materials for engineering and maintenance services	–	–	817	–	1,992	–	5,451	–
– Deferred listing expenses	–	–	–	–	–	–	2,486	–
– Others	1,365	–	1,120	1,082	5,430	570	13,958	2,380
	<u>6,696</u>	<u>–</u>	<u>12,266</u>	<u>1,082</u>	<u>18,456</u>	<u>570</u>	<u>42,661</u>	<u>2,380</u>
Other receivables								
– Related parties (Note 34 (b) (c))	3,222	–	69,612	–	282,262	–	81,188	56,667
– Loan to a related party (b) (Note 34 (b))	713,200	614,600	614,600	–	–	–	–	–
– Payments on behalf of property owners (a)	12,547	–	18,113	–	36,995	–	49,606	–
– Employees in advance	7,311	–	8,982	–	11,492	–	11,037	–
– Deposits	5,488	–	6,781	–	10,148	–	35,069	5,863
– Others	5,263	–	3,766	–	2,185	–	2,935	–
	<u>747,031</u>	<u>614,600</u>	<u>721,854</u>	<u>–</u>	<u>343,082</u>	<u>–</u>	<u>179,835</u>	<u>62,530</u>
Less: allowance for impairment of other receivables	(803)	–	(1,428)	–	(2,095)	–	(5,756)	–
	<u>746,228</u>	<u>614,600</u>	<u>720,426</u>	<u>–</u>	<u>340,987</u>	<u>–</u>	<u>174,079</u>	<u>62,530</u>
Total prepayments and other receivables	<u>752,924</u>	<u>614,600</u>	<u>732,692</u>	<u>1,082</u>	<u>359,443</u>	<u>570</u>	<u>216,740</u>	<u>64,910</u>

- (a) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance represented the payments on behalf of property owners in respect of mainly utilities costs of the properties.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, prepayments and other receivables were denominated in RMB.

Movements on the provision for impairment of other receivables are shown in Note 3.1(b). The provision for impairment increased during the Track Record Period due to the increase in balance of other receivables.

- (b) On 13 September 2016, the Group entered into a loan agreement with a fellow subsidiary, Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate"). The effective interest rate was 5.3% to 5.7% for the years ended 31 December 2017 and 2018. Details of which are set out in Note 34(a).

In 2017, the Group entered into another loan agreement with Sunac Real Estate, pursuant to which the Group provided additional loans of RMB500 million to Sunac Real Estate. The effective interest of loans to a related party was 6.7% per annum. Sunac Real Estate shall repay the Group by instalments before 25 January 2018.

As at 31 December 2019, the loan has been fully repaid.

- (c) Other receivables from related parties included present values of the refundable deposits amounting to RMB101,760,000, out of which (1) RMB57,578,000 represented present values of refundable deposits from the re-designation from inventories of unsold car park spaces as at 30 June 2020 as detailed in Note 20; and (2) present values of refundable deposits of RMB44,182,000 in respect of additional car park spaces of Sunac Group where the Group provides sales agency services commencing from 30 June 2020 to 31 December 2021. The aforementioned deposits shall be refunded to the Group by Sunac Group in full upon completion or termination of each contract in respect of unsold car park spaces. As at 30 June 2020, the refundable deposits of RMB101,760,000 were measured at their present values by discounting the expected cashflow based on management's best estimation for the utilisation of these deposits upon sale of car park spaces and the entity's incremental borrowing rates. The difference between the present values of the refundable deposits and the contractual amounts of deposits was recognised as the right of exclusive agency and included in intangible assets.

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in banks	231,265	371,206	1,089,855	1,176,420
Cash on hand	529	727	342	523
Less: restricted cash	—	—	—	(5,459)
Cash and cash equivalents	<u>231,794</u>	<u>371,933</u>	<u>1,090,197</u>	<u>1,171,484</u>

The restricted cash are mainly marginal deposits required by the banks for issuing unconditional and irrevocable letter of guarantee.

The carrying amount of cash and cash equivalents and restricted cash balances were denominated in the following currencies:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
RMB	231,794	371,933	1,090,197	1,124,682
HKD	–	–	–	52,243
USD	–	–	–	18
	<u>231,794</u>	<u>371,933</u>	<u>1,090,197</u>	<u>1,176,943</u>

The Company

	As at	As at
	31 December	30 June
	2019	2020
	RMB'000	RMB'000
Cash in banks	–	51,170
	<u>–</u>	<u>51,170</u>

As at 30 June 2020, cash and cash equivalents of the Company were denominated in HKD and USD.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Unlisted equity securities				
(Note 3.3(a)) (a)	176,000	–	–	–
Wealth management products				
(Note 3.3(a)) (b)	–	–	–	225,179
	<u>176,000</u>	<u>–</u>	<u>–</u>	<u>225,179</u>

- (a) As at 1 January 2017, the Group held 2% equity interest in an unlisted entity in the PRC at carrying value of RMB160 million. In December 2017, the Group entered into a transfer agreement with a third party to dispose off the equity interest at the consideration of RMB176,000,000, which was equal to the fair value as at 31 December 2017. For the year ended 31 December 2017, the fair value change of RMB16,000,000 was recorded in other gains (Note 8). The disposal was completed in March 2018.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See Note 3.3(b) for the valuation techniques adopted.

Description	Fair value at 31 December 2017	Valuation method	Significant unobservable inputs	Significant unobservable inputs in 2017
	RMB'000			
Unlisted equity securities	176,000	Discounted cash flow	Discount rate	14.4%

Relationship of unobservable inputs to fair value is the higher rate of discount rate, the lower fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs is discounted rate assessed by the independent valuer based on current market assessments of the time value of money and the risk specific to the asset being valued.

- (b) The wealth management products as at 30 June 2020 represented the investment in certain non-principal guaranteed RMB denominated wealth management products, which had no fixed maturity date and had an expected interest rate from 1.3% to 6.2% per annum, and it can be redeemed at any time.

The main level 3 inputs used by the Group are the expected rates of return.

If the expected rate of return of the investment in wealth management products held by the Group had been 100 basis points higher/lower, pre-tax profit for the six months ended 30 June 2020 would have been RMB2,238,000 higher/lower.

25 SHARE CAPITAL – THE COMPANY

The Company was incorporated in the Cayman Islands on 10 January 2019, at 31 December 2019 and 30 June 2020, the authorised share capital is USD50,000 comprising 50,000 ordinary shares of USD1.00 each.

	Number of shares	USD	RMB'000
Ordinary shares, issued and fully paid:			
At 10 January 2019 (date of incorporation)	1	1	—*
Capital injection from the Sunac Services			
Investment (a)	9,999	9,999	70
Capital injection from Sunac Shine (PTC)			
Limited (“SunacShine”) (b)	2,500	2,500	18
At 30 June 2020	<u>12,500</u>	<u>12,500</u>	<u>88</u>

* *Less than RMB1,000*

- (a) On 27 March 2020, the Company issued and allotted 9,999 shares to Sunac Services Investment at a consideration of HKD1,350,000,000 of which RMB70,000 was included in share capital of the Company and RMB1,226,256,000 was included in share premium of the Company (Note 26).
- (b) On 18 May 2020, the Company issued and allotted 2,500 Shares to Sunac Shine at a consideration of USD2,500 (equivalent to RMB18,000), which was included in share capital of the Company.
- (c) On 27 October 2020, the authorised share capital of the Company was increased by HKD380,000 by the creation of 38,000,000 shares of HKD0.01 each. Thereafter, the Company allotted and issued 7,600,000 Shares and 1,900,000 Shares to Sunac Services Investment and Sunac Shine respectively at par. The Company then repurchased the 10,000 shares of USD1.00 each and 2,500 shares of USD1.00 each from Sunac Services Investment and Sunac Shine respectively at par and cancelled the same following the repurchase. Thereafter, the Company cancelled all the 50,000 authorised but unissued shares of USD1.00 each in the Company. As a result of the foregoing actions, the authorised share capital of the Company became HKD380,000 divided into 38,000,000 Shares. The shareholding percentages of the then Shareholders remained unchanged after the above changes in the authorised and issued share capital of the Company.
- (d) On 28 October 2020, the authorised share capital of the Company was increased from HKD380,000 to HKD100,000,000 by the creation of additional 9,962,000,000 Shares with par value of HKD0.01 each.

As at the date of the report, the Company had authorised share capital of HKD100,000,000 comprising 10,000,000,000 ordinary shares of HKD0.01 each and issued share capital of HKD95,000 comprising 9,500,000 ordinary shares of HKD0.01 each.

26 RESERVES

The Group

	Statutory reserve	Combined capital	Other reserves	Share premium	Total reserves
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017 (d)	–	50,000	–	–	50,000
Appropriation of statutory reserve (a)	9,111	–	–	–	9,111
Balance at 31 December 2017	<u>9,111</u>	<u>50,000</u>	<u>–</u>	<u>–</u>	<u>59,111</u>
Balance at 1 January 2018	9,111	50,000	–	–	59,111
Appropriation of statutory reserve (a)	19,529	–	–	–	19,529
Balance at 31 December 2018 (d)	<u>28,640</u>	<u>50,000</u>	<u>–</u>	<u>–</u>	<u>78,640</u>
Balance at 1 January 2019 (d)	28,640	50,000	–	–	78,640
Effect of group reorganisation in respect of acquisition of Sunac Services Group (b)	–	(50,000)	–	–	(50,000)
Capital contribution in respect of combination of Chengdu Global Century (<i>Note 12</i>)	–	122,760	–	–	122,760
Appropriation of statutory reserve (a)	32,842	–	–	–	32,842
Balance at 31 December 2019	<u>61,482</u>	<u>122,760</u>	<u>–</u>	<u>–</u>	<u>184,242</u>
Balance at 1 January 2020	61,482	122,760	–	–	184,242
Capital injection from the Sunac Services investment (<i>Note 25</i>)	–	–	–	1,226,256	1,226,256
Capitalisation of loans from a fellow subsidiary (c)	–	10,000	–	–	10,000
Effect of group reorganisation in respect of acquisition of a fellow subsidiary (e)	–	(10,000)	–	–	(10,000)
Dividends to the then shareholders of Chengdu Global Century (<i>Note 12 (e)</i>)	–	(101,076)	–	–	(101,076)
Effect of group reorganisation in respect of acquisition of Chengdu Global Century (<i>Note 12 (e)</i>)	–	(21,684)	23,192	–	1,508
Balance at 30 June 2020	<u>61,482</u>	<u>–</u>	<u>23,192</u>	<u>1,226,256</u>	<u>1,310,930</u>

- (a) In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint ventures enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

- (b) In 2019, the Group acquired 100% equity interest of Sunac Services Group at a cash consideration of RMB50,000,000. Since Sunac Services Group was controlled by Sunac China before and after the acquisitions, assets and liabilities of Sunac Services Group were included in the Historical Financial Information of the Group for all years/periods presented.
- (c) In March 2020, a fellow subsidiary of the Group capitalised loans to Tianjin Sunac Tourism Property Co., Ltd. amounting to RMB10,000,000.
- (d) As at 1 January 2017, 31 December 2017 and 31 December 2018, combined capital represented combined share capital of other companies now comprising the Group after elimination of inter-company investment costs.
- (e) In April 2020, Sunac Services Group acquired Tianjin Sunac Tourism Property Co., Ltd. ("Tianjin Sunac Tourism") from a fellow subsidiary of Sunac China at a consideration of RMB10,000,000. Since Tianjin Sunac Tourism was controlled by Sunac China before and after the acquisition, assets and liabilities of Tianjin Sunac Tourism were included in the Historical Financial Information of the Group for all years/periods presented.

The Company

	Share premium	Capital reserves	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 31 December 2019 and 1 January 2020	–	50,000	50,000
Capital injection from Sunac Services Investment (Note 25)	1,226,256	–	1,226,256
Balance at 30 June 2020	<u>1,226,256</u>	<u>50,000</u>	<u>1,276,256</u>

27 BORROWINGS

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current				
Secured,				
– ABS (a) (Note 34(a))	827,800	614,600	–	–
Less: Current portion of non-current borrowings (a)	<u>(213,200)</u>	<u>(614,600)</u>	<u>–</u>	<u>–</u>
	<u>614,600</u>	<u>–</u>	<u>–</u>	<u>–</u>
Current				
Secured,				
– borrowings from a financial institution (b)	500,000	–	–	–
Current portion of non-current borrowings (a) (Note 34(a))	<u>213,200</u>	<u>614,600</u>	<u>–</u>	<u>–</u>
	<u>713,200</u>	<u>614,600</u>	<u>–</u>	<u>–</u>
Total borrowings	<u>1,327,800</u>	<u>614,600</u>	<u>–</u>	<u>–</u>

All of the Group's borrowings were dominated in RMB.

(a) ABS

The Group entered into an asset-backed agreement with a third-party financing institution in the form of asset securitisation. These ABS were secured by the right of receipt of the property management service fee of the Group for the whole period of financing and is guaranteed by Sunac Real Estate. As at 31 December 2017 and 2018, details of the outstanding ABS are shown as below:

Issue dates	Principal amount		Interest rate	Maturity
	as at 31 December			
	2017	2018		
	RMB'000	RMB'000		
26 April 2016	827,800	614,600	5.30%-5.70%	1-2 years by instalment

As at 31 December 2019, the ABS has been fully repaid.

(b) The loan was guaranteed by a fellow subsidiary of the Group. The interest rate was fixed at 6.7% per annum and the maturity date was 24 January 2018.

The weighted-average effective interest rates for the years ended 31 December 2017 and 2018 was 5.94% and 5.63% per annum, respectively.

The carrying amounts of borrowings from a financial institution and ABS approximated their fair value due to short maturity period and similar interest rate to the market.

28 LEASE LIABILITIES

(a) Amounts recognised in the consolidated balance sheets

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Current lease liabilities	4,198	15,704	19,461	21,797
Non-current lease liabilities	8,126	23,897	15,570	28,683
	<u>12,324</u>	<u>39,601</u>	<u>35,031</u>	<u>50,480</u>

(b) Amounts recognised in the consolidated statements of cash flows

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Cash flows from operating activities				
– Payments for short-term leases	5,573	17,770	26,699	15,471
Cash flows from financing activities				
– Payment of interest element of lease liabilities	517	1,569	2,086	1,005
– Payment of principal element of lease liabilities	2,731	10,625	19,153	10,313
	<u>3,248</u>	<u>12,194</u>	<u>21,239</u>	<u>11,318</u>

29 TRADE AND OTHER PAYABLES

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	RMB'000		RMB'000		RMB'000		RMB'000	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Trade payables								
- Related parties (Note 34(b))	-	-	-	-	43,131	-	-	-
- Third parties	88,693	-	126,729	-	203,258	-	314,361	-
	<u>88,693</u>	<u>-</u>	<u>126,729</u>	<u>-</u>	<u>246,389</u>	<u>-</u>	<u>314,361</u>	<u>-</u>
Other payables								
- Related parties (Note 34(b))	241,229	-	136,286	-	224,102	-	99,106	-
- Third parties	131,683	-	174,151	-	255,307	-	660,359	181,624
- Deposits	74,954	-	95,302	-	149,027	-	206,506	-
- Amounts collected on behalf of properties owners	33,780	-	51,833	-	69,323	-	136,875	-
- Interests payable	8,284	-	6,239	-	-	-	-	-
- Consideration payable for acquisition of NCPM (Note 30 (a))	-	-	-	-	-	-	242,165	181,624
- Accruals and others	14,665	-	20,777	-	36,957	-	74,813	-
	<u>372,912</u>	<u>-</u>	<u>310,437</u>	<u>-</u>	<u>479,409</u>	<u>-</u>	<u>759,465</u>	<u>181,624</u>
Payroll payable	114,630	-	179,446	-	298,356	-	268,971	-
Other tax payable	19,955	-	32,169	-	62,464	-	74,504	-
	<u>596,190</u>	<u>-</u>	<u>648,781</u>	<u>-</u>	<u>1,086,618</u>	<u>-</u>	<u>1,417,301</u>	<u>181,624</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of trade and other payables approximated their fair values.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, trade and other payables were denominated in RMB.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, other payables to related parties were unsecured, interest free and repayable on demand.

The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Within 1 years	85,606	123,014	241,930	308,035
1 to 2 years	2,143	2,434	2,808	3,824
2 to 3 years	722	810	1,059	1,866
Over 3 years	222	471	592	636
	<u>88,693</u>	<u>126,729</u>	<u>246,389</u>	<u>314,361</u>

30 BUSINESS COMBINATION OF NCPM

(a) A subsidiary of the Group, Tianjin Rongyue, acquired 99.17% equity interests in NCPM as detailed as follows:

- (1) On 25 April 2020, a subsidiary of the Group, Tianjin Rongyue, entered into agreements (as further amended by a supplemental agreement dated hereafter) to acquire 94.97% equity interest in NCPM from its then shareholders, New Century Holdings Group Co., Ltd. ("New Century Holdings"), Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) ("Hangzhou Junjian") and Mr. Xie Jianjun ("Mr. Xie") at fixed consideration of RMB819 million and contingent consideration of up to RMB605 million in aggregate. The contingent consideration will be paid by instalments. The Group has right to adjust the consideration if conditions precedent, mainly operating profit targets for the years ended 31 December 2019, 2020 and 2021, are not fulfilled. As at 30 June 2020, approximately contingent consideration of RMB182 million has been paid as the condition precedent of operating profit target for 2019 was fulfilled. As set out in the relevant agreement, the performance target of operating profits are at least RMB100 million and RMB115 million for the years ended 31 December 2020 and 2021, respectively.
- (2) On the same date, Tianjin Rongyue entered into another framework agreement with New Century Holdings intending to acquire the remaining equity interests in the NCPM up to 5.02% at the same price per share as set out in the aforementioned agreement entered into between New Century Holdings and the Group, subject to the result of execution of the New Century Holdings's right to repurchase the equity interests in NCPM held by its minority shareholders. On 14 May 2020, New Century Holdings had already repurchased 4.20% equity interests in NCPM from the minority shareholders and on the same date, Tianjin Rongyue entered into an agreement to acquire 4.20% equity interests in NCPM at a fixed consideration of RMB63 million from New Century Holdings.
- (3) Mr. Xie, who originally held 18.99% equity interest in NCPM, is legally restricted from disposing more than one-fourth of his equity interest in the NCPM to the Group during his employment as a senior management of the NCPM and from disposing any shares within a 6-month period from the date of the termination of his employment with the NCPM, on 8 May 2020, the Group also entered into a share entrustment agreement with him, pursuant to which, the Group is authorised and entrusted to exercise all rights in respect of the 14.25% equity interest in the NCPM still registered under his name, until the transfer of such equity interest by him to the Group is completed.

On 8 May 2020, the industrial and commercial change registration procedures in respect of 80.72% equity interests in NCPM were completed. Since that date, the Group has had control over NCPM.

As at 30 June 2020, Mr. Xie has resigned from his office as director and senior management of NCPM, so that the restriction shall cease to apply to him upon the expiry of six months from the date of his resignation.

As at 30 June 2020 and the date of this report, NCPM was owned as to 84.92% by the Group, 14.25% by the aforementioned equity holder who held such interest under above share entrustment arrangement on behalf of the Group and 0.83% by certain minority shareholders who are independent third parties.

The fair value of the contingent consideration payable was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. According to the valuation results, the balance of the consideration is expected to be paid RMB242 million in 2021 and RMB182 million in 2022, respectively.

Goodwill from this acquisition of 99.17% equity interests in the NCPM in aggregate by the Group, amounting to RMB1,020 million. Goodwill was generated from business combination and allocated to a group of projects, which is expected to benefit from the synergies of the combination.

(b) Acquisitions of subsidiaries

	<u>Total</u>
	<i>RMB'000</i>
Consideration for acquisition of	
– Cash	1,063,763
– Contingent consideration	423,789
	<u>1,487,552</u>
Less: Net fair value of identifiable assets acquired and liabilities assumed	<u>467,336</u>
Goodwill from acquisition of new subsidiaries	<u>1,020,216</u>

(c) The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

	<u>At the date of acquisition</u>
	<i>RMB'000</i>
(1) <i>Fair value of identifiable net assets</i>	
Non-current assets	
Property, plant and equipment	23,413
Right-of-use assets	21,254
Intangible assets	247,396
Deferred income tax assets	12,465
Investments accounted for using the equity method	47,198
Prepayments, deposits and other receivables	6,733
Current assets	
Inventories	7,303
Trade receivables	211,698
Prepayments, deposits and other receivables	63,986
Cash and cash equivalents	58,679
Restricted cash	3,697
Financial assets at fair value through profit or loss	226,136
Non-current liabilities	
Lease liabilities	13,867
Deferred income tax liabilities (i)	60,716
Current liabilities	
Trade and other payables	214,315
Contract liabilities	146,212
Lease liabilities	5,824
Current income tax liabilities	12,904
Net assets	476,120
Less: Non-controlling interests (ii)	<u>(8,784)</u>
Fair value of the net assets acquired	<u>467,336</u>

	At the date of acquisition
	<i>RMB'000</i>
(2) <i>Cash impact</i>	
Cash consideration paid up to 30 June 2020	(1,063,763)
Cash and cash equivalents in the subsidiaries acquired	58,679
	<hr/>
Net cash impact on acquisitions	(1,005,084)
	<hr/> <hr/>
(i) The deferred tax liabilities in respect of the intangible assets arose from the Target Acquisition amounted to RMB61 million.	
(ii) The non-controlling interests represent 0.83% equity interest held by the minority shareholders of NCPM and minority interests in respects of subsidiaries held by NCPM.	
(d) The amounts of revenue and profit of NCPM since the acquisition date were included in the consolidated statement of comprehensive income for the six months ended 30 June 2020 are summarised as follows:	

	Total
	<i>RMB'000</i>
Revenue	143,966
Net profit	14,188
	<hr/> <hr/>

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the six months ended 30 June 2020 would have been RMB472,249,000 and RMB36,463,000 respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2020, together with the consequential tax effects.

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:				
– to be recovered within				
12 months	14,346	3,426	6,964	13,071
– to be recovered over 12 months . .	7,860	11,658	14,734	22,871
	<hr/>	<hr/>	<hr/>	<hr/>
	22,206	15,084	21,698	35,942
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deferred income tax liabilities:				
– to be recovered within				
12 months	4,000	99	–	5
– to be recovered over 12 months . .	160	1,194	6,591	65,634
	<hr/>	<hr/>	<hr/>	<hr/>
	4,160	1,293	6,591	65,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	18,046	13,791	15,107	(29,697)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets:

	Accrued payroll	Impairment provision	Leased liabilities	Tax losses	Accrued expense	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	–	1,140	70	17,299	–	18,509
Credited/(charged) to profit or loss	2,741	366	34	(2,593)	3,149	3,697
At 31 December 2017	2,741	1,506	104	14,706	3,149	22,206
(Charged)/credited to profit or loss	(2,741)	385	(104)	(4,207)	(455)	(7,122)
At 31 December 2018	–	1,891	–	10,499	2,694	15,084
Effect of combination of Chengdu Global Century (<i>Note 12</i>)	–	527	–	–	–	527
Credited/(charged) to profit or loss	6,487	690	–	1,130	(2,220)	6,087
At 31 December 2019	6,487	3,108	–	11,629	474	21,698
Acquisition of subsidiaries	1,419	4,053	269	–	6,724	12,465
Credited to profit or loss	(473)	1,500	22	730	–	1,779
At 30 June 2020	<u>7,433</u>	<u>8,661</u>	<u>291</u>	<u>12,359</u>	<u>7,198</u>	<u>35,942</u>

Deferred income tax liabilities:

	Accrued payroll	Depreciation and amortisation	Leased liabilities	Fair value change	Customer relationships	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	–	–	–	–	–	–
Charged to profit or loss	–	160	–	4,000	–	4,160
At 31 December 2017	–	160	–	4,000	–	4,160
Charged/(credited) to profit or loss	99	487	547	(4,000)	–	(2,867)
At 31 December 2018	99	647	547	–	–	1,293
Effect of combination of Chengdu Global Century (<i>Note 12</i>)	–	–	–	–	5,334	5,334
(Credited)/charged to profit or loss	(99)	428	(365)	–	–	(36)
At 31 December 2019	–	1,075	182	–	5,334	6,591
Acquisition of subsidiaries	–	–	–	–	60,716	60,716
(Credited)/charged to profit or loss	–	92	36	5	(1,801)	(1,668)
At 30 June 2020	<u>–</u>	<u>1,167</u>	<u>218</u>	<u>5</u>	<u>64,249</u>	<u>65,639</u>

Deferred income tax liabilities of RMB18,327,000 and RMB41,841,000 have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC as at 31 December 2019 and 30 June 2020. Unremitted earnings totalled RMB183,272,000 and RMB418,408,000 as at 31 December 2019 and 30 June 2020, respectively, as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax		54,217	128,983	345,927	67,144	315,650
Adjustments for:						
Finance costs	11	83,342	45,125	13,220	12,221	1,032
Interest income from a related party	7	(82,825)	(43,556)	(11,134)	(11,134)	(17,629)
Fair value gains from wealth management products	8	(1,105)	(2,776)	(4,640)	(1,497)	(3,720)
Exchange losses/(gains), net	11	–	–	8	–	(4,858)
Fair value changes of FVPL	8	(16,000)	–	–	–	–
Amortisation of intangible assets and depreciation of property, plant and equipment and rights-of-use assets	9	7,665	17,179	34,675	16,561	31,324
Net impairment losses on financial assets	9	1,463	1,535	2,759	4,637	7,435
Share of profits of associates and joint ventures	19	–	(883)	(1,289)	(438)	(2,511)
Net losses on disposal of property, plant and equipment		59	28	27	20	28
Changes in working capital						
Restricted cash		–	–	–	–	(1,762)
Inventories		(26,399)	(20,173)	(32,727)	(79)	60,236
Trade receivables		(76,402)	(185,411)	(142,713)	(253,818)	(283,883)
Prepayments and other receivables		(15,544)	75,481	(16,910)	(16,376)	(99,319)
Trade and other payables		85,071	63,177	290,281	127,377	21,683
Contract liabilities		72,842	90,975	255,068	60,150	21,437
Cash generated from operations		<u>86,384</u>	<u>169,684</u>	<u>732,552</u>	<u>4,768</u>	<u>45,143</u>

(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.

	Note	As at December 31			As at 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cash and cash equivalents	23	231,794	371,933	1,090,197	224,701	1,171,484
Borrowings – repayable within one year	27	(713,200)	(614,600)	–	(614,600)	–
Borrowings – repayable after one year	27	(614,600)	–	–	–	–
Lease liabilities	28	(12,324)	(39,601)	(35,031)	(41,058)	(50,480)
Net debt		<u>(1,108,330)</u>	<u>(282,268)</u>	<u>1,055,166</u>	<u>(430,957)</u>	<u>1,121,004</u>

	Cash	Liabilities from financing activities			
		Borrowing due within 1 year	Borrowing due after 1 year	Leases liabilities	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2017	176,004	(195,700)	(827,800)	(7,418)	(854,914)
Additional of leases	–	–	–	(7,637)	(7,637)
Cash flows	55,790	(304,300)	–	3,248	(245,262)
Non-cash movements	–	(213,200)	213,200	–	–
Interest expense	–	–	–	(517)	(517)
Net debt as at 31 December 2017	231,794	(713,200)	(614,600)	(12,324)	(1,108,330)
Additional of leases	–	–	–	(37,902)	(37,902)
Cash flows	140,139	713,200	–	12,194	865,533
Non-cash movements	–	(614,600)	614,600	–	–
Interest expense	–	–	–	(1,569)	(1,569)
Net debt as at 31 December 2018	371,933	(614,600)	–	(39,601)	(282,268)
Additional of leases	–	–	–	(14,583)	(14,583)
Cash flows	718,272	614,600	–	21,239	1,354,111
Foreign exchange adjustments	(8)	–	–	–	(8)
Interest expense	–	–	–	(2,086)	(2,086)

	Other assets	Liabilities from financing activities			
	Cash	Borrowing	Borrowing	Leases	Total
		due within 1 year	due after 1 year	liabilities	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at					
31 December 2019	1,090,197	–	–	(35,031)	1,055,166
Additional of leases	–	–	–	(6,071)	(6,071)
Cash flows	17,750	–	–	11,318	29,068
Foreign exchange adjustments	4,858	–	–	–	4,858
Interest expense	–	–	–	(1,005)	(1,005)
Changes arising from business combination	58,679	–	–	(19,691)	38,988
Net debt as at					
30 June 2020	1,171,484	–	–	(50,480)	1,121,004
(Unaudited)					
Net debt as at					
1 January 2019	371,933	(614,600)	–	(39,601)	(282,268)
Additional in lease	–	–	–	(10,411)	(10,411)
Cash flows	(147,232)	–	–	10,041	(137,191)
Interest expense	–	–	–	(1,087)	(1,087)
Net debt as at					
30 June 2019	224,701	(614,600)	–	(41,058)	(430,957)

33 COMMITMENTS

Minimum lease payments under non-cancellable leases (short-term or low-value lease) and significant capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Capital Commitments				
– No later than 1 year	–	3,122	2,480	13,920
– Later than 1 year and no later than 5 years	–	–	–	113
	–	3,122	2,480	14,033
Lease Commitments				
– No later than 1 year	1,398	8,175	12,632	9,198
– Later than 1 year and no later than 5 years	76	378	410	295
	1,474	8,553	13,042	9,493

34 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The following is a summary of the significant transactions carried out between the Group and its related parties during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from provision of services					
Fellow subsidiaries	304,295	608,891	1,002,791	426,874	463,306
Associates and joint ventures of Sunac China	292,260	520,164	738,085	281,923	347,531
Associates and joint ventures of the Group	–	–	–	–	906
	<u>596,555</u>	<u>1,129,055</u>	<u>1,740,876</u>	<u>708,797</u>	<u>811,743</u>
Shared service fees to a fellow subsidiary	–	–	–	–	2,061
Car park lease expenses to a fellow subsidiary	–	–	–	–	3,255
Advances to the ultimate holding company	–	–	256	–	–
Advances to fellow subsidiaries	104,637	39,939	208,469	2,847	119,430
Advances to associates and joint ventures of Sunac China	1,076	6,968	2,625	2,582	26,176
Advances from the ultimate holding company	–	–	–	(212)	(97)
Advances from fellow subsidiaries	(210,270)	(20,182)	(59,478)	(66,452)	(28,265)
Advances from associates and joint ventures of Sunac China	(27,899)	(230)	(3,228)	(7,020)	(2,088)
Loans granted to a related party (i)					
A fellow subsidiary	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>400,000</u>
Repayment from a related party (i)					
A fellow subsidiary	<u>195,700</u>	<u>568,711</u>	<u>614,600</u>	<u>614,600</u>	<u>400,000</u>

During the Track Record Period, the ultimate holding company of the Company is Sunac China.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income from loans to a related party (i) A fellow subsidiary	82,825	43,556	11,134	11,134	17,629
Purchase of the use rights of car park spaces Fellow subsidiaries	–	33,905	39,743	–	–
Associates and joint ventures of Sunac China	26,399	–	24,414	–	–

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

- (i) In 2016, the Group entered into a loan agreement with a fellow subsidiary of the Group, Sunac Real Estate, pursuant to which the Group provided loans of RMB1,100 million to Sunac Real Estate. The effective interest rate of loans to a related party was 4.5% to 5.7% per annum. Sunac Real Estate shall repay the Group by instalments before April 2021.

In 2017, the Group entered into another loan agreement with Sunac Real Estate, pursuant to which the Group provided additional loans of RMB500 million to Sunac Real Estate. The effective interest rate of loans to a related party was 6.7% per annum. Sunac Real Estate shall repay the Group by instalments before 25 January 2018.

As at 31 December 2017 and 2018, loans to a related party amounted to RMB1,328 million and RMB615 million (Note 22) respectively. By the end of April 2019, Sunac Real Estate fully repaid outstanding loans to the Group.

In 2020, the Group entered into a short-term loan agreement with Sunac Real Estate, pursuant to which the Group agreed to provide loans to Sunac Real Estate with a principal amount limit to no more than RMB400 million. During the period from January 2020 to June 2020, the Group provided loans of RMB400 million to Sunac Real Estate with the effective interest rate of 12% per annum. As at 30 June 2020, Sunac Real Estate has repaid such loans to the Group. For the six months ended 30 June 2020, the Group had interest income of RMB18 million arising from this short-term loan agreement.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group had interest income of RMB83 million, RMB44 million, RMB11 million and RMB18 million (Note 7) respectively.

(b) Balances with related parties

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Receivables from related parties				
Receivables with trade nature				
Fellow subsidiaries	64,040	160,396	445,631	397,374
Associates and joint ventures of				
Sunac China	33,808	94,518	105,744	195,668
Associates and joint ventures of				
the Group	–	–	–	2,828
	<u>97,848</u>	<u>254,914</u>	<u>551,375</u>	<u>595,870</u>
Receivables with non-trade nature				
Fellow subsidiaries	3,160	68,498	79,657	17,395
Associates and joint ventures of				
Sunac China	62	1,114	533	–
Associates and joint ventures of				
the Group	–	–	–	9
	<u>3,222</u>	<u>69,612</u>	<u>80,190</u>	<u>17,404</u>
Total receivables from related parties	<u>101,070</u>	<u>324,526</u>	<u>631,565</u>	<u>613,274</u>
Loans to a related party (Non-trade)				
<i>(Note (a)(i))</i>				
A fellow subsidiary	1,327,800	614,600	–	–
Payables to related parties				
Payables with trade nature				
Ultimate holding company	–	–	102	94
Fellow subsidiaries	4,990	6,269	38,856	61,079
Associates and joint ventures of				
Sunac China	89	395	40,970	37,255
Associates and joint ventures of				
the Group	–	–	–	161
	<u>5,079</u>	<u>6,664</u>	<u>79,928</u>	<u>98,589</u>
Payables with non-trade nature				
Ultimate holding company	–	–	154	259
Fellow subsidiaries	208,546	108,010	165,236	96
Associates and joint ventures of				
Sunac China	27,604	21,612	21,915	162
	<u>236,150</u>	<u>129,622</u>	<u>187,305</u>	<u>517</u>

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Contract liabilities (Trade)				
Fellow subsidiaries	3,582	8,907	25,787	27,188
Associates and joint ventures of				
Sunac China	9,339	342	12,614	23,858
Associates and joint ventures of				
the Group	–	–	–	274
	<u>12,921</u>	<u>9,249</u>	<u>38,401</u>	<u>51,320</u>
Total payables to related parties . . .	<u>254,150</u>	<u>145,535</u>	<u>305,634</u>	<u>150,426</u>

Other receivables from related parties included present values of the refundable deposits amounting to RMB101,760,000, for details, please refer to Note 22(c).

Except for loans to a related party, the carrying amounts of receivables, payables and contract liabilities due from/to related parties were unsecured and interest-free. As at the date of this report, non-trade balances have been settled.

As at 31 December 2017 and 2018, the carrying amounts of the Group's loans to a related party of RMB1,327,800,000 and RMB614,600,000 were secured and interest bearing with annual interest rate from 4.5% to 6.7%. The loans to a related party were settled during the year ended 31 December 2019.

(c) **Guarantees with related parties**

	As at 31 December			As at
	2017	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Guarantees provided by a related				
party				
A fellow subsidiary	<u>1,327,800</u>	<u>614,600</u>	<u>–</u>	<u>–</u>

The guarantees from a related party were fully released as at 31 December 2019.

(d) Key management compensation

Compensations for key management and directors are set out below.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Wages, salaries and bonuses	2,300	3,908	6,300	3,135	3,678
Social insurance expenses, housing benefits and other employee benefits .	91	135	332	153	114
	<u>2,391</u>	<u>4,043</u>	<u>6,632</u>	<u>3,288</u>	<u>3,792</u>

35 DIRECTORS' BENEFITS AND INTERESTS

The following directors and senior managements were appointed up to the date of report:

Executive Directors

Ms. Cao Hongling (appointed since the date of 10 January 2019)

Mr. Chen Bin (appointed since the date of 4 August 2020)

Ms. Yang Man (appointed since the date of 4 August 2020)

Non-executive Directors

Mr. Wang Mengde, Chairman (appointed since the date of 4 August 2020)

Mr. Gao Xi (appointed since the date of 4 August 2020)

(a) Directors' emoluments

During the year ended 31 December 2017, no remuneration was paid to the directors of the Company.

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 31 December 2018 as follows:

Name	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive Directors</i>				
Cao Hongling (i)	–	–	–	–
Chen Bin	–	–	–	–
Yang Man	499	400	37	936
<i>Non-executive Directors</i>				
Wang Mengde (i)	–	–	–	–
Gao Xi (i)	–	–	–	–
Total	<u>499</u>	<u>400</u>	<u>37</u>	<u>936</u>

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 31 December 2019 as follows:

Name	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive Directors</i>				
Cao Hongling (i)	–	–	–	–
Chen Bin	1,020	880	138	2,038
Yang Man	760	940	98	1,798
<i>Non-executive Directors</i>				
Wang Mengde (i)	–	–	–	–
Gao Xi (i)	–	–	–	–
Total	<u>1,780</u>	<u>1,820</u>	<u>236</u>	<u>3,836</u>

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 30 June 2020 as follows:

Name	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive Directors</i>				
Cao Hongling (i)	–	–	–	–
Chen Bin	510	440	40	990
Yang Man	390	470	28	888
<i>Non-executive Directors</i>				
Wang Mengde (i)	–	–	–	–
Gao Xi (i)	–	–	–	–
Total	<u>900</u>	<u>910</u>	<u>68</u>	<u>1,878</u>

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 30 June 2019 (unaudited) as follows:

Name	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive Directors</i>				
Cao Hongling (i)	–	–	–	–
Chen Bin	510	440	64	1,014
Yang Man	370	470	42	882
<i>Non-executive Directors</i>				
Wang Mengde (i)	–	–	–	–
Gao Xi (i)	–	–	–	–
Total	<u>880</u>	<u>910</u>	<u>106</u>	<u>1,896</u>

- (i) The emoluments of Mr. Wang Mengde and Mr. Gao Xi, non-executive directors and Ms. Cao Hongling, the executive director, in relation to their services rendered for the Group for the Track Record Period were borne by Sunac China. Their emoluments were not allocated to the Group as management of the Company considers there is no reasonable basis of allocation.

(b) Retirement benefits of directors

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, there were no additional retirement benefit received by the directors except for the contribution to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 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 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 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 favor of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 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.

- (f) Ms. Wang Lihong, Mr. Yao Ning and Mr. Zhao Zhonghua are appointed at 28 October 2020. No remuneration is paid to them during the Track Record Period.

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.

36 DIVIDENDS

Except for dividends declared by Chengdu Global Century to its then shareholders disclosed in Note 12(e) to this report, no dividend was declared or paid by the Company or the companies comprising the Group for the Track Record Period.

37 EVENTS AFTER THE BALANCE SHEET DATE

Save as elsewhere disclosed in this report, the Group had the following subsequent events:

(a) Outbreak of Coronavirus Disease 2019

Directors of the Company considered that the outbreak of COVID-19 has not had a material adverse impact on the continuing business operation and sustainability based on the following reasons: (i) the property management industry is an industry involving community necessities services; (ii) the nature of property management industry is labour intensive and the employees and workers of the sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (iii) the Group is able to fulfill our obligations under all existing property management service contracts and other business contracts; (iv) the delivery date of the pipeline properties developed by Sunac Group was not, or expected to be, materially delayed; and (v) the Group has sufficient cash and cash equivalents to maintain operation.

(b) Pursuant to the resolutions of Shareholders passed on 28 October 2020, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors are authorised to capitalise HKD23,005,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 2,300,500,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of the Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in the Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

(c) On 15 September 2020, the Group entered into a capital increase agreement with Tianjin Fengwu Technology Co., Ltd. ("Tianjin Fengwu") and other independent third parties, pursuant to which, the Group has acquired in aggregate 24.17% equity interest in Tianjin Fengwu at a total consideration of RMB391 million.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2020 and up to the date of this report.

The following is the text of a report set out on pages IB-1 to IB-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 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHEJIANG NEW CENTURY PROPERTY MANAGEMENT COMPANY LIMITED TO THE DIRECTORS OF SUNAC SERVICES HOLDINGS LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Zhejiang New Century Property Management Company Limited (the "NCPM") and its subsidiaries (together, the "NCPM Group") set out on pages IB-4 to IB-75, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 7 May 2020, the company statements of financial position as at 31 December 2017, 2018 and 2019 and 7 May 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/period then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-75 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Sunac Services Holdings Limited (the "Company") dated 9 November 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange (the "Stock Exchange").

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 preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the NCPM Group for the Relevant Periods (“Underlying Financial Statements”), on which the Historical Financial Information is based, were prepared by the directors of the NCPM. The directors of the NCPM are responsible for the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

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, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting 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 preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the NCPM and the consolidated financial position of the NCPM Group as at 31 December 2017, 2018 and 2019 and 7 May 2020 and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 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 NCPM Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2019 to 7 May 2019 and other explanatory information (together, the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the 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 preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the 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 IB-4 have been made.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong

9 November 2020

I HISTORICAL FINANCIAL INFORMATION OF THE NCPM GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the NCPM Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants ("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.

(a) Consolidated statements of comprehensive income

	Note	Year ended 31 December			Period from 1 January to 7 May	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue	6	556,697	725,480	867,857	279,404	328,283
Cost of sales	7	(432,144)	(564,194)	(685,686)	(219,568)	(265,846)
Gross profit		124,553	161,286	182,171	59,836	62,437
Administrative expenses	7	(62,514)	(73,282)	(102,672)	(23,711)	(26,589)
Selling and marketing expenses	7	(6,401)	(8,345)	(11,989)	(3,441)	(3,665)
Net impairment losses on financial assets	7	(6,464)	(5,243)	(2,809)	(7,412)	(3,784)
Other income	9	5,480	8,641	7,759	1,057	5,925
Other gains/(loss) – net	10	10,379	219	4,790	644	3,757
Operating profit		65,033	83,276	77,250	26,973	38,081
Finance income		141	205	320	56	118
Finance costs		(81)	(663)	(856)	(294)	(285)
Finance income/(cost) – net	11	60	(458)	(536)	(238)	(167)
Share of profits of investments accounted for using the equity method	18	629	3,587	5,722	1,319	3,237
Profit before income tax		65,722	86,405	82,436	28,054	41,151
Income tax expense	12	(14,172)	(20,778)	(19,551)	(7,156)	(8,745)
Profit for the year/period		51,550	65,627	62,885	20,898	32,406
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year/period		<u>51,550</u>	<u>65,627</u>	<u>62,885</u>	<u>20,898</u>	<u>32,406</u>
Profit for the year/period is attributable to:						
– Owners of the NCPM		51,508	65,544	61,253	19,448	31,100
– Non-controlling interests		42	83	1,632	1,450	1,306
		<u>51,550</u>	<u>65,627</u>	<u>62,885</u>	<u>20,898</u>	<u>32,406</u>
Total comprehensive income for the year/period is attributable to:						
– Owners of the NCPM		51,508	65,544	61,253	19,448	31,100
– Non-controlling interests		42	83	1,632	1,450	1,306
		<u>51,550</u>	<u>65,627</u>	<u>62,885</u>	<u>20,898</u>	<u>32,406</u>
Earnings per share for profit attributable to the owners of the NCPM for the year/period – Basic/Diluted (in RMB per share)	13	<u>1.25</u>	<u>1.60</u>	<u>1.49</u>	<u>0.47</u>	<u>0.76</u>

(b) Consolidated statements of financial position

	<i>Note</i>	As at 31 December			As at
		2017	2018	2019	7 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>	
ASSETS					
Non-current assets					
Property, plant and					
equipment	15	17,479	17,433	24,866	23,413
Right-of-use assets	16	3,729	24,120	23,271	21,254
Intangible assets	17	61	3,670	5,087	4,536
Investments accounted for					
using the equity method . .	18	25,129	37,565	50,254	47,198
Financial assets at fair value					
through profit or loss . . .	22	3,000	–	–	–
Deferred income tax assets . .	28	3,401	5,367	11,373	12,465
Prepayments and deposits . .	21	768	2,790	6,663	6,733
		<u>53,567</u>	<u>90,945</u>	<u>121,514</u>	<u>115,599</u>
Current assets					
Inventories		2,844	3,538	5,652	7,303
Trade receivables	20	72,378	114,991	127,162	211,698
Prepayments, deposits and					
other receivables	21	30,408	39,163	49,002	63,986
Financial assets at fair value					
through profit or loss . . .	22	60,648	80,463	10,025	226,136
Other financial assets at					
amortised cost	24	63,721	70,735	–	–
Restricted cash	23	–	2,087	5,897	3,697
Cash and cash equivalents . .	23	104,170	60,865	268,736	58,679
		<u>334,169</u>	<u>371,842</u>	<u>466,474</u>	<u>571,499</u>
Total assets		<u><u>387,736</u></u>	<u><u>462,787</u></u>	<u><u>587,988</u></u>	<u><u>687,098</u></u>

	<i>Note</i>	As at 31 December			As at
		2017	2018	2019	7 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>	
EQUITY					
Equity attributable to owners of the NCPM					
Share capital	25	41,067	41,067	41,067	41,067
Reserves	26	36,777	45,752	76,306	76,306
Retained earnings		56,871	82,889	140,629	171,729
		134,715	169,708	258,002	289,102
Non-controlling interests		1,862	2,245	5,077	4,873
Total equity		136,577	171,953	263,079	293,975
LIABILITIES					
Non-current liabilities					
Lease liabilities	16	2,037	15,920	15,663	13,867
Current liabilities					
Trade and other payables	27	146,844	166,561	187,486	214,316
Contract liabilities	6	92,262	88,984	102,655	146,212
Lease liabilities	16	1,129	6,172	5,330	5,824
Current income tax liabilities		8,887	13,197	13,775	12,904
		249,122	274,914	309,246	379,256
Total liabilities		251,159	290,834	324,909	393,123
Total equity and liabilities		387,736	462,787	587,988	687,098

(c) Company statements of financial position

	<i>Note</i>	As at 31 December			As at
		2017	2018	2019	7 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>	
ASSETS					
Non-current assets					
Property, plant and equipment	15	11,262	15,915	23,228	22,064
Right-of-use assets	16	3,729	24,120	23,271	21,254
Intangible assets	17	61	3,654	5,074	4,535
Investments in subsidiaries	14	14,480	18,630	23,580	20,880
Investments accounted for using the equity method	18	24,718	37,161	48,403	47,198
Financial assets at fair value through profit or loss	22	3,000	–	–	–
Deferred income tax assets	28	3,401	5,367	11,373	12,465
Prepayments and deposits	21	768	2,790	6,000	6,000
		<u>61,419</u>	<u>107,637</u>	<u>140,929</u>	<u>134,396</u>
Current assets					
Inventories		263	193	138	147
Trade receivables	20	70,749	111,789	120,570	201,296
Prepayments, deposits and other receivables	21	37,513	42,793	60,312	73,498
Financial assets at fair value through profit or loss	22	57,748	80,463	10,025	226,136
Other financial assets at amortised cost	24	63,721	70,735	–	–
Restricted cash	23	–	2,087	5,897	3,697
Cash and cash equivalents	23	97,374	56,426	245,856	48,639
		<u>327,368</u>	<u>364,486</u>	<u>442,798</u>	<u>553,413</u>
Total assets		<u>388,787</u>	<u>472,123</u>	<u>583,727</u>	<u>687,809</u>

	<i>Note</i>	As at 31 December			As at
		2017	2018	2019	7 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY					
Equity attributable to owners of the NCPM					
Share capital	25	41,067	41,067	41,067	41,067
Reserves	26	36,926	45,906	76,274	76,274
Retained earnings		54,265	78,480	131,861	164,457
Total equity		132,258	165,453	249,202	281,798
LIABILITIES					
Non-current liabilities					
Lease liabilities	16	2,037	15,920	15,663	13,867
Current liabilities					
Trade and other payables	27	153,660	182,953	200,657	230,054
Contract liabilities		91,074	88,356	99,569	143,568
Lease liabilities	16	1,129	6,172	5,330	5,824
Current income tax liabilities		8,629	13,269	13,306	12,698
		254,492	290,750	318,862	392,144
Total liabilities		256,529	306,670	334,525	406,011
Total equity and liabilities		388,787	472,123	583,727	687,809

(d) Consolidated statements of changes in equity

	Note	Attributable to owners of the NCPM					Total equity
		Share capital	Reserves	Retained earnings	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2017		31,590	25,070	32,523	89,183	-	89,183
Comprehensive income							
Profit for the year		-	-	51,508	51,508	42	51,550
Transactions with owners in their capacity as owners							
Appropriation of surplus reserves	26	-	8,206	(8,206)	-	-	-
Capital contribution from non-controlling interest		-	-	-	-	1,470	1,470
Transaction with non-controlling interests		-	-	-	-	350	350
Dividend declared and satisfied by issue of shares	29	9,477	-	(9,477)	-	-	-
Cash dividends declared		-	-	(9,477)	(9,477)	-	(9,477)
Share-based compensation	30	-	3,501	-	3,501	-	3,501
Balance at 31 December 2017		<u>41,067</u>	<u>36,777</u>	<u>56,871</u>	<u>134,715</u>	<u>1,862</u>	<u>136,577</u>
Balance at 1 January 2018		<u>41,067</u>	<u>36,777</u>	<u>56,871</u>	<u>134,715</u>	<u>1,862</u>	<u>136,577</u>
Comprehensive income							
Profit for the year		-	-	65,544	65,544	83	65,627
Transactions with owners in their capacity as owners							
Appropriation of surplus reserves	26	-	6,672	(6,672)	-	-	-
Transaction with non-controlling interests	26	-	(5)	-	(5)	300	295
Cash dividend declared	29	-	-	(32,854)	(32,854)	-	(32,854)
Share-based compensation	30	-	2,308	-	2,308	-	2,308
Balance at 31 December 2018		<u>41,067</u>	<u>45,752</u>	<u>82,889</u>	<u>169,708</u>	<u>2,245</u>	<u>171,953</u>

	Note	Attributable to owners of the NCPM				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2019		41,067	45,752	82,889	169,708	2,245	171,953
Comprehensive income							
Profit for the year		–	–	61,253	61,253	1,632	62,885
Transactions with owners in their capacity as owners							
Appropriation of surplus reserves	26	–	3,513	(3,513)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	1,200	1,200
Deemed contribution from the controlling shareholder, net tax	26	–	6,921	–	6,921	–	6,921
Share-based compensation	30	–	20,120	–	20,120	–	20,120
Balance at 31 December 2019		<u>41,067</u>	<u>76,306</u>	<u>140,629</u>	<u>258,002</u>	<u>5,077</u>	<u>263,079</u>
Balance at 1 January 2020		41,067	76,306	140,629	258,002	5,077	263,079
Comprehensive income							
Profit for the period		–	–	31,100	31,100	1,306	32,406
Transactions with owners in their capacity as owners							
Disposal of subsidiaries	14	–	–	–	–	(138)	(138)
Cash dividends declared	29	–	–	–	–	(1,372)	(1,372)
Balance at 7 May 2020		<u>41,067</u>	<u>76,306</u>	<u>171,729</u>	<u>289,102</u>	<u>4,873</u>	<u>293,975</u>
Balance at 1 January 2019		41,067	45,752	82,889	169,708	2,245	171,953
Comprehensive income							
Profit for the period		–	–	19,448	19,448	1,450	20,898
Transactions with owners in their capacity as owners							
Capital contribution from non-controlling interests		–	–	–	–	148	148
Share-based compensation	30	–	977	–	977	–	977
Balance at 7 May 2019 (Unaudited)		<u>41,067</u>	<u>46,729</u>	<u>102,337</u>	<u>190,133</u>	<u>3,843</u>	<u>193,976</u>

(e) Consolidated statements of cash flows

	Note	Year ended 31 December		Period from		
		2017	2018	2019	1 January to 7 May	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Cash flows from operating activities						
Cash generated from operations	31(a)	111,530	56,073	116,342	14,284	13,117
Income tax paid		(17,248)	(18,434)	(27,286)	(15,861)	(10,708)
Net cash generated from/(used in) operating activities		<u>94,282</u>	<u>37,639</u>	<u>89,056</u>	<u>(1,577)</u>	<u>2,409</u>
Cash flows from investing activities						
Payments for purchases of property, plant and equipment		(14,089)	(9,207)	(13,282)	(4,525)	(941)
Payments for purchases of intangible assets		(341)	(4,410)	(3,165)	(150)	(264)
Acquisition of joint venture		(23,520)	–	–	–	–
Capital injection to investments accounted for using the equity method		(980)	(8,849)	(8,370)	–	(675)
Purchases of financial assets at fair value through profit or loss		(60,000)	(120,000)	(360,000)	(150,000)	(670,275)
Purchases of other financial assets at amortised cost		(368,056)	(506,314)	(381,026)	(240,000)	–
Proceeds from disposal of property, plant and equipment		90	360	439	37	67
Dividend received from investments accounted for using the equity method		–	–	1,000	–	5,118
Net cash decrease from disposal of subsidiaries		(1,981)	–	–	–	(380)
Proceeds from disposal of associates		–	–	403	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	102,335	436,143	166,069	456,924
Proceeds from disposal of other financial assets at amortised cost		395,214	499,300	451,761	246,051	–
Interest received from other financial assets at amortised cost		4,307	5,556	813	351	–
Others		–	–	–	–	1,180
Net cash (used in)/generated from investing activities		<u>(69,356)</u>	<u>(41,229)</u>	<u>124,716</u>	<u>17,833</u>	<u>(209,246)</u>

Note	Year ended 31 December			Period from	
	2017	2018	2019	1 January to 7 May	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cash flows from financing activities					
Capital contribution from					
non-controlling shareholders	1,470	–	1,200	148	–
Proceeds from capital injection of					
non-controlling interests	350	295	–	–	–
Cash received from controlling					
interests capital contribution to					
the NCPM Group, net tax	–	–	1,500	–	–
Payments for A-share					
listing expenses	–	(710)	(1,029)	(278)	–
Payments for lease liabilities	(922)	(6,446)	(7,572)	(2,696)	(1,848)
Dividends paid to shareholders	(9,477)	(32,854)	–	–	(1,372)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in financing					
activities	<u>(8,579)</u>	<u>(39,715)</u>	<u>(5,901)</u>	<u>(2,826)</u>	<u>(3,220)</u>
Net increase/(decrease) in cash and					
cash equivalents	16,347	(43,305)	207,871	13,430	(210,057)
Cash and cash equivalents at beginning					
of the year/period	<u>87,823</u>	<u>104,170</u>	<u>60,865</u>	<u>60,865</u>	<u>268,736</u>
Cash and cash equivalents at end of					
year/period	<u>104,170</u>	<u>60,865</u>	<u>268,736</u>	<u>74,295</u>	<u>58,679</u>

ZHEJIANG NEW CENTURY PROPERTY MANAGEMENT COMPANY LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

1.1 General information

The NCPM was established in the People's Republic of China (the "PRC") on 26 June 2001 with a registered capital of RMB1,000,000. The address of the NCPM's registered office is 5/F, No. 233 Yonghui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC.

The NCPM and its subsidiaries (together the "NCPM Group") are principally engaged in the property management in the PRC (the "Target Business").

On 25 April, 2020, Tianjin Rongyue Management Consulting Company Limited ("Tianjin Rongyue"), an indirectly wholly-owned subsidiary of Sunac Services Holdings Limited, entered into agreements with certain then shareholders of the NCPM to acquire the 94.97% interests in the NCPM. Tianjin Rongyue has obtained control over the NCPM Group since 8 May 2020.

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 principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of 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 NCPM 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

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2020 are consistently applied to the NCPM Group throughout the Relevant Periods.

Standards and amendments that have been issued but not yet effective for the Relevant Periods and not been early adopted by the NCPM Group are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 3 – Update reference to the Conceptual framework	1 January 2022
Amendments to HKAS 16 – Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract	1 January 2022
Amendments to HKFRS 16 – Covid-19 – Related Rent Concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint ventures	To be determined

The director of the NCPM are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the NCPM Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the NCPM Group has control. The NCPM Group controls an entity when the NCPM 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 fully consolidated from the date on which control is transferred to the NCPM Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the NCPM companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the NCPM Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.2.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the NCPM Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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 NCPM Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

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 recognised in profit or loss.

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 NCPM Group 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 in the consolidated financial statements of the investee's net assets including goodwill.

Investments in associates are accounted for using the equity method of accounting (see Note 2.4 below), after initially being recognised at cost.

2.3 **Associates**

Associates are all entities over which the NCPM Group has significant influence but not control or joint control. This is generally the case where the NCPM Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.4 below), after initially being recognised at cost.

2.4 **Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the NCPM Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the NCPM Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the NCPM 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 NCPM Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the NCPM Group and its associates are eliminated to the extent of the NCPM Group's interest in these entities. Unrealised 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 NCPM Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.5 **Changes in ownership interests**

The NCPM Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the NCPM Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the NCPM.

When the NCPM Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the NCPM Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost or acquisition 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the NCPM Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised 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, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	<u>Estimated useful lives</u>	<u>Estimated net residual value</u>
Buildings	20 years	5%
Machineries	5-10 years	5%
Transportation equipment	5 years	5%
Office and other equipment	5-10 years	5%

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 recognised within "Other gains – net" in the consolidated statements of comprehensive income.

2.8 Intangible assets

(a) Computer software

Computer software are initially recognised and measured at costs incurred to acquire and bring them to use. The computer software are amortized on a straight-line basis over their estimated useful lives, and recorded in amortisation in profit or loss over their estimated useful lives from 2 to 5 years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associates or joint ventures are required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate or jointly controlled entities in the period the dividend is declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

The NCPM Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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 NCPM 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 ("FVOCI").

The NCPM Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the NCPM Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the NCPM Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the NCPM 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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 NCPM Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the NCPM Group classifies its debt instruments:

Amortised 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 amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains – net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

FVOCI: 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income

and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains – net and impairment expenses are presented as separate line item in consolidated income statement.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net within other gains – net in the period in which it arises.

Equity instruments

The NCPM Group subsequently measures all equity investments at fair value. Where the NCPM 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 following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the NCPM Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains – net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.11 Impairment of financial assets

The NCPM Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.1 details how the NCPM Group determines whether there has been a significant increase in credit risk.

For trade receivables, the NCPM Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the NCPM currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The NCPM has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the First-in-First-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The NCPM Group's inventories are mainly engineering materials and materials used in cleaning and security services.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are classified as current. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The NCPM Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Cash and cash equivalents, restricted cash

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated financial position.

2.16 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.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 NCPM'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 recognised 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the NCPM Group 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.

2.19 Current and deferred income tax*Offsetting*

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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20 Employee benefits*(i) Pension obligations*

The NCPM Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the NCPM Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the NCPM 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 NCPM 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 NCPM Group in independently administrated funds managed by the governments.

The NCPM 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 NCPM Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The NCPM Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The NCPM 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) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(iv) Share-based compensation benefits

Share-based compensation benefits are provided to employees via the Employee Incentive Plan and an employee share scheme, the executive short-term incentive scheme and share appreciation.

The fair value of shares granted under the Employee Incentive Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of the equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the NCPM Group revises its estimates of the number of restricted shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The NCPM Group recognises the impact of the modification to Employee Incentive Plan that are favourable for the employees, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions for legal claims are recognised when: the NCPM 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 recognised 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 recognised 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 recognised as interest expense.

2.22 Revenue recognition

The NCPM Group is primarily engaged in the provision of property management services, property developer-related services, community-related services and other professional services. Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the NCPM Group's performance when the NCPM Group performs.

For property management services, the NCPM Group bills a fixed amount for service provided on a monthly basis and recognises as revenue in the amount to which the NCPM Group has a right to invoice and corresponds directly with the value of performance completed.

For property management projects, the services income is on a lump sum basis, the NCPM Group acts as principal and is primary responsible for providing the property management services to the property owners/units, the NCPM Group recognises the service fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property developer related services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the services are rendered to the customer.

Community related services include mainly i) Revenue from public resources management services, which is billed to the customer monthly and is recognised over the time when such services are rendered; ii) revenue from other community convenience services are charged for each of the services provided and recognised when the relevant 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 stand-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 NCPM Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the NCPM Group's performance and the customer's payment.

A contract asset is the NCPM Group's right to consideration in exchange for services that the NCPM Group has transferred to a customer.

If a customer pays consideration or the NCPM Group has a right to an amount of consideration that is unconditional, before the NCPM Group transfers services to the customer, the NCPM 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 NCPM Group's obligation to transfer services to a customer for which the NCPM Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the NCPM 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.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Dividend distribution

Dividend distribution to the NCPM Group's shareholders is recognised as a liability in the NCPM Group's and the NCPM Group's financial statements in the period in which the dividends are approved by the NCPM Group's shareholders or directors, where appropriate.

2.25 Leases as lessee

The NCPM Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 5 years. 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 for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the NCPM Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statements of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in consolidated statements of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the NCPM Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the NCPM 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 recognised 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 recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The NCPM 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 NCPM Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. As all of the NCPM Group's activities are in the PRC, the NCPM Group's exposure to foreign currency risk and interest rate risk is minimal and therefore no analysis of foreign currency risk is presented. The NCPM Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the NCPM Group's financial performance.

3.1.1 Credit risk

The NCPM Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss. The carrying amounts of trade receivables, other receivables, cash and cash equivalents and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets.

The NCPM Group expects that there is no significant credit risk associated with cash, cash equivalents and restricted cash since they are substantially deposited at banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables and other receivables, the NCPM Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the NCPM Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the NCPM consider that the NCPM Group's credit risk is significantly reduced.

The NCPM Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the NCPM Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive 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 borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including change in the payment status of borrowers in the Group and changes in the operating results of the borrower.

- (i) A summary of the assumptions underpinning the NCPM Group's expected credit loss model is as follows:

<u>Category</u>	<u>NCPM Group definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

The NCPM Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the NCPM Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

- (ii) Trade receivables and other receivables (excluding prepayments)

The NCPM Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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. The expected credit loss also incorporate forward looking information.

The NCPM Group uses the expected credit loss model in Note (i) to determine the expected loss provision for other receivables (excluding prepayments). As at December 31, 2017, 2018 and 2019 and 7 May 2020, the NCPM Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the NCPM Group used the 12 months expected credit losses model to assess credit loss of other receivables.

Considering tender deposits have relatively low expected credit loss, the expected loss rate of the tender deposits is 1%.

On the basis as described in Note 3.1.1, the loss allowance for trade receivables as at 31 December 2017, 2018 and 2019 and 7 May 2020 are determined as follows:

At 31 December 2017

<u>Individually impaired</u>	<u>Trade receivables</u>	<u>Expected credit loss rate</u>	<u>Loss allowance</u>	<u>Reason</u>
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Trade receivables 1 . . .	5,369	47%	2,541	The likelihood of recovery
Trade receivables 2 . . .	5,988	39%	2,316	The likelihood of recovery
	<u>11,357</u>	43%	<u>4,857</u>	

Others	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Gross carrying amount					
(RMB'000)	61,636	5,728	633	102	68,099
Expected loss rate	2%	12%	41%	65%	3%
Loss allowance (RMB'000) . . .	1,331	664	259	67	2,321

At 31 December 2018

Individually impaired	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	(RMB'000)		(RMB'000)	
Trade receivables 1 . . .	5,618	53%	2,966	The likelihood of recovery
Trade receivables 2 . . .	8,102	38%	3,076	The likelihood of recovery
Others	3,664	35%	1,278	The likelihood of recovery
	17,384	42%	7,320	

Others	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Gross carrying amount					
(RMB'000)	98,505	8,633	1,321	398	108,857
Expected loss rate	2%	12%	41%	65%	4%
Loss allowance (RMB'000) . . .	2,128	1,002	542	258	3,930

At 31 December 2019

Individually impaired	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	(RMB'000)		(RMB'000)	
Trade receivables 2 . . .	7,302	27%	1,969	The likelihood of recovery
Trade receivables 3 . . .	2,317	100%	2,317	The likelihood of recovery
Others	2,999	66%	1,988	The likelihood of recovery
	12,618	50%	6,274	

Others	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Gross carrying amount					
(RMB'000)	107,005	15,560	2,767	1,378	126,710
Expected loss rate	2%	10%	34%	65%	5%
Loss allowance (RMB'000) . . .	2,440	1,626	936	890	5,892

At 7 May 2020

Individually impaired	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	(RMB'000)		(RMB'000)	
Trade receivables 2 . . .	7,930	29%	2,303	The likelihood of recovery
Trade receivables 3 . . .	2,317	100%	2,317	The likelihood of recovery
Others	1,820	100%	1,820	The likelihood of recovery
	12,067	53%	6,440	

Others	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Gross carrying amount					
(RMB'000)	192,184	16,067	4,328	2,871	215,450
Expected loss rate	2%	10%	34%	65%	4%
Loss allowance (RMB'000) . . .	4,382	1,679	1,464	1,854	9,379

Deposits and other receivables

At 31 December 2017

Gross carrying amount of tender deposits					
(RMB'000)	4,213	650	420	10	5,293
Expected loss rate	1%	1%	1%	1%	1%
Loss allowance (RMB'000) . . .	42	7	4	–	53
Gross carrying amount (excluding tender deposits)					
(RMB'000)	14,082	4,059	1,531	472	20,144
Expected loss rate	2%	12%	41%	65%	8%
Loss allowance (RMB'000) . . .	304	471	628	307	1,710
Total loss allowance (RMB'000)	346	478	632	307	1,763

Others	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
At 31 December 2018					
Gross carrying amount of tender deposits (RMB'000)	6,869	3,515	760	370	11,514
Expected loss rate	1%	1%	1%	1%	1%
Loss allowance (RMB'000)	68	35	8	4	115
Gross carrying amount (excluding tender deposits) (RMB'000)	13,395	5,895	1,663	320	21,273
Expected loss rate	2%	12%	41%	65%	9%
Loss allowance (RMB'000)	289	684	682	208	1,863
Total loss allowance (RMB'000)	<u>357</u>	<u>719</u>	<u>690</u>	<u>212</u>	<u>1,978</u>
Deposits and other receivables					
At 31 December 2019					
Gross carrying amount of tender deposits (RMB'000)	1,490	125	50	10	1,675
Expected loss rate	1%	1%	1%	1%	1%
Loss allowance (RMB'000)	15	1	1	–	17
Gross carrying amount (excluding tender deposits) (RMB'000)	40,199	2,467	314	184	43,164
Expected loss rate	2%	10%	34%	65%	3%
Loss allowance (RMB'000)	917	258	105	119	1,399
Total loss allowance (RMB'000)	<u>932</u>	<u>259</u>	<u>106</u>	<u>119</u>	<u>1,416</u>
At 7 May 2020					
Gross carrying amount of tender deposits (RMB'000)	2,237	260	155	10	2,662
Expected loss rate	1%	1%	1%	1%	1%
Loss allowance (RMB'000)	22	3	2	–	27
Gross carrying amount (excluding tender deposits) (RMB'000)	50,939	1,556	272	160	52,927
Expected loss rate	2%	10%	34%	65%	3%
Loss allowance (RMB'000)	1,162	162	91	104	1,519
Total loss allowance (RMB'000)	<u>1,184</u>	<u>165</u>	<u>93</u>	<u>104</u>	<u>1,546</u>

As at 31 December 2017, 2018 and 2019 and 7 May 2020, the loss allowance provision for trade receivables and prepayments, deposits and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Prepayments, deposits and other receivables (excluding prepayments)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	1,841	907	2,748
Provision for loss allowance recognised in profit or loss	5,606	858	6,464
Write off	(235)	–	(235)
Decrease from disposal of subsidiaries	(34)	(2)	(36)
At 31 December 2017	<u>7,178</u>	<u>1,763</u>	<u>8,941</u>
At 1 January 2018	7,178	1,763	8,941
Provision for loss allowance recognised in profit or loss	4,877	366	5,243
Write off	(805)	(151)	(956)
At 31 December 2018	<u>11,250</u>	<u>1,978</u>	<u>13,228</u>
At 1 January 2019	11,250	1,978	13,228
Provision for loss allowance recognised in profit or loss	3,371	(562)	2,809
Write off	(2,455)	–	(2,455)
At 31 December 2019	<u>12,166</u>	<u>1,416</u>	<u>13,582</u>
At 1 January 2020	12,166	1,416	13,582
Provision for loss allowance recognised in profit or loss	3,654	130	3,784
At 7 May 2020	<u>15,820</u>	<u>1,546</u>	<u>17,366</u>
At 1 January 2019	11,250	1,978	13,228
Provision for loss allowance recognised in profit or loss	7,066	346	7,412
Write off	(551)	–	(551)
At 7 May 2019 (Unaudited)	<u>17,765</u>	<u>2,324</u>	<u>20,089</u>

3.1.2 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet its daily operation working capital requirements.

The table below set out the NCPM 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 financial position, as the impact of discount is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2017					
Trade and other payables . . .	111,311	–	–	–	111,311
Lease liabilities	1,240	1,116	1,020	–	3,376
	<u>112,551</u>	<u>1,116</u>	<u>1,020</u>	<u>–</u>	<u>114,687</u>
As at 31 December 2018					
Trade and other payables . . .	124,822	–	–	–	124,822
Lease liabilities	7,001	5,446	10,607	1,095	24,149
	<u>131,823</u>	<u>5,446</u>	<u>10,607</u>	<u>1,095</u>	<u>148,971</u>
As at 31 December 2019					
Trade and other payables . . .	135,287	–	–	–	135,287
Lease liabilities	6,367	6,320	6,738	4,005	23,430
	<u>141,654</u>	<u>6,320</u>	<u>6,738</u>	<u>4,005</u>	<u>158,717</u>
As at 7 May 2020					
Trade and other payables . . .	151,022	–	–	–	151,022
Lease liabilities	6,555	6,177	5,544	3,346	21,622
	<u>157,577</u>	<u>6,177</u>	<u>5,544</u>	<u>3,346</u>	<u>172,644</u>

3.2 Capital management

The NCPM Group's objectives when managing capital are to safeguard the NCPM 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 NCPM Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The NCPM Group monitors capital on the basis of the liability-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The liability-to-asset ratios at 31 December 2017, 2018 and 2019 and 7 May 2020 are as follows:

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	251,159	290,834	324,909	393,123
Total assets	387,736	462,787	587,988	687,098
Liability-to-asset ratio	65%	63%	55%	57%

3.3 Fair value estimation

Fair value hierarchy of financial assets

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the NCPM Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Assets – Level 3:				
– Financial assets at fair value through profit or loss – investment in unlisted equity (Note 22)	3,000	–	–	–
– Financial assets at fair value through profit or loss – investment in wealth management products (Note 22)	60,648	80,463	10,025	226,136
	63,648	80,463	10,025	226,136

The NCPM Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the NCPM Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

The investment in unlisted equity represent the investment in certain privately owned companies. The fair value of the investments is approximate to the cost and relevant fair value gain/loss are minimal because these companies were in the early stage of operation and it has not been a long time since the NCPM Group's investments in them.

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The NCPM Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 1.3% to 6.2% per annum, the NCPM Group considered the fair value of financial product approximately to the cost.

If the expected rate of return of the investment in wealth management products held by the NCPM Group had been 10% rise/fall, pre-tax profit for the Relevant Periods would have been RMB6,065,000, RMB8,046,000, RMB1,002,000 and RMB22,614,000 increase/decrease.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the NCPM Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) PRC corporate income taxes and deferred taxation

The NCPM Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Allowance on doubtful receivables

The NCPM Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The NCPM Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the NCPM 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 above.

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 directors.

During the Relevant Periods, the NCPM Group is principally engaged in the provision of property management services and value-added services in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single reportable segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The principal operating entity of the NCPM Group is domiciled in the PRC. Accordingly, all of the NCPM Group's revenue were derived in the PRC during the Relevant Periods.

As at 31 December 2017, 2018 and 2019 and 7 May 2020, all of the non-current assets of the NCPM Group were located in the PRC.

6 REVENUE

Revenue mainly comprises of proceeds from property management services and related value added services including property developer related services, community related services and professional services such as engineering and maintenance services. An analysis of the NCPM Group's revenue by category for the Relevant Periods is as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue from customer and recognised over time:					
Property management services	510,934	677,459	811,214	263,932	314,128
Value added services:					
– Property developer-related services	33,467	33,815	40,698	10,624	11,680
– Community-related services (a)	12,296	14,206	15,945	4,848	2,475
	<u>556,697</u>	<u>725,480</u>	<u>867,857</u>	<u>279,404</u>	<u>328,283</u>

The NCPM Group had a large number of projects and none of whom individually contributed 10% or more of the NCPM Group's revenue during the Relevant Periods.

- (a) Revenue from community-related services included revenue from theatre operation of RMB3,649,000, RMB4,428,000, RMB9,147,000 and RMB874,000 for the years ended 31 December 2017, 2018 and 2019 and the period from 1 January 2020 to 7 May 2020 respectively.

(a) Contract liabilities

The NCPM Group had recognised the following revenue-related contract liabilities:

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>92,262</u>	<u>88,984</u>	<u>102,655</u>	<u>146,212</u>

(b) Significant change in contract liabilities

Contract liabilities of the NCPM 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 NCPM Group's business.

(c) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue recognised that was included in the contract liability balance at the beginning of the year/period					
Property management services	69,277	91,765	88,339	29,446	33,344
Others	549	497	645	215	875
	<u>69,826</u>	<u>92,262</u>	<u>88,984</u>	<u>29,661</u>	<u>34,219</u>

(d) Unsatisfied performance obligations

Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period.

For community-related services and professional services, they are rendered in short period of time and there is no material unsatisfied performance obligation at the end of respective periods.

(e) Assets recognised from incremental costs to obtain a contract

During the Relevant Periods, there were no significant incremental costs to obtain or fulfil a contract.

7 EXPENSES BY NATURE

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Employee benefit expenses (Note 8)	265,464	339,994	393,185	118,556	141,251
Outsourcing costs (a) . . .	150,124	205,301	279,345	88,381	111,820
Utilities	17,594	19,669	24,962	9,276	9,948
Cost of consumables	10,924	14,010	15,944	4,902	5,444
Allowance for impairment of receivables					
– Trade receivables	5,606	4,877	3,371	7,066	3,653
– Other trade receivables	858	366	(562)	346	131
Depreciation of right-of- use assets (Note 16)	793	4,318	6,466	2,070	2,278
Advertising & promotion expenses	4,535	4,769	6,060	2,645	2,273

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation of property, plant and equipment (Note 15)	3,337	3,631	5,587	1,500	2,201
Office expenses	5,463	5,748	6,825	2,583	1,902
Short-term/low-value lease expenses (Note 16)	5,713	5,152	6,030	1,945	1,829
Taxes and surcharges	2,449	3,518	3,014	1,041	1,090
Employee uniform expenses	3,951	3,176	3,715	841	881
Amortisation of intangible asset (Note 17)	224	801	1,446	264	815
Bank charges	1,164	1,574	2,117	746	661
Travelling expenses	3,770	2,517	3,163	898	413
Auditors' remuneration- audit services	566	510	609	203	303
Others	24,988	31,133	41,879	10,869	12,991
Total of cost of sales, selling and marketing and administrative expenses	<u>507,523</u>	<u>651,064</u>	<u>803,156</u>	<u>254,132</u>	<u>299,884</u>

(a) Outsourcing costs mainly include security, maintenance and cleaning costs.

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	214,981	271,907	297,116	94,759	120,027
Social insurance expenses (a)	24,794	32,677	37,863	12,373	9,346
Housing benefits	2,751	4,210	6,217	2,011	2,601
Share-based compensation expenses (b)	3,501	2,308	20,120	977	–
Other employee benefits (c)	19,437	28,892	31,869	8,436	9,277
	<u>265,464</u>	<u>339,994</u>	<u>393,185</u>	<u>118,556</u>	<u>141,251</u>

(a) Employees in the NCPM Group's PRC entities are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The NCPM Group's PRC entities contribute funds which are calculated based on certain percentages of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

- (b) In August 2015, the NCPM Group adopted an equity incentive plan using its own shares to award senior management members. According to the relevant terms of the plan, the vesting period is 10 years if the management members have worked over 5 years for the NCPM Group, otherwise the vesting period is 15 years. For the years ended 31 December 2017 and 2018, the NCPM Group recognised share-based compensation expenses of RMB3,501,000 and RMB2,308,000. According to the board resolution passed in December 2019, the vesting period requirement removed, as a result, the NCPM Group recognised the remaining share-based compensation expenses in 2019 immediately accounting to RMB20,120,000.
- (c) Other employee benefits mainly include meal, travelling and festival allowances.
- (d) Five highest paid individuals

The five individuals whose emoluments were the highest in the NCPM Group during the Relevant Periods included 3 directors whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 2 individuals during the Relevant Periods are as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	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	903	1,169	852	689	479

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument bands (in HK dollar) . . .					
Nil –					
HK\$1,000,000 . . .	2	2	2	2	2

9 OTHER INCOME

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants (i) . . .	1,173	3,085	6,946	706	5,925
Interest income from other financial assets at amortised cost	4,307	5,556	813	351	–
	<u>5,480</u>	<u>8,641</u>	<u>7,759</u>	<u>1,057</u>	<u>5,925</u>

- (i) 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.

10 OTHER GAINS – NET

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gain from disposal of subsidiaries	9,601	–	–	–	–
Fair value gains/(loss) from financial assets at fair value through profit or loss (Note 22)	648	(850)	5,705	606	3,940
Indemnity income	51	1,631	–	–	–
Loss on disposal of property, plant and equipment	(80)	(268)	(125)	(62)	(16)
Others	159	(294)	(790)	100	(167)
	<u>10,379</u>	<u>219</u>	<u>4,790</u>	<u>644</u>	<u>3,757</u>

11 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance costs:					
– Interest expense on lease liabilities	(81)	(663)	(856)	(294)	(285)
Finance income:					
– Interest income	141	205	320	56	118
Finance income/(costs) – net	<u>60</u>	<u>(458)</u>	<u>(536)</u>	<u>(238)</u>	<u>(167)</u>

12 INCOME TAX EXPENSE

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax					
– PRC CIT	16,731	23,114	24,982	8,896	10,812
Deferred income tax (Note 28)	(2,621)	(1,966)	(6,006)	(2,315)	(1,092)
Under/(over) provision in prior years	62	(370)	575	575	(975)
	<u>14,172</u>	<u>20,778</u>	<u>19,551</u>	<u>7,156</u>	<u>8,745</u>

(a) PRC Corporate Income Tax ("CIT")

Income tax provision of the NCPM 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 Relevant Periods.

According to Caishui [2011] No. 58 issued by the authorities on 27 July 2011, "Notice of Taxation on In-depth Implementation of the Strategy for Western Region Development" and relevant regulations of the State Administration of Taxation, from 1 January 2011 to 31 December 2020, enterprises in the encouraged industries located in the western region are entitled for a preferential corporate income tax rate of 15%. Some subsidiaries of the NCPM Group are qualified to enjoy such preferential corporate income tax rate during the Relevant Periods.

(b) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statements of comprehensive income to the income tax expenses is listed below:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	65,722	86,405	82,436	28,054	41,151
Tax calculated at applicable corporate income tax rate . . .	16,431	21,018	19,368	6,657	9,901
Tax effects of:					
– Unrecognised tax losses	310	483	182	68	76
– Expenses not deductible for tax purpose	118	780	760	132	450
– Utilisation of previously unrecognised tax losses	(2,351)	(392)	–	–	–
– Income not subject to tax	(157)	(897)	(1,431)	(330)	(809)
– Under/(over) provision in prior years	62	(370)	575	575	(975)
– Others	(241)	156	97	54	102
	14,172	20,778	19,551	7,156	8,745

13 EARNINGS PER SHARE

Basic earnings per share of the Relevant Periods are calculated by dividing the profit attributable to the owners of the NCPM by the weighted average number of shares in issue or deemed to be in issue during the Relevant Periods. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted earnings per share for the Relevant Periods is the same as the basic earnings per share as there is no dilutive potential share during the Relevant Periods.

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit attributable to owners of the NCPM (in RMB'000)	51,508	65,544	61,253	19,448	31,100
Weighted average number of ordinary shares in issue or deemed to be in issue (in '000 shares) . . .	41,067	41,067	41,067	41,067	41,067
Basic earnings per share (in RMB per share)	1.25	1.60	1.49	0.47	0.76

14 SUBSIDIARIES

The NCPM Group's subsidiaries at 31 December 2017, 2018 and 2019 and 7 May 2020 are set out below:

Names of the subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the NCPM				Directly/ indirectly held	Principal activities/ place of operation	Name of statutory auditors and periods covered
			31 December		7 May				
			2017	2018	2019	2020			
Chun'an Qiandao Lake New Century Property Management Co., Ltd.	Hangzhou, the PRC 17 January 2008	RMB500,000	100%	100%	100%	100%	Directly	Property management services, Hangzhou, the PRC	Zhejiang Tianhua Certified Public Accountants Co., Ltd. for the years ended 31 December 2018 and 2019
Hangzhou New Century Security Service Co., Ltd.	Hangzhou, the PRC 22 January 2013	RMB5,000,000	100%	100%	100%	100%	Directly	Property management services, Hangzhou, the PRC	Yong Sheng Joint Certified Public Accountants for the year ended 31 December 2017
Hangzhou New Century Assets Management Co., Ltd.	Hangzhou, the PRC 7 February 2013	RMB1,000,000	100%	100%	100%	100%	Directly	Assets management, Hangzhou, the PRC	Hangzhou Xiaoran Certified Public Accountants Co., Ltd for the years ended 31 December 2017, 2018 and 2019
Hangzhou Ledu Property Services Co., Ltd.	Hangzhou, the PRC 29 January 2014	RMB500,000	100%	100%	100%	100%	Directly	Property management services, Hangzhou, the PRC	NA
Hangzhou Yinyi Gardening Project Co., Ltd.	Hangzhou, the PRC 29 January 2014	RMB2,000,000	100%	100%	100%	100%	Directly	Property management services, Hangzhou, the PRC	NA
Hangzhou Jinjian Intelligence Technology Co., Ltd.	Hangzhou, the PRC 12 February 2014	RMB1,000,000	85%	85%	85%	85%	Directly	Property management services, Hangzhou, the PRC	Hangzhou Xiaoran Certified Public Accountants Co., Ltd for the years ended 31 December 2018 and 2019
Xuzhou Mindu Property Management Co., Ltd.	Hangzhou, the PRC 19 February 2014	RMB500,000	100%	100%	100%	100%	Directly	Property management services, Xuzhou, the PRC	NA
Hangzhou New Century Yiyang Management Service Co., Ltd.(a)	Hangzhou, the PRC 9 March 2014	RMB37,100,000	-	-	-	-	Directly	Pension services, Hangzhou, the PRC	NA

Names of the subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the NCPM				Directly/ indirectly held	Principal activities/ place of operation	Name of statutory auditors and periods covered
			31 December		7 May				
			2017	2018	2019	2020			
Hangzhou Xiaoshan Theatre Operation Management Co., Ltd.	Hangzhou, the PRC 4 January 2016	RMB1,000,000	80%	80%	80%	80%	Theatre management, Hangzhou, the PRC	NA	
Taixing Yiyuan Property Management Co., Ltd.	Hangzhou, the PRC 12 January 2017	RMB1,000,000	51%	51%	51%	51%	Property management services, Jiangsu, the PRC	NA	
Hangzhou New Century Tourism Property Management Co., Ltd.(b)	Hangzhou, the PRC 15 January 2017	RMB3,000,000	100%	90%	90%	-	Property management services, housekeeping services, Hangzhou, the PRC	NA	
Hangzhou New Century Yigao Property Services Co., Ltd.	Hangzhou, the PRC 7 February 2017	RMB3,000,000	51%	51%	51%	51%	Property management services, Hangzhou, the PRC	Hangzhou Xiaoran Certified Public Accountants Co., Ltd for the year ended 31 December 2019	
Hangzhou New Century Education Technology Co., Ltd.	Hangzhou, the PRC 7 February 2017	RMB500,000	100%	100%	100%	100%	Educational software development, educational supplies research and development, Hangzhou, the PRC	NA	
Hangzhou New Century Qixin hygiene Technology Co., Ltd.	Hangzhou, the PRC 17 February 2017	RMB2,000,000	100%	100%	100%	100%	Property management services, housekeeping services, Hangzhou, the PRC	Hangzhou Xiaoran Certified Public Accountants Co., Ltd for the years ended 31 December 2017, 2018 and 2019	
Hangzhou Kaixin Diandian Home Service Co., Ltd.	Hangzhou, the PRC 16 March 2017	RMB500,000	100%	100%	100%	100%	Property management services, Hangzhou, the PRC	NA	
Taizhou New Century Property Management Co., Ltd.	Hangzhou, the PRC 31 March 2017	RMB3,000,000	100%	100%	100%	100%	Property management services, Taizhou, the PRC	NA	
Hangzhou New Century Exhibition Service Co., Ltd.(c)	Hangzhou, the PRC 24 April 2017	RMB200,000	100%	100%	-	-	Property management services, Hangzhou, the PRC	NA	

Names of the subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the NCPM				Name of statutory auditors and periods covered	
			31 December		Directly/ indirectly held	Principal activities/ place of operation		
			2017	2018				2019
Hangzhou New Century Theatre Operation Management Co., Ltd.	Hangzhou, the PRC 14 August 2017	RMB1,000,000	80%	80%	80%	Directly	Theatre management, Hangzhou, the PRC	Hangzhou Xiaoran Certified Public Accountants Co., Ltd for the year ended 31 December 2019
Shangqiu Mingdu Property Management Co., Ltd.(c)	Kaifeng, the PRC 6 March 2018	RMB1,000,000	-	100%	-	Directly	Property management services, Shangqiu, the PRC	NA
Suqian Yuanxin Property Management Co., Ltd.	Suqian, the PRC 19 April 2018	RMB500,000	-	70%	70%	Directly	Property management services, Suqian, the PRC	NA
Taizhou Guangda New Century Property Management Co., Ltd.	Taizhou, the PRC 14 October 2019	RMB3,000,000	-	-	65%	Directly	Property management services, Taizhou, the PRC	NA

The directors of the NCPM consider that none of the non-controlling interests of the individual subsidiaries was significant to the NCPM Group and thus the individual financial information of these subsidiaries were not disclosed.

- (a) On 12 April 2017, the NCPM Group entered into equity transfer agreement with New Century Tourism Group Co., Ltd. ("New Century Tourism Group"), the holding company of the NCPM, to transfer 90% share of a wholly-owned subsidiary, Hangzhou New Century Yiyang Management Service Co., Ltd. ("New Century Yiyang"), at a consideration of RMB2,700,000. After the completion of the equity transfer, the NCPM Group owns 10% equity interest in New Century Yiyang and accounted for this investment as financial asset at fair value through profit or loss since then (Note 21(ii)). On 27 June 2017, the NCPM Group and New Century Tourism Group injected capital in New Century Yiyang with RMB27,000,000 according to their shareholdings, in which the NCPM Group invested RMB2,700,000 which was accounted for as an addition of investment as financial asset at fair value through profit or loss. The NCPM Group's equity interest in New Century Yiyang remained as 10%.
- (b) In January 2020, the NCPM entered into equity transfer agreement with a third party that the NCPM Group disposed off its 90% equity in Hangzhou New Century Tourism Property Management Co., Ltd. at a consideration of RMB1,242,000.
- (c) Hangzhou New Century Exhibition Service Co., Ltd. and Shangqiu Mingdu Property Management Co., Ltd. were de-registered in 2019.

15 PROPERTY, PLANT AND EQUIPMENT

The NCPM Group

	Leasehold Improvements	Buildings	Machineries	Transportation equipment	Office and other equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2017						
Cost	15,905	–	6,784	2,875	4,923	30,487
Accumulated depreciation	(1,844)	–	(2,596)	(768)	(2,287)	(7,495)
Net book amount	14,061	–	4,188	2,107	2,636	22,992
Year ended 31 December 2017						
Opening net book amount	14,061	–	4,188	2,107	2,636	22,992
Additions	20,156	–	5,357	1,802	3,711	31,026
Disposal of a subsidiary (Note 14)	(27,666)	–	(3,979)	(192)	(1,220)	(33,057)
Disposals	–	–	(53)	(3)	(89)	(145)
Depreciation charge	(936)	–	(1,028)	(511)	(862)	(3,337)
Closing net book amount	5,615	–	4,485	3,203	4,176	17,479
As at 31 December 2017						
Cost	6,401	–	7,351	4,395	6,814	24,961
Accumulated depreciation	(786)	–	(2,866)	(1,192)	(2,638)	(7,482)
Net book amount	5,615	–	4,485	3,203	4,176	17,479
Year ended 31 December 2018						
Opening net book amount	5,615	–	4,485	3,203	4,176	17,479
Additions	346	1,805	2,623	1,162	3,271	9,207
Disposals	(5,018)	–	(340)	(34)	(230)	(5,622)
Depreciation charge	(385)	(21)	(1,129)	(737)	(1,359)	(3,631)
Closing net book amount	558	1,784	5,639	3,594	5,858	17,433
As at 31 December 2018						
Cost	1,106	1,805	9,364	5,264	9,466	27,005
Accumulated depreciation	(548)	(21)	(3,725)	(1,670)	(3,608)	(9,572)
Net book amount	558	1,784	5,639	3,594	5,858	17,433
As at 1 January 2019						
Cost	1,106	1,805	9,364	5,264	9,466	27,005
Accumulated depreciation	(548)	(21)	(3,725)	(1,670)	(3,608)	(9,572)
Net book amount	558	1,784	5,639	3,594	5,858	17,433

	Leasehold Improvements	Buildings	Machineries	Transportation equipment	Office and other equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2019						
Opening net book amount . . .	558	1,784	5,639	3,594	5,858	17,433
Additions	3,992	34	9,251	5	–	13,282
Disposals	–	–	(109)	(52)	(101)	(262)
Depreciation charge	(1,064)	(86)	(1,925)	(1,011)	(1,501)	(5,587)
Closing net book amount . . .	3,486	1,732	12,856	2,536	4,256	24,866
As at 31 December 2019						
Cost	5,098	1,839	18,109	5,083	8,765	38,894
Accumulated depreciation . . .	(1,612)	(107)	(5,253)	(2,547)	(4,509)	(14,028)
Net book amount	3,486	1,732	12,856	2,536	4,256	24,866
Period from 1 January to 7 May 2020						
Opening net book amount . . .	3,486	1,732	12,856	2,536	4,256	24,866
Additions	–	–	854	84	3	941
Disposals	–	–	(52)	(7)	(24)	(83)
Disposal of a subsidiary	–	–	(77)	–	(33)	(110)
Depreciation charge	(377)	(29)	(953)	(386)	(456)	(2,201)
Closing net book amount . . .	3,109	1,703	12,628	2,227	3,746	23,413
As at 7 May 2020						
Cost	5,098	1,839	18,792	5,152	8,626	39,507
Accumulated depreciation . . .	(1,989)	(136)	(6,164)	(2,925)	(4,880)	(16,094)
Net book amount	3,109	1,703	12,628	2,227	3,746	23,413
As at 1 January 2019						
Cost	1,106	1,805	9,364	5,264	9,466	27,005
Accumulated depreciation . . .	(548)	(21)	(3,725)	(1,670)	(3,608)	(9,572)
Net book amount	558	1,784	5,639	3,594	5,858	17,433
(Unaudited)						
Period from 1 January to 7 May 2019						
Opening net book amount . . .	558	1,784	5,639	3,594	5,858	17,433
Additions	2,568	–	1,953	4	–	4,525
Disposals	–	–	(37)	(25)	(37)	(99)
Depreciation charge	(148)	(29)	(471)	(338)	(514)	(1,500)
Closing net book amount . . .	2,978	1,755	7,084	3,235	5,307	20,359
As at 7 May 2019						
Cost	3,674	1,805	11,166	5,215	9,264	31,124
Accumulated depreciation . . .	(696)	(50)	(4,082)	(1,980)	(3,957)	(10,765)
Net book amount	2,978	1,755	7,084	3,235	5,307	20,359

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	2,160	2,505	4,422	1,184	1,764
Administrative expenses . .	1,177	1,126	1,165	316	437
	<u>3,337</u>	<u>3,631</u>	<u>5,587</u>	<u>1,500</u>	<u>2,201</u>

The NCPM

	Leasehold	Buildings	Machineries	Transportation	Office and	Total
	Improvements			equipment	other	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017						
Cost	714	–	5,294	2,420	4,117	12,545
Accumulated depreciation . .	(175)	–	(2,253)	(633)	(2,097)	(5,158)
Net book amount	<u>539</u>	<u>–</u>	<u>3,041</u>	<u>1,787</u>	<u>2,020</u>	<u>7,387</u>
Year ended 31 December 2017						
Opening net book amount . .	539	–	3,041	1,787	2,020	7,387
Additions	38	–	2,081	1,512	2,414	6,045
Disposals	–	–	(43)	(3)	(88)	(134)
Depreciation charge	(103)	–	(814)	(427)	(692)	(2,036)
Closing net book amount . .	<u>474</u>	<u>–</u>	<u>4,265</u>	<u>2,869</u>	<u>3,654</u>	<u>11,262</u>
As at 31 December 2017						
Cost	753	–	7,004	3,903	6,087	17,747
Accumulated depreciation . .	(279)	–	(2,739)	(1,034)	(2,433)	(6,485)
Net book amount	<u>474</u>	<u>–</u>	<u>4,265</u>	<u>2,869</u>	<u>3,654</u>	<u>11,262</u>
Year ended 31 December 2018						
Opening net book amount . .	474	–	4,265	2,869	3,654	11,262
Additions	411	1,805	2,446	1,155	2,675	8,492
Disposals	–	–	(329)	(34)	(239)	(602)
Depreciation charge	(328)	(21)	(1,088)	(643)	(1,157)	(3,237)
Closing net book amount . .	<u>557</u>	<u>1,784</u>	<u>5,294</u>	<u>3,347</u>	<u>4,933</u>	<u>15,915</u>

	Leasehold Improvements	Buildings	Machineries	Transportation equipment	Office and other equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2018						
Cost	1,164	1,805	8,858	4,764	8,156	24,747
Accumulated depreciation	(607)	(21)	(3,564)	(1,417)	(3,223)	(8,832)
Net book amount	557	1,784	5,294	3,347	4,933	15,915
As at 1 January 2019						
Cost	1,164	1,805	8,858	4,764	8,156	24,747
Accumulated depreciation	(607)	(21)	(3,564)	(1,417)	(3,223)	(8,832)
Net book amount	557	1,784	5,294	3,347	4,933	15,915
Year ended 31 December 2019						
Opening net book amount	557	1,784	5,294	3,347	4,933	15,915
Additions	4,109	34	8,525	4	–	12,672
Disposals	–	–	(106)	(34)	(118)	(258)
Depreciation charge	(1,059)	(86)	(1,784)	(915)	(1,257)	(5,101)
Closing net book amount	3,607	1,732	11,929	2,402	3,558	23,228
As at 31 December 2019						
Cost	5,274	1,839	16,894	4,582	7,457	36,046
Accumulated depreciation	(1,667)	(107)	(4,965)	(2,180)	(3,899)	(12,818)
Net book amount	3,607	1,732	11,929	2,402	3,558	23,228
Period from 1 January to 7 May 2020						
Opening net book amount	3,607	1,732	11,929	2,402	3,558	23,228
Additions	–	–	853	84	3	940
Disposals	–	–	(51)	(7)	(24)	(82)
Depreciation charge	(374)	(29)	(887)	(354)	(378)	(2,022)
Closing net book amount	3,233	1,703	11,844	2,125	3,159	22,064
As at 7 May 2020						
Cost	5,274	1,839	17,667	4,651	7,362	36,793
Accumulated depreciation	(2,041)	(136)	(5,823)	(2,526)	(4,203)	(14,729)
Net book amount	3,233	1,703	11,844	2,125	3,159	22,064

	Leasehold Improvements	Buildings	Machineries	Transportation equipment	Office and other equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2019						
Cost	1,164	1,805	8,858	4,764	8,156	24,747
Accumulated depreciation	(607)	(21)	(3,564)	(1,417)	(3,223)	(8,832)
Net book amount	557	1,784	5,294	3,347	4,933	15,915
(Unaudited)						
Period from 1 January to 7 May 2019						
Opening net book amount	557	1,784	5,294	3,347	4,933	15,915
Additions	2,568	–	1,661	4	–	4,233
Disposals	–	–	(36)	(6)	(40)	(82)
Depreciation charge	(148)	(29)	(442)	(306)	(441)	(1,366)
Closing net book amount	2,977	1,755	6,477	3,039	4,452	18,700
As at 7 May 2019						
Cost	3,732	1,805	10,380	4,716	7,971	28,604
Accumulated depreciation	(755)	(50)	(3,903)	(1,677)	(3,519)	(9,904)
Net book amount	2,977	1,755	6,477	3,039	4,452	18,700

16 LEASES

The NCPM Group and the NCPM

(a) Amounts recognised in the consolidated statements of financial position

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets				
– Buildings	3,729	24,120	23,271	21,254
Lease liabilities				
– Current	1,129	6,172	5,330	5,824
– Non-current	2,037	15,920	15,663	13,867
	3,166	22,092	20,993	19,691

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Depreciation charge of right-of-use assets					
– Buildings (Note 7)	793	4,318	6,466	2,070	2,278
Interest expense (Note 11)	81	663	856	294	285
Expense relating to short-term leases and low-value assets leases (included in cost of goods sold and administrative expenses) (Note 7)	5,713	5,152	6,030	1,945	1,829

17 INTANGIBLE ASSETS

The NCPM Group

	Computer software
	RMB'000
As at 1 January 2017	
Cost	1,109
Accumulated amortisation	(951)
Net book amount	<u>158</u>
Year ended 31 December 2017	
Opening net book amount	158
Additions	341
Disposal of a subsidiary	(214)
Amortisation	(224)
Closing net book amount	<u>61</u>
As at 31 December 2017	
Cost	1,231
Accumulated amortisation	(1,170)
Net book amount	<u>61</u>

	Computer software
	<i>RMB'000</i>
Year ended 31 December 2018	
Opening net book amount	61
Additions	4,410
Amortisation	(801)
Closing net book amount	3,670
As at 31 December 2018	
Cost	5,641
Accumulated amortisation	(1,971)
Net book amount	3,670
Year ended 31 December 2019	
Opening net book amount	3,670
Additions	3,165
Disposals	(302)
Amortisation	(1,446)
Closing net book amount	5,087
As at 31 December 2019	
Cost	8,172
Accumulated amortisation	(3,085)
Net book amount	5,087
Period from 1 January to 7 May 2020	
Opening net book amount	5,087
Additions	264
Amortisation	(815)
Closing net book amount	4,536
As at 7 May 2020	
Cost	8,371
Accumulated amortisation	(3,835)
Net book amount	4,536
As at 1 January 2019	
Cost	5,641
Accumulated amortisation	(1,971)
Net book amount	3,670

	Computer software
	<u>RMB'000</u>
(Unaudited)	
Period from 1 January to 7 May 2019	
Opening net book amount	3,670
Additions	150
Amortisation	<u>(264)</u>
Closing net book amount	<u>3,556</u>
As at 7 May 2019	
Cost	5,674
Accumulated amortisation	<u>(2,118)</u>
Net book amount	<u><u>3,556</u></u>

Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Period from 1 January to 7 May	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	151	43	42	13	81
Administrative expenses	<u>73</u>	<u>758</u>	<u>1,404</u>	<u>251</u>	<u>734</u>
	<u>224</u>	<u>801</u>	<u>1,446</u>	<u>264</u>	<u>815</u>
	<u><u>224</u></u>	<u><u>801</u></u>	<u><u>1,446</u></u>	<u><u>264</u></u>	<u><u>815</u></u>

The NCPM

	Computer software
	<u>RMB'000</u>
As at 1 January 2017	
Cost	1,105
Accumulated amortisation	<u>(947)</u>
Net book amount	<u>158</u>
Year ended 31 December 2017	
Opening net book amount	158
Additions	122
Amortisation	<u>(219)</u>
Closing net book amount	<u>61</u>

	Computer software
	<i>RMB'000</i>
As at 31 December 2017	
Cost	1,226
Accumulated amortisation	(1,165)
Net book amount	61
Year ended 31 December 2018	
Opening net book amount	61
Additions	4,384
Amortisation	(791)
Closing net book amount	3,654
As at 31 December 2018	
Cost	5,610
Accumulated amortisation	(1,956)
Net book amount	3,654
Year ended 31 December 2019	
Opening net book amount	3,654
Additions	3,142
Disposals	(302)
Amortisation	(1,420)
Closing net book amount	5,074
As at 31 December 2019	
Cost	8,118
Accumulated amortisation	(3,044)
Net book amount	5,074
Period from 1 January to 7 May 2020	
Opening net book amount	5,074
Additions	265
Amortisation	(804)
Closing net book amount	4,535
As at 7 May 2020	
Cost	8,318
Accumulated amortisation	(3,783)
Net book amount	4,535

	Computer software
	<i>RMB'000</i>
As at 1 January 2019	
Cost	5,610
Accumulated amortisation	(1,956)
Net book amount	3,654
(Unaudited)	
Period from 1 January to 7 May 2019	
Opening net book amount	3,654
Additions	150
Amortisation	(260)
Closing net book amount	3,544
As at 7 May 2019	
Cost	5,644
Accumulated amortisation	(2,100)
Net book amount	3,544

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The NCPM Group

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments in joint ventures . . .	25,129	28,358	30,593	26,098
Unlisted investments in associates	–	9,207	19,661	21,100
	25,129	37,565	50,254	47,198

The movements in the NCPM Group's investments in joint ventures and associates accounted for using the equity method, and including goodwill, are as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	–	25,129	37,565	37,565	50,254
Dividends declared	–	–	(1,000)	–	(5,118)
Acquisition of a joint venture	23,520	–	–	–	–
Capital injection	980	8,849	8,370	–	675
Disposal of associates	–	–	(403)	–	(1,850)
Share of profits	629	3,587	5,722	1,319	3,237
At the end of the year/period	<u>25,129</u>	<u>37,565</u>	<u>50,254</u>	<u>38,884</u>	<u>47,198</u>

Set out below are the joint ventures and associates of the NCPM Group as at 31 December 2017, 2018 and 2019 and as at 7 May 2020. In the opinion of the directors of the NCPM Group, one of the joint ventures named Jiangsu New Century Jinchang Property Management Company Limited ("Jinchang PM") was individually significant to the NCPM Group. The joint ventures and associates as listed below have capital consisting solely of ordinary shares, which are held directly by the NCPM Group according to the NCPM Group's percentage holding. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Nature of relationship	Date of incorporation	Registered capital (RMB'000)	Percentage of ownership interest attributable to the NCPM				Principal activities and place of operation
				As at 31 December			As at 7 May	
				2017	2018	2019	2020	
Jinchang PM	Joint venture	27/09/2010	10,000	49%	49%	49%	49%	Property management, Jiangsu, the PRC
Hangzhou New Century Jiuweike Property Management Co., Ltd.	Joint venture	24/11/2017	5,000	50%	50%	50%	50%	Property management, Hangzhou, the PRC
Hangzhou Yuanzhong Property Agent Co., Ltd.	Joint venture	06/04/2017	1,200	40%	40%	NA	NA	Real estate agency, Hangzhou, the PRC
Hangzhou Xiaoshan City Property Management Co., Ltd.	Associate	08/02/2014	9,804	NA	49%	49%	49%	Property management, Hangzhou, the PRC
Hangzhou Xiaoshan Guotou Jiashi Property Management Co., Ltd.	Associate	20/11/2018	3,000	NA	45%	45%	45%	Property management, Hangzhou, the PRC
Shaoxing Made New Century Sports Development Co., Ltd.	Associate	09/05/2019	10,000	NA	NA	40%	NA	Sports development, Shaoxing, the PRC

Company name	Nature of relationship	Date of incorporation	Registered capital	Percentage of ownership interest attributable to the NCPM				Principal activities and place of operation
				As at 31 December			As at 7 May	
				2017	2018	2019	2020	
<i>(RMB'000)</i>								
Hangzhou Qian Century City New Century Property Management Service Co., Ltd.	Associate	13/08/2019	10,000	NA	NA	49%	49%	Property management, Hangzhou, the PRC
Shaoxing New Century Real Estate Service Co., Ltd.	Associate	12/06/2019	3,000	NA	NA	49%	49%	Property management, Shaoxing, the PRC
Hangzhou New Century Sibinsai Network Technology Co., Ltd.	Associate	09/03/2018	1,000	NA	35%	35%	35%	Network technology, Hangzhou, the PRC
Xinchang Gaoxin New Century Property Management Co., Ltd.	Associate	09/10/2019	3,000	NA	NA	45%	45%	Property management, Xinchang, the PRC

The English names of the associates represent the best effort by the management of the NCPM Group in translating their Chinese names as they do not have official English names.

The NCPM determined that it does not have controlling interest in the above companies, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the NCPM Group's interest in the associates.

Set out below are the summarised financial information for Jinchang PM which is accounted for using the equity method.

For the year ended 31 December 2017

	As at 31 December 2017
	Jinchang PM
	<i>RMB'000</i>
Reconciliation to carrying amounts:	
Opening net assets as at 1 January 2017	10,025
Capital injection	–
Profit for the year	1,422
	<hr/>
Closing net assets as at 31 December 2017	11,447
	<hr/> <hr/>
The NCPM Group's share:	
Percentage of interest	49%
Interest in the associates	5,609
Goodwill	18,608
	<hr/>
Carrying amounts	24,217
	<hr/> <hr/>

	For the year ended 31 December 2017
Revenue	76,598
Profit from continuing operations	1,422
The NCPM Group's share:	
Percentage of interest	49%
Share of profit for the year	<u>697</u>

For the year ended 31 December 2018

	As at 31 December 2018
	Jinchang Property Management
	<i>RMB'000</i>
Reconciliation to carrying amounts:	
Opening net assets as at 1 January 2018	11,447
Capital injection	–
Profit for the year	<u>4,259</u>
Closing net assets as at 31 December 2018	<u>15,706</u>
The NCPM Group's share:	
Percentage of interest	49%
Interest in the associates	7,696
Goodwill	<u>18,608</u>
Carrying amounts	<u>26,304</u>

	For the year ended 31 December 2018
Revenue	92,476
Profit from continuing operations	4,259
The NCPM Group's share:	
Percentage of interest	49%
Share of profit for the year	<u>2,087</u>

For the year ended 31 December 2019

	As at 31 December 2019
	Jinchang Property Management
	<i>RMB'000</i>
Reconciliation to carrying amounts:	
Opening net assets as at 1 January 2019	15,706
Capital injection	–
Profit for the year	4,771
Payment for dividend	–
	<hr/>
Closing net assets as at 31 December 2019	20,477
	<hr/> <hr/>
The NCPM Group's share:	
Percentage of interest	49%
Interest in the associates	10,034
Goodwill	18,608
	<hr/>
Carrying amounts	28,642
	<hr/> <hr/>

For the year ended
31 December 2019

Revenue	90,458
Profit from continuing operations	4,771
The NCPM Group's share:	
Percentage of interest	49%
	<hr/>
Share of profit for the year	2,338
	<hr/> <hr/>

For the period from 1 January 2020 to 7 May 2020

	As at 7 May 2020
	Jinchang Property Management
	<i>RMB'000</i>
Reconciliation to carrying amounts:	
Opening net assets as at 1 January 2020	20,477
Capital injection	–
Disposal of a subsidiary	–
Payment for dividend	(10,444)
Profit for the period	495
	<hr/>
Closing net assets as at 7 May 2020	10,528
	<hr/> <hr/>

	As at 7 May 2020
	Jinchang Property Management
	<i>RMB'000</i>
The NCPM Group's share:	
Percentage of interest	49%
Interest in the associates	5,159
Goodwill	18,608
	<hr/>
Carrying amounts	23,767
	<hr/> <hr/>
	For the period from 1 January to 7 May 2020
	<hr/>
Revenue	23,859
Profit from continuing operations	495
The NCPM Group's share:	
Percentage of interest	49%
	<hr/>
Share of profit for the period	243
	<hr/> <hr/>
For the period from 1 January 2019 to 7 May 2019 (Unaudited)	
	As at 7 May 2019
	Jinchang Property Management
	<i>RMB'000</i>
Reconciliation to carrying amounts:	
Opening net assets as at 1 January 2019	15,706
Capital injection	–
Profit for the period	1,068
	<hr/>
Closing net assets as at 7 May 2019	16,774
	<hr/> <hr/>
The NCPM Group's share:	
Percentage of interest	49%
Interest in the associates	8,219
Goodwill	18,608
	<hr/>
Carrying amounts	26,827
	<hr/> <hr/>

	For the Period from 1 January to 7 May 2019
Revenue	31,710
Profit from continuing operations	1,068
The NCPM Group's share:	
Percentage of interest	49%
Share of profit for the period	<u>523</u>

The NCPM

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments in joint ventures	24,718	27,954	30,593	26,098
Unlisted investments in associates	–	9,207	17,810	21,100
	<u>24,718</u>	<u>37,161</u>	<u>48,403</u>	<u>47,198</u>

The movements in the NCPM's investments in joint ventures and associates accounted for using the equity method, and including goodwill, are as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	–	24,718	37,161	37,161	48,403
Dividends declared	–	–	(1,000)	–	(5,118)
Acquisition of joint venture	23,520	–	–	–	–
Capital injection	500	8,849	6,370	–	675
Disposal of associates	–	–	–	–	–
Share of profits	698	3,594	5,872	1,320	3,238
At the end of the year/period	<u>24,718</u>	<u>37,161</u>	<u>48,403</u>	<u>38,481</u>	<u>47,198</u>

19 FINANCIAL INSTRUMENTS BY CATEGORY

The NCPM Group holds the following financial instruments:

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
– Cash and cash equivalents (Note 23)	104,170	60,865	268,736	58,679
– Trade and other receivables (excluding prepayments) (Note 20 and Note 21)	96,052	145,799	170,585	265,741
– Other financial assets at amortised cost (Note 24)	63,721	70,735	–	–
Financial assets at fair value through profit or loss (Note 22)	63,648	80,463	10,025	226,136
	<u>327,591</u>	<u>357,862</u>	<u>449,346</u>	<u>550,556</u>
Financial liabilities				
Liabilities at amortised cost				
– Trade and other payables (excluding payroll and welfare payables and other tax payables) (Note 27)	111,311	124,822	135,287	151,022
Lease liabilities (Note 16)	3,166	22,092	20,993	19,691
	<u>114,477</u>	<u>146,914</u>	<u>156,280</u>	<u>170,713</u>

20 TRADE RECEIVABLES

The NCPM Group

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	78,660	124,091	136,196	224,118
– Related parties (Note 32(b))	796	2,150	3,132	3,399
Subtotal of gross trade receivables	79,456	126,241	139,328	227,517
Less: provision for impairment of trade receivables	(7,178)	(11,250)	(12,166)	(15,819)
Notes receivable	100	–	–	–
Trade receivables – net	<u>72,378</u>	<u>114,991</u>	<u>127,162</u>	<u>211,698</u>

Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services revenue under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income is due for payment by the property owners upon rendering of services. Property management services income and value-added services income are received in accordance with the terms of the relevant services agreements, and due for payment upon rendering of services.

As at 31 December 2017, 2018 and 2019 and 7 May 2020, the aging analysis of the trade receivables based on date of revenue recognised were as follows:

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	68,280	108,774	111,945	196,211
1 to 2 years	8,805	12,516	21,275	21,567
2 to 3 years	1,903	3,786	3,914	5,416
Over 3 years	468	1,165	2,194	4,323
	<u>79,456</u>	<u>126,241</u>	<u>139,328</u>	<u>227,517</u>

As at 31 December 2017, 2018, 2019 and 7 May 2020, trade receivables were denominated in RMB.

The NCPM 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. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the years ended 31 December 2017, 2018, 2019 and the period from 1 January to 7 May 2020, a provision of RMB7,178,000, RMB11,250,000, RMB12,166,000 and RMB15,819,000 was made against the gross amounts of trade receivables as at the balance sheet date, respectively.

The NCPM

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
– Third parties	76,728	122,182	131,418	215,420
– Related parties	796	571	952	948
Subtotal of gross trade receivables	77,524	122,753	132,370	216,368
Less: provision for impairment of trade receivables	(6,875)	(10,964)	(11,800)	(15,072)
Notes receivable	100	–	–	–
Trade receivables – net	<u>70,749</u>	<u>111,789</u>	<u>120,570</u>	<u>201,296</u>

As at 31 December 2017, 2018 and 2019 and 7 May 2020, the ageing analysis of the trade receivables based on date of revenue recognised were as follows:

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	66,773	105,847	107,214	186,610
1 to 2 years	8,380	12,303	19,064	21,286
2 to 3 years	1,903	3,666	3,898	4,307
Over 3 years	468	937	2,194	4,165
	<u>77,524</u>	<u>122,753</u>	<u>132,370</u>	<u>216,368</u>

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The NCPM Group

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Prepayments for purchases of equipment	–	790	663	733
Deposits (i)	768	2,000	6,000	6,000
	<u>768</u>	<u>2,790</u>	<u>6,663</u>	<u>6,733</u>
Current:				
Prepayments for operations				
– Related parties (Note 32(b))	53	117	–	200
– Utilities	1,240	1,363	1,372	1,659
– Prepayments for raw materials	1,398	2,009	2,336	2,424
– Prepayments for service fees	1,518	2,651	3,268	5,540
– Prepayments for short-term/low-value rental fees	2,021	1,406	2,264	1,744
– Others	1,272	2,809	2,339	4,376
Subtotal	<u>7,502</u>	<u>10,355</u>	<u>11,579</u>	<u>15,943</u>
Deposits (i)	<u>18,316</u>	<u>22,917</u>	<u>19,893</u>	<u>23,334</u>
Other receivables				
– Related parties (Note 32(b))	756	1,525	8,853	9,165
– Payments on behalf of property owners (ii)	3,702	5,568	8,528	13,999
– Others	1,895	776	1,565	3,091
Subtotal	<u>6,353</u>	<u>7,869</u>	<u>18,946</u>	<u>26,255</u>
Less: allowance for impairment of other receivables and deposits	<u>(1,763)</u>	<u>(1,978)</u>	<u>(1,416)</u>	<u>(1,546)</u>
Total	<u>30,408</u>	<u>39,163</u>	<u>49,002</u>	<u>63,986</u>
Total of current and non-current	<u>31,176</u>	<u>41,953</u>	<u>55,665</u>	<u>70,719</u>

- (i) The deposits represented the performance guarantees and bidding guarantees paid to the customers.
- (ii) The payments on behalf of property owners represented the payments on behalf of property owners mainly in respect of utilities and maintenance costs of the properties.

Movements on the provision for impairment of deposits and other receivables are shown in Note 3.1.2. The provision for impairment increased during the Relevant Periods due to the increase of balance of, deposits and other receivables.

As at 31 December 2017, 2018, 2019 and 7 May 2020, deposits and other receivables were denominated in RMB.

The NCPM

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Prepayments for purchases of equipment	–	790	–	–
Deposits	768	2,000	6,000	6,000
	<u>768</u>	<u>2,790</u>	<u>6,000</u>	<u>6,000</u>
Current:				
Prepayments for operations				
– Related parties	53	117	186	192
– Utilities	1,236	1,363	1,372	1,550
– Prepayments for raw materials . . .	1,086	1,055	1,735	1,737
– Prepayments for service fees	1,334	2,696	3,822	5,513
– Prepayments for short-term/low-value rental fees	1,870	1,217	2,211	1,735
– Others	715	2,166	1,251	3,301
	<u>6,294</u>	<u>8,614</u>	<u>10,577</u>	<u>14,028</u>
Subtotal				
Deposits	17,289	21,715	18,425	21,996
Other receivables				
– Related parties	–	–	8,646	8,809
– Payments on behalf of property owners	3,351	3,332	7,784	12,687
– Payments on behalf of subsidiaries	11,045	8,041	14,847	14,212
– Others	1,418	2,433	1,336	2,904
	<u>15,814</u>	<u>13,806</u>	<u>32,613</u>	<u>38,612</u>
Subtotal				
Less: allowance for impairment of other receivables and deposits . . .	(1,884)	(1,342)	(1,303)	(1,138)
Total	<u>37,513</u>	<u>42,793</u>	<u>60,312</u>	<u>73,498</u>
Total of current and non-current . . .	<u>38,281</u>	<u>45,583</u>	<u>66,312</u>	<u>79,498</u>

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The NCPM Group

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in wealth management products (i)	60,648	80,463	10,025	226,136
Investment in unlisted equity (ii) . .	3,000	–	–	–
	<u>63,648</u>	<u>80,463</u>	<u>10,025</u>	<u>226,136</u>

(i) Movements in investment in wealth management products are as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	–	60,648	80,463	80,463	10,025
Additions	60,000	120,000	360,000	150,000	670,275
Disposals	–	(101,190)	(436,143)	(166,069)	(456,924)
fair value changes	648	1,005	5,705	606	2,760
	<u>60,648</u>	<u>80,463</u>	<u>10,025</u>	<u>65,000</u>	<u>226,136</u>
At the end of the year/period					

Wealth management products were denominated in RMB, with expected rates of return ranging from 1.3% to 6.2% per annum during the Relevant Periods. They had initial terms ranging from 30 days to 365 days. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss.

(ii) As at 31 December 2017, the NCPM Group held 10% equity interest in an unlisted entity in the PRC at carrying value of RMB3,000,000. In 2018, the NCPM Group disposed off the equity interest at the consideration of RMB1,145,000. For the year ended 31 December 2018, fair value loss of RMB1,855,000 was charged in “other gains – net” (Note 10). The disposal was completed in 2018.

The NCPM

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in wealth management products (i)	57,748	80,463	10,025	226,136
Investment in unlisted equity (ii) . .	3,000	–	–	–
	<u>60,748</u>	<u>80,463</u>	<u>10,025</u>	<u>226,136</u>

- (i) Movements in investment in wealth management products are as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	–	57,748	80,463	80,463	10,025
Additions	57,100	120,000	360,000	150,000	670,275
Disposals	–	(98,290)	(436,143)	(166,069)	(456,924)
fair value changes	648	1,005	5,705	606	2,760
At the end of the year/period	<u>57,748</u>	<u>80,463</u>	<u>10,025</u>	<u>65,000</u>	<u>226,136</u>

Wealth management products were denominated in RMB, with expected rates of return ranging from 1.3% to 6.2% per annum during the Relevant Periods. They had initial terms ranging from 30 days to 365 days. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss.

- (ii) As at 31 December 2017, the NCPM held 10% equity interest in an unlisted entity in the PRC at carrying value of RMB3 million. In 2018, the NCPM disposed off the equity interest at the consideration of RMB1,145,000. For the year ended 31 December 2018, fair value loss of RMB1,855,000 was charged in “other gains – net”(Note 10). The disposal was completed in 2018.

23 CASH AND CASH EQUIVALENTS

The NCPM Group

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	104,030	61,164	270,845	60,818
Cash on hand	139	55	14	16
Cash in payment platforms	1	1,733	3,774	1,542
Less: restricted cash	–	(2,087)	(5,897)	(3,697)
Cash and cash equivalents	<u>104,170</u>	<u>60,865</u>	<u>268,736</u>	<u>58,679</u>

The carrying amount of cash and cash equivalents balances were denominated in RMB.

The restricted cash are mainly marginal deposits required by the banks for issuing unconditional and irrevocable letter of guarantee.

The NCPM

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	97,254	56,728	247,966	50,818
Cash on hand	119	52	13	15
Cash in payment platforms	1	1,733	3,774	1,503
Less: restricted cash	–	(2,087)	(5,897)	(3,697)
	<u>97,374</u>	<u>56,426</u>	<u>245,856</u>	<u>48,639</u>

24 OTHER FINANCIAL ASSETS AT AMORTISED COST**The NCPM Group and the NCPM**

	As at 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The treasury bonds reverse repo investments	<u>63,721</u>	<u>70,735</u>	<u>–</u>	<u>–</u>

The treasury bonds reverse repo investments were held for collecting contractual cash flows with characteristics in compliance with basic loan arrangements. The treasury bonds reverse repo investments are measured at amortised cost using an effective interest rate of 2.03% to 3.10% per annum. They had initial terms ranging from 1 day to 10 days.

25 SHARE CAPITAL**The NCPM Group and the NCPM**

	Number of shares	Share capital
	<i>('000)</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:		
At 1 January 2017	31,590	31,590
Dividend satisfied by issue of shares	<u>9,477</u>	<u>9,477</u>
At 31 December 2017, 2018 and 2019, and 7 May 2020	<u>41,067</u>	<u>41,067</u>

26 RESERVES

The NCPM Group

	Capital reserves	Surplus reserves	Share-based payment reserves	Other reserves	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017 . . .	11,424	12,677	969	–	25,070
Share-based compensation (Note 8)	–	–	3,501	–	3,501
Appropriation of surplus reserves (a)	–	8,206	–	–	8,206
Balance at 31 December 2017 (b)	<u>11,424</u>	<u>20,883</u>	<u>4,470</u>	<u>–</u>	<u>36,777</u>
Balance at 1 January 2018 . . .	11,424	20,883	4,470	–	36,777
Transaction with non-controlling interest	–	–	–	(5)	(5)
Share-based compensation (Note 8)	–	–	2,308	–	2,308
Appropriation of surplus reserves (a)	–	6,672	–	–	6,672
Balance at 31 December 2018 . .	<u>11,424</u>	<u>27,555</u>	<u>6,778</u>	<u>(5)</u>	<u>45,752</u>
Balance at 1 January 2019 . . .	11,424	27,555	6,778	(5)	45,752
Share-based compensation (Note 8)	–	–	20,120	–	20,120
Deemed contribution from the controlling shareholder, net tax (b)	6,921	–	–	–	6,921
Appropriation of surplus reserves (a)	–	3,513	–	–	3,513
Balance at 31 December 2019 . .	<u>18,345</u>	<u>31,068</u>	<u>26,898</u>	<u>(5)</u>	<u>76,306</u>
Balance at 1 January 2020 . . .	18,345	31,068	26,898	(5)	76,306
Appropriation of surplus reserves (a)	–	–	–	–	–
Balance at 7 May 2020	<u>18,345</u>	<u>31,068</u>	<u>26,898</u>	<u>(5)</u>	<u>76,306</u>
(Unaudited)					
Balance at 1 January 2019 . . .	11,424	27,555	6,778	(5)	45,752
Share-based compensation (Note 8)	–	–	977	–	977
Balance at 7 May 2019	<u>11,424</u>	<u>27,555</u>	<u>7,755</u>	<u>(5)</u>	<u>46,729</u>

(a) Surplus reserves

Surplus reserves comprise statutory surplus reserve and discretionary surplus reserves.

Pursuant to the Company Law of the PRC and the articles of association of PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital. After the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the respective company. The entities in the PRC may transfer their respective statutory surplus reserves into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

Surplus reserve of the subsidiaries of the NCPM with the amount of RMB507,000, RMB897,000, RMB1,534,000 and RMB1,578,000 were included in the retained earnings of the NCPM Group as at 31 December 2017, 2018 and 2019 and 7 May 2020 respectively.

(b) Capital reserves

In 2019, Hangzhou New Century Real Estate Group Co., Ltd., the holding company of the NCPM, reimbursed the NCPM for its expenses related to the ChiNext Application amounting to RMB9,228,000. The reimbursement net of tax of RMB6,921,000 was recognised as deemed contribution from the controlling shareholder. As at 7 May 2020, the reimbursement of RMB7,728,000 remains unpaid.

The NCPM

	Capital reserves	Surplus reserves	Share-based payment reserves	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017	11,424	12,862	969	25,255
Share-based compensation	–	–	3,465	3,465
Appropriation of surplus reserves	–	8,206	–	8,206
Balance at 31 December 2017	<u>11,424</u>	<u>21,068</u>	<u>4,434</u>	<u>36,926</u>
Balance at 1 January 2018	11,424	21,068	4,434	36,926
Share-based compensation	–	–	2,308	2,308
Appropriation of surplus reserves	–	6,672	–	6,672
Balance at 31 December 2018	<u>11,424</u>	<u>27,740</u>	<u>6,742</u>	<u>45,906</u>
Balance at 1 January 2019	11,424	27,740	6,742	45,906
Share-based compensation	–	–	20,120	20,120
Deemed contribution from the controlling shareholder (b)	6,921	–	–	6,921
Appropriation of surplus reserves	–	3,327	–	3,327
Balance at 31 December 2019	<u>18,345</u>	<u>31,067</u>	<u>26,862</u>	<u>76,274</u>

	Capital reserves	Surplus reserves	Share-based payment reserves	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2020	18,345	31,067	26,862	76,274
Appropriation of surplus reserves	–	–	–	–
Balance at 7 May 2020	<u>18,345</u>	<u>31,067</u>	<u>26,862</u>	<u>76,274</u>
(Unaudited)				
Balance at 1 January 2019	11,424	27,740	6,742	45,906
Share-based compensation	–	–	977	977
Balance at 7 May 2019	<u>11,424</u>	<u>27,740</u>	<u>7,719</u>	<u>46,883</u>

27 TRADE AND OTHER PAYABLES

The NCPM Group

	Year ended 31 December			Period from 1 January to 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:				
– Third parties	12,700	23,351	29,472	41,692
– Related parties (<i>Note 32(b)</i>)	7	444	2	–
	<u>12,707</u>	<u>23,795</u>	<u>29,474</u>	<u>41,692</u>
Other payables:				
– Related parties (<i>Note 32(b)</i>)	675	–	186	83
– Amounts collected on behalf of property owners	41,439	48,342	55,883	57,080
– Deposit received (a)	47,550	48,892	46,007	47,743
– Staff salaries and welfare payables	26,115	31,602	39,699	51,302
– Accrued other taxes	9,418	10,137	12,500	11,992
– Other	8,940	3,793	3,737	4,424
	<u>134,137</u>	<u>142,766</u>	<u>158,012</u>	<u>172,624</u>
	<u>146,844</u>	<u>166,561</u>	<u>187,486</u>	<u>214,316</u>

As at 31 December 2017, 2018 and 2019 and 7 May 2020, the carrying amounts of trade and other payables approximated their fair values. The ageing of trade payables was within one year.

As at 31 December 2017, 2018 and 2019 and 7 May 2020, trade and other payables were denominated in RMB.

- (a) The deposit received represented the deposit received from service providers for performance guarantee and cash received from property owners as redecorated guarantees or utilities guarantees.

The NCPM

	Year ended 31 December			Period from
	2017	2018	2019	1 January to
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	7 May
				2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:				
– Third parties	11,807	22,433	26,097	40,164
– Related parties	7	276	2	–
	<u>11,814</u>	<u>22,709</u>	<u>26,099</u>	<u>40,164</u>
Other payables:				
– Related parties	609	–	186	3
– Amounts collected on behalf of property owners	38,518	48,321	54,077	53,718
– Deposit received	46,859	48,778	44,448	46,097
– Staff salaries and welfare payables	24,312	29,535	36,414	46,900
– Payments on behalf of subsidiaries	13,891	20,676	24,891	26,967
– Accrued other taxes	9,072	9,913	11,786	11,812
– Other	8,585	3,021	2,756	4,393
	<u>141,846</u>	<u>160,244</u>	<u>174,558</u>	<u>189,890</u>
	<u>153,660</u>	<u>182,953</u>	<u>200,657</u>	<u>230,054</u>

28 DEFERRED INCOME TAX

The NCPM Group and the NCPM

The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Share-based compensation	Provision for impairments	Fair value change	Accrued payroll	Leases	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2017 . . .	242	419	–	119	–	780
Credited/(charged) to the consolidated statements of comprehensive income	867	1,793	(162)	115	8	2,621
At 31 December 2017 . . .	<u>1,109</u>	<u>2,212</u>	<u>(162)</u>	<u>234</u>	<u>8</u>	<u>3,401</u>

	Share-based compensation	Provision for impairments	Fair value change	Accrued payroll	Leases	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Credited to the consolidated statements of comprehensive income	577	930	46	277	136	1,966
At 31 December 2018	1,686	3,142	(116)	511	144	5,367
Credited to the consolidated statements of comprehensive income	5,039	134	116	619	98	6,006
At 31 December 2019	6,725	3,276	–	1,130	242	11,373
Credited to the consolidated statements of comprehensive income	–	777	–	288	27	1,092
At 7 May 2020	6,725	4,053	–	1,418	269	12,465
(Unaudited)						
As at 1 January 2019	1,686	3,142	(116)	511	144	5,367
Credited to the consolidated statements of comprehensive income	253	1,724	116	207	15	2,315
At 7 May 2019	1,939	4,866	–	718	159	7,682

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The NCPM Group did not recognise deferred income tax assets for the tax loss of RMB310,000, RMB483,000, RMB182,000 and RMB76,000, as at December 31, 2017, 2018, 2019 and 7 May 2020 in respect of losses amounting to RMB1,240,000, RMB1,932,000, RMB728,000 and RMB304,000 that can be carried forward against future taxable income.

29 DIVIDENDS

	Year ended 31 December			As at 7 May
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash dividends declared and paid to the NCPM Group's shareholders	9,477	32,854	–	–
Satisfied by issue of shares	9,477	–	–	–
	18,954	32,854	–	–

The dividend of RMB0.46 per share in respect of the net profit for the year ended 31 December 2016, amounting to a total dividend of RMB18,954,000 was approved at the NCPM Group's shareholders meeting on 12 April 2017. It has been paid and reflected as an appropriation of retained earnings for the year ended 31 December 2017. RMB9,477,000 has been paid in 2017 and RMB9,477,000 was satisfied by issue of shares.

The cash dividend of RMB0.80 per share in respect of the net profit for the year ended 31 December 2017, amounting to a total dividend of RMB32,854,000 was approved at the NCPM Group's shareholders meeting on 17 May 2018. It has been paid and reflected as an appropriation of retained earnings for the year ended 31 December 2018.

In April 2020, The subsidiary Hangzhou New Century Yigao Property Service Co., Ltd. distributed cash dividends of RMB1,372,000 to non-controlling shareholders.

30 SHARE-BASED COMPENSATION

(a) Overview of share-based compensation

On 28 August 2015, 20 April 2016 and 6 June 2017, the board of directors of the NCPM approved the equity incentive plan (the "Equity Incentive Plan") and granted restricted shares to certain employees respectively. According to the Equity Incentive Plan, the incentive will be awarded to employees include members of the board of directors, and the senior management members as well as outstanding contributors nominated by the general manager. The restricted shares comes from 22.50% of shares transferred by Hangzhou New Century Real Estate Group Co., Ltd. to Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership). The vesting period of the restricted shares ranges from 10 to 15 years.

On 20 December 2019, the board of directors of the NCPM approved the resolution to amend the Equity Incentive Plan. According to the amendment, the vesting period requirement has been removed and all restricted shares can be vested in full immediately. As a result, the NCPM recognised the remaining share based payment expenses amounting to RMB20,120,000 in 2019.

Movements in the number of restricted shares outstanding are as follows:

	Numbers of shares
At 1 January 2017	1,890
Granted	1,950
Impact of dividend satisfied by shares	1,152
Forfeited	(39)
	<hr/>
At 31 December 2017	4,953
Granted	312
Forfeited	(364)
	<hr/>
At 31 December 2018	4,901
Forfeited	(65)
Vested	(4,836)
	<hr/>
At 31 December 2019	<u><u>–</u></u>

(b) Fair value of the restricted shares

The directors of the NCPM have used the valuation models to determine the fair value of the restricted shares as at the granting date, which is to be expensed over the relevant vesting period. The fair value of the restricted shares granted to employees was RMB19.06 per share for the year ended 31 December 2017 and 2018.

(c) Expense recognised for the Equity Incentive Plan

Expenses recognised for employee services rendered have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Administrative expenses . . .	3,501	2,308	20,120	977	–

31 CASH FLOW INFORMATION

(a) Net cash generated from operating activities

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before income tax . . .	65,722	86,405	82,436	28,054	41,151
Adjustments for:					
– Depreciation of property, plant and equipment . . .	3,337	3,631	5,587	1,500	2,201
– Amortisation of right-of- use assets	793	4,318	6,466	2,070	2,278
– Amortisation of intangible assets	224	801	1,446	264	815
– Allowance for impairment of trade receivables and other receivables	6,464	5,243	2,809	7,412	3,784
– Fair value (gain)/loss from financial assets at fair value through profit or loss	(648)	850	(5,705)	(606)	(3,940)
– Interest income from other financial assets at amortised cost	(4,307)	(5,556)	(813)	(351)	–
– Net losses on disposal of property, plant and equipment	80	268	125	62	16
– Share of results of Investments accounted for using the equity method	(629)	(3,587)	(5,722)	(1,319)	(3,237)
– Share-based payment expense	3,501	2,308	20,120	977	–
– Interest expense on lease liabilities	81	663	856	294	285
– Gain from disposal of subsidiary	(9,601)	–	–	–	–

	Year ended 31 December			Period from 1 January to 7 May	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000
Changes in working capital:					
– Restricted cash	–	(2,087)	(3,810)	(1,000)	2,200
– Prepayments, deposits and other receivables . .	(10,927)	(10,433)	(4,393)	(13,633)	(13,276)
– Trade receivables	(14,917)	(47,490)	(15,542)	(60,657)	(88,189)
– Inventories	(1,242)	(694)	(2,114)	(1,150)	(1,651)
– Trade and other payables	47,188	24,711	20,925	6,209	27,123
– Contract liabilities	26,411	(3,278)	13,671	46,158	43,557
Net cash inflow from operating activities	<u>111,530</u>	<u>56,073</u>	<u>116,342</u>	<u>14,284</u>	<u>13,117</u>

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities
	<i>RMB'000</i>
At 1 January 2017	2,583
Additional of leases	1,424
Cash flows	(922)
Interest expense	81
At 31 December 2017	<u>3,166</u>
Additional of leases	24,709
Cash flows	(6,446)
Interest expense	663
At 31 December 2018	<u>22,092</u>
Additional of leases	5,617
Cash flows	(7,572)
Interest expense	856
At 31 December 2019	<u>20,993</u>
Additional of leases	261
Cash flows	(1,848)
Interest expense	285
At 7 May 2020	<u>19,691</u>
(Unaudited)	
At 1 January 2019	22,092
Additional of leases	459
Cash flows	(2,696)
Interest expense	294
At 7 May 2019	<u>20,149</u>

33 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors received emoluments of the NCPM Group from the NCPM Group (in their role as senior management and employee before their appointment as directors of the NCPM Group respectively) during the Relevant Periods are as follows:

For the year ended 31 December 2017

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Xie Jianjun	–	436	419	40	895
Shi Chenfeng	–	268	138	40	446
Qian Liyan	–	308	126	–	434
	–	1,012	683	80	1,775

For the year ended 31 December 2018

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Xie Jianjun	–	475	448	22	945
Shi Chenfeng	–	279	138	21	438
Qian Liyan	–	332	168	–	500
Jia Yong	–	13	–	–	13
Wang Gang	–	13	–	–	13
Li Liang suo	–	13	–	–	13
	–	1,125	754	43	1,922

For the year ended 31 December 2019

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Xie Jianjun	–	483	453	22	958
Shi Chenfeng	–	301	140	21	462
Qian Liyan	–	356	168	–	524
Jia Yong	–	50	–	–	50
Wang Gang	–	50	–	–	50
Li Liang suo	–	50	–	–	50
	–	1,290	761	43	2,094

For the period from 1 January to 7 May 2020

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Xie Jianjun	–	161	152	7	320
Shi Chenfeng	–	102	47	7	156
Qian Liyan	–	120	56	–	176
Jia Yong	–	17	–	–	17
Wang Gang	–	17	–	–	17
Li Liang suo	–	17	–	–	17
	–	434	255	14	703

For the period from 1 January to 7 May 2019 (Unaudited)

	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Xie Jianjun	–	161	151	7	319
Shi Chenfeng	–	100	47	7	154
Qian Liyan	–	119	56	–	175
Jia Yong	–	17	–	–	17
Wang Gang	–	17	–	–	17
Li Liang suo	–	17	–	–	17
	–	431	254	14	699

34 EVENTS AFTER THE BALANCE SHEET DATE

Directors of the NCPM considered that the outbreak of COVID-19 has not had a material adverse impact on the continuing business operation and sustainability based on the following reasons: (i) the property management industry is an industry involving community necessities services; (ii) the nature of property management industry is labour intensive and the employees and workers of the sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (iii) the NCPM Group is able to fulfill its obligations under all existing property management service contracts and other business contracts; (iv) the NCPM Group has sufficient cash and cash equivalents to maintain its operation.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the NCPM Group or any of its subsidiaries in respect of any period subsequent to 7 May 2020 and up to the date of this report.

The information sets out in this Appendix does not form part of the Accountant's Reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix IA and Appendix IB to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Reports" set out in Appendix IA and Appendix IB to this prospectus.

The unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below, for illustration purpose only, to provide prospective investors with further financial information on how the Global Offering might have affected the financial position of the Group after completion of the Global Offering.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results or the actual financial position of the Group that would have been attained had the Global Offering or the acquisition taken effect at the dates indicated herein.

(A) UNAUDITED PRO FORMA NET TANGIBLE ASSETS

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 net tangible assets of Sunac Services Holdings Limited (the "Company") and its subsidiaries (the "Group") attributable to the equity holders of the Company as of 30 June 2020 as if the Global Offering had taken place on 30 June 2020 and assuming the Over-allotment Option is not exercised. This unaudited pro forma statement of adjusted net tangible assets of the Group 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 of 30 June 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 its equity holders as of 30 June 2020 as set out in the accountant's report, the text of which are set out in Appendix IA 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 equity holders of the Company as of 30 June 2020	Proceed from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB	HKD
	Note 1	Note 2		Note 3	Note 4
Based on the Offer Price of HK\$10.55 per Offer Share . . .	417,882	6,148,401	6,566,283	2.19	2.53
Based on the Offer Price of HK\$12.65 per Offer Share . . .	417,882	7,376,434	7,794,316	2.60	3.00

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2020 is extracted from the Accountant's Report included in Appendix IA to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company as of 30 June 2020 of RMB1,732 million less the intangible assets of our Group (excluding the portion attributable to non-controlling interests) of approximately RMB1,314 million.
2. The estimated net proceeds from the Global Offering are based on 690,000,000 Offer Shares of an indicative Offer Prices of HK\$10.55 and HK\$12.65 per Offer Share, respectively, after deducting the underwriting fees and other related expenses (excluding listing expenses of RMB8.3 million which has been accounted for in the consolidated statements of comprehensive income up to 30 June 2020), any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2020 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
4. The amounts denominated in Renminbi have been converted to Hong Kong dollars at the exchange rate of HK\$1: RMB0.8648 for the purpose of this pro forma financial information. No representation is made that the amounts in Renminbi have been, could have been or may be converted to the amounts in Hong Kong dollars or vice versa, at that rate or at all.
5. No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2020.

**(B) ASSURANCE REPORT 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.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Sunac Services Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sunac 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 statement of adjusted consolidated net tangible assets of the Group as at 30 June 2020, and the related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 9 November 2020, in connection with the proposed global offering of the shares of the Company. 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-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at 30 June 2020 as if the proposed global offering had taken place on 30 June 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 six months ended 30 June 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 proposed global offering on 30 June 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) 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 of the Company 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

9 November 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 Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 28 October 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental

expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has

been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that 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.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary 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 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to

proceed to convene such meeting, the requisitioner(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during

any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees

upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase

of shares (subject to the provisions of section 37 of the 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.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 July 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company 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 to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he 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 Cayman Company Law as an exempted company with limited liability on 10 January 2019. Our Company has established its principal place of business in Hong Kong at 31st Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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 17 September 2020. Ms. Wong Sau Ping, one of our joint company secretaries, has been appointed as the authorised representative of our Company under the Companies Ordinance for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the Cayman Company Law, the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles and relevant aspects of the Cayman company law is set out in “Summary of the Constitution of our Company and Cayman company law” in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorised share capital of our Company was US\$50,000 divided into 50,000 shares of US\$1.00 each, among which one share was issued to an Independent Third Party fully paid at par and transferred to Sunac Services Investment, a direct wholly-owned subsidiary of Sunac China, at par on the same day.

On 27 March 2020, the Company issued and allotted 9,999 shares of US\$1.00 each to Sunac Services Investment at a consideration of RMB1,200,000,000.

On 18 May 2020, the Company issued and allotted 2,500 shares of US\$1.00 each to Sunac Shine at par.

On 27 October 2020, the authorised share capital of our Company was increased by HK\$380,000 by the creation of 38,000,000 shares of HK\$0.01 each. On the same date, our Company allotted and issued 7,600,000 Shares and 1,900,000 Shares to Sunac Services Investment and Sunac Shine respectively at par. Our Company then repurchased the 10,000 shares of US\$1.00 each and 2,500 shares of US\$1.00 each from Sunac Services Investment and Sunac Shine respectively at par and cancelled the same following the repurchase. Thereafter, our Company cancelled all the 50,000 authorised but unissued shares of US\$1.00 each in our Company. As a result of the foregoing actions, the authorised share capital of our Company became HK\$380,000 divided into 38,000,000 Shares.

Pursuant to the written resolutions of our Shareholders passed on 28 October 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares.

Immediately following completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK\$30,000,000 divided into 3,000,000,000 Shares, all fully paid or credited as fully paid, and 7,000,000,000 Shares will remain unissued.

Save as disclosed above and as mentioned in “– 4. Written resolutions of our Shareholders passed on 28 October 2020” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the accountant’s report of our Group, the text of which is set out in Appendix IA to this prospectus and the accountant’s report on New Century Property Management and its subsidiaries, the text of which is set out in Appendix IB to this prospectus.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this Prospectus:

Hangzhou Kaiyuan Capital Management Co., Ltd. (杭州開元資產管理有限公司)

On 28 February 2019, the registered capital of Hangzhou Kaiyuan Capital Management Co., Ltd. was decreased from RMB3,000,000 to RMB1,000,000.

Sunac Property Services

On 25 November 2019, the registered capital of Sunac Property Services was increased from RMB100,000,000 to RMB300,000,000.

Tianjin Rongjia

On 16 March 2020, the registered capital of Tianjin Rongjia was increased from RMB10,000,000 to RMB50,000,000.

Tianjin Rongzhen Investment Co., Ltd. (天津融臻投資有限公司)

On 18 March 2020, the registered capital of Tianjin Rongzhen Investment Co., Ltd. was increased from HK\$1,100,000,000 to HK\$1,400,000,000.

4. Written resolutions of our Shareholders passed on 28 October 2020

Pursuant to the written resolutions passed by our Shareholders on 28 October 2020, among other matters:

- (a) we approved and conditionally adopted the amended and restated Memorandum which will become effective upon Listing;
- (b) we approved and conditionally adopted the amended and restated Articles which will become effective upon Listing;
- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares each by the creation of an additional 9,962,000,000 Shares ranking pari passu in all aspects with the existing Shares with immediate effect;
- (d) conditional on (aa) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued and allotted pursuant to the Capitalisation Issue, the Global Offering and as mentioned in this prospectus including the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option; (bb) the Offer Price having been duly determined; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to issue and allot the Offer Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$23,005,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 2,300,500,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;
 - (iv) a general unconditional mandate was given to our Directors to issue, allot and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted),

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 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 Capitalisation Issue and Global Offering (but taking no account of any Shares which may be issued and allotted 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 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 authorising them to exercise all powers of our Company to buy back 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 Capitalisation Issue and the Global Offering (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 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 issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (v) above.

5. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For further details with regard to the Reorganisation, see “History, Reorganisation and Corporate Structure” in this prospectus.

6. Buyback by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the buyback by our Company of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 28 October 2020, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the buyback 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 is the earliest.

(ii) *Source of funds*

Buybacks must be funded out of funds legally available for the purpose in accordance with the Articles and the Cayman Company Law. A listed company may not buy back its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Core connected persons*

The Listing Rules prohibit our Company from knowingly buying back the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buybacks

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback 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 buyback or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back 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, subject to the Cayman Company Law, out of capital.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, 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 or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of 3,000,000,000 Shares in issue immediately after the Listing (but not taking into account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option), would result in up to 300,000,000 Shares being bought back 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 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 having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) 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 and the applicable laws of the Cayman Islands.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate.

If the Buyback Mandate is fully exercised immediately following completion of the Capitalisation Issue and the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be 300,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of Sunac China will be increased to approximately 80.00% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 6 May 2019 and a supplemental agreement dated 6 June 2019 entered into between Sunac Real Estate and Tianjin Rongjia, pursuant to which Sunac Real Estate transferred 100% equity interests in Sunac Property Services to Tianjin Rongjia at a consideration of RMB50,000,000;
- (b) an equity transfer agreement dated 19 August 2019 entered into between Rongchuang Xinheng Investment Group Co., Ltd. (融創鑫恒投資集團有限公司) and Sunac Property Services, pursuant to which Rongchuang Xinheng Investment Group Co., Ltd. (融創鑫恒投資集團有限公司) transferred 100% equity interests in Zhejiang Sunac to Sunac Property Services at nil consideration;
- (c) an equity transfer agreement dated 3 April 2020 entered into between Global Sunac Convention Cultural Tourism Group Co., Ltd. (環球融創會展文旅集團有限公司) (“Global Sunac”), Chengdu Huanrong and Chengdu Global Century, pursuant to which Global Sunac transferred 95% equity interests in Chengdu Global Century to Chengdu Huanrong at a consideration of RMB8,672,370.48;
- (d) an equity transfer agreement dated 9 April 2020 entered into between Sunac Real Estate and Sunac Property Services (as supplemented by a supplemental agreement dated the same date and entered into by the same parties), pursuant to which Sunac Real Estate transferred 100% equity interests in Sunac Tourism Property to Sunac Property Services at a consideration of RMB10,000,000;
- (e) an equity transfer agreement dated 25 April 2020 entered into between Hangzhou New Century Real Estate Group Co., Ltd. (杭州開元物產集團有限公司) (“New Century Real Estate”), New Century Property Management and Tianjin Rongyue, pursuant to which New Century Real Estate transferred 22,425,000 shares in New Century Property Management to Tianjin Rongyue at a consideration of RMB819,088,319;
- (f) an equity transfer agreement dated 25 April 2020 entered into between Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) (杭州君健晟陽投資管理合夥企業(有限合夥)), Mr. Xie Jianjun, New Century Property Management and Tianjin Rongyue (as amended by a supplemental agreement dated 31 May 2020 entered into by the same parties), pursuant to which
 - (i) Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) (杭州君健晟陽投資管理合夥企業(有限合夥)) transferred

- 8,775,000 shares in New Century Property Management to Tianjin Rongyue at a consideration of RMB320,512,820; and (ii) Mr. Xie Jianjun transferred 7,800,000 shares in New Century Property Management to Tianjin Rongyue at a consideration of RMB284,900,285;
- (g) a share entrustment agreement dated 8 May 2020 entered into between Mr. Xie Jianjun and Tianjin Rongyue, pursuant to which Mr. Xie Jianjun will hold 5,850,000 shares in New Century Property Management on trust for Tianjin Rongyue;
- (h) an equity transfer agreement dated 14 May 2020 entered into between New Century Holdings Group Co., Ltd. (開元控股集團有限公司) and Tianjin Rongyue, pursuant to which New Century Holdings Group Co., Ltd. (開元控股集團有限公司) transferred 1,726,200 shares in New Century Property Management to Tianjin Rongyue at a consideration of RMB63,050,625;
- (i) an equity transfer agreement dated 15 May 2020 entered into between Mr. Zhang Dianwei (張殿偉), Beijing Jintaihe and Beijing YiLife, pursuant to which Mr. Zhang Dianwei (張殿偉) transferred 100% equity interests in Beijing Jintaihe to Beijing YiLife at a consideration of RMB200,000;
- (j) an equity transfer agreement dated 15 July 2020 entered into between Hebei Shuangchuang Pingan Investment Co., Ltd. (河北雙創平安投資有限公司) and Shijiazhuang Sunac, pursuant to which Hebei Shuangchuang Pingan Investment Co., Ltd. (河北雙創平安投資有限公司) transferred 44% equity interests in Shijiazhuang Ronghong to Shijiazhuang Sunac at nil consideration;
- (k) an equity transfer agreement dated 15 July 2020 entered into between Liu Zhenzhen (劉真真) and Shijiazhuang Sunac, pursuant to which Liu Zhenzhen (劉真真) transferred 10% equity interests in Shijiazhuang Ronghong to Shijiazhuang Sunac at nil consideration;
- (l) a capital increase agreement dated 15 September 2020 entered into between Tianjin Fengwu, Mr. Li Mingyuan (李明遠), Mr. Gao Chuanju (高傳炬), Tianjin Ouxi Aimu Management Consultancy Partnership Enterprise (Limited Partnership) (天津歐西艾姆管理諮詢合夥企業(有限合夥)), Xinyu Zhuoyue Hongyi Technology Co., Ltd. (新余卓越鴻逸科技有限公司), Henan Hexie Jinyu Industry Investment Fund (Limited Partnership) (河南省和諧錦豫產業投資基金)(有限合夥), Tianjin Fengjie Tongchuang Equity Investment Partnership Enterprise (Limited Partnership) (天津鋒杰同創股權投資合夥企業(有限合夥)) and Sunac Property Services, pursuant to which, among other matters, Sunac Property services acquired in aggregate 24.1726% equity interests in Tianjin Fengwu at a total consideration of RMB390.5 million;

- (m) an equity transfer agreement dated 12 October 2020 entered into between Tianjin Sunac Zhijia, Tianjin Lushun Car Trading Co., Ltd. (天津市路順汽車貿易有限公司) (“**Tianjin Lushun**”), Wang Xiulan (王秀蘭), Wang Jinbao (王金寶) and Tianjin Yushun, pursuant to which Tianjin Sunac Zhijia agreed to acquire (i) 98% equity interest in Tianjin Yushun from Tianjin Lushun at a consideration of RMB862,400, and (ii) 2% equity interest in Tianjin Yushun from Wang Xiulan at a consideration of RMB17,600;
- (n) a cornerstone investment agreement dated 4 November 2020 entered into between our Company, Image Frame Investment (HK) Limited, HSBC Corporate Finance (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited pursuant to which Image Frame Investment (HK) Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US\$150,000,000 at the Offer Price;
- (o) a cornerstone investment agreement dated 4 November 2020 entered into between our Company, Magical Carpet Limited, HSBC Corporate Finance (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited pursuant to which Magical Carpet Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US\$100,000,000 at the Offer Price;
- (p) a cornerstone investment agreement dated 4 November 2020 entered into between our Company, Gaoling Fund, L.P., YHG Investment, L.P., HSBC Corporate Finance (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US\$60,000,000 at the Offer Price;
- (q) a cornerstone investment agreement dated 4 November 2020 entered into between our Company, Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd., Snow Lake Asia Master Fund Limited, HSBC Corporate Finance (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited pursuant to which Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd. and Snow Lake Asia Master Fund Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US\$60,000,000 at the Offer Price;
- (r) the Deed of Non-competition;

- (s) the Deed of Indemnity; and
- (t) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Company is the registered proprietor of the following trademarks which are material to our business:

No.	Trademark	Registration Number	Class	Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.	开元星都	10443150	36	New Century Property Management	PRC	21 June 2013	20 June 2023
2.		14986019	36	New Century Property Management	PRC	21 September 2015	20 September 2025
3.	开元	17497880	45	New Century Property Management	PRC	21 September 2016	20 September 2026
4.	祺管家	22087197	36	New Century Property Management	PRC	21 January 2018	20 January 2028
5.	祺服务	22087353	45	New Century Property Management	PRC	21 January 2018	20 January 2028
6.	开元雅望	24480731	36	New Century Property Management	PRC	7 June 2018	6 June 2028
7.	开元医养家	26560325	36	New Century Property Management	PRC	7 December 2018	6 December 2028
8.	祺心	30261684	36	New Century Property Management	PRC	7 February 2019	6 February 2029

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

<u>No.</u>	<u>Trademark</u>	<u>Registration Number</u>	<u>Class</u>	<u>Registered Proprietor</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
9.	开元州忆	33620040	36	New Century Property Management	PRC	21 June 2019	20 June 2029
10.	开元棠棣	33628489	36	New Century Property Management	PRC	21 June 2019	20 June 2029

Our Group has obtained license to use the following trademarks from Sunac Real Estate, the registered proprietor, which are material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Registration Number</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1.	SUNAC 融创服务 至 善 · 致 美	39352261	36	PRC	21 March 2020	20 March 2030
2.	SUNAC 融创服务 至 善 · 致 美	39352260	37	PRC	7 March 2020	6 March 2030
3.	SUNAC 融创服务 至 善 · 致 美	39352259	39	PRC	7 March 2020	6 March 2030
4.	SUNAC 融创服务 至 善 · 致 美	39352258	41	PRC	7 March 2020	6 March 2030
5.	SUNAC 融创服务 至 善 · 致 美	39352257	42	PRC	7 March 2020	6 March 2030
6.	SUNAC 融创服务 至 善 · 致 美	39352256	43	PRC	28 March 2020	27 March 2030
7.	SUNAC 融创服务 至 善 · 致 美	39352255	44	PRC	7 March 2020	6 March 2030
8.	SUNAC 融创服务 至 善 · 致 美	39352254	45	PRC	28 March 2020	27 March 2030

Our Group has been licensed to use the following trademark from Sunac Real Estate, the applicant, which are under application and are material to our Group's business:

<u>No.</u>	<u>Trademark</u>	<u>Application Number</u>	<u>Class</u>	<u>Place of Application</u>	<u>Date of Application</u>
1	SUNAC 融创服务 至 善 · 致 美	39352262	35	PRC	2 July 2019
2	A SUNAC 融创服務	305297851	39, 41, 43, 44, 45	Hong Kong	9 June 2020
	B SUNAC 融创服务				
	C SUNAC 融创服务				
	D SUNAC 融创服務				
3	A SUNAC 融创服務	305297860	35, 36, 37, 42	Hong Kong	9 June 2020
	B SUNAC 融创服务				
	C SUNAC 融创服务				
	D SUNAC 融创服務				

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Name of Registered Proprietor</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1	sunacservice.com	Sunac Property Services	2 April 2018	2 April 2021
2	hzkywy.com	New Century Property Management	30 September 2009	30 September 2022

(c) Software Copyrights

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following material software copyrights:

<u>No.</u>	<u>Software Copyright</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registered Proprietor</u>	<u>Date of Registration</u>
1.	Sunac Livable Community 1.0 (融創歸心1.0)	PRC	2019SRE015468	Sunac Property Services	13 June 2019
2.	Qi Smart Property Management System V3.5.1 (祺智慧物業管理系統V3.5.1)	PRC	2018SR884728	New Century Property Management	5 November 2018
3.	Qi Living Services Platform V2.2.5 (祺生活服務平臺V2.2.5)	PRC	2018SR884756	New Century Property Management	5 November 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue, the Distribution and the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors or chief executives in the shares, underlying shares and 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 our Shares are listed will be as follows.

(i) Long positions in Shares and underlying Shares of our Company

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of interest in our Company</u>
Mr. Wang Mengde	Beneficial owner	477,810	0.016%
Ms. Cao Hongling	Beneficial owner	75,575	0.003%
Ms. Wang Lihong	Beneficial owner	965	0.00003%

(ii) Long positions in shares of our Company's associated corporations

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of Interest</u>	<u>Number of shares held</u>	<u>Approximate percentage of interest^(Note)</u>
Mr. Wang Mengde	Sunac China	Beneficial owner	14,848,000	0.32%
Ms. Cao Hongling	Sunac China	Beneficial owner	2,348,500	0.05%
Ms. Wang Lihong	Sunac China	Beneficial owner	30,000	0.001%

(iii) Long positions in underlying shares of our Company's associated corporations

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of Interest</u>	<u>Number of outstanding share options granted under the share option schemes</u>	<u>Number of unvested shares awarded under the share award scheme</u>	<u>Approximate percentage of interest^(Note)</u>
Mr. Wang Mengde	Sunac China	Beneficial owner	4,300,000	1,500,000	0.12%
Ms. Cao Hongling	Sunac China	Beneficial owner	1,830,082	970,000	0.06%
Mr. Gao Xi	Sunac China	Beneficial owner	1,200,000	640,000	0.04%
Mr. Chen Bin	Sunac China	Beneficial owner	Nil	50,000	0.001%
Ms. Yang Man	Sunac China	Beneficial owner	Nil	55,000	0.001%

Note: Calculated on the basis of 4,661,260,911 Sunac Shares in issue as at the Latest Practicable Date.

(b) Interests of the substantial shareholders of any member of our Group

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any person (other than our Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue, the Distribution and the Global Offering assuming that the Over-allotment Option is not exercised, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

2. Particulars of Directors' service agreements and letters of appointment

Our executive Directors' service contracts have 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 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.

3. Directors' remuneration

Each of our executive Directors and non-executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our Directors was nil, RMB0.9 million, RMB3.8 million and RMB1.9 million, respectively. For details, please refer to the Accountant's Report set out in Appendix IA to this prospectus.

Each of our independent non-executive Directors has been appointed for a term of three years. We intend to pay a director's fee of RMB200,000 per annum to each of our independent non-executive Directors. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Directors or independent non-executive Directors.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending 31 December 2020 is estimated to be around RMB3.8 million.

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Underwriting Arrangements and Expenses – Commission and Expenses" of this prospectus, 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.

5. Disclaimers

- (a) Save as disclosed in "– C. Further Information about our Directors and Substantial Shareholders – 1. Disclosure of Interests" of this appendix, none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed.

- (b) None of our Directors or experts referred to under “– D. Other information – 8. Qualifications of experts” below 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) Save as disclosed in the section headed “Substantial Shareholders” of this prospectus, 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) Save for Sunac Group, so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the total number of issued Shares has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Sunac China has entered into into the Deed of Indemnity (being the contract referred to in paragraph (o) of “– B. Further Information about Our Business – 1. Summary of Material Contracts” above) with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities in respect of, among other matters, (i) 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; and (ii) any claims, penalties or other indebtedness resulting from any non-compliance by any Group member on or before the date when the Global Offering becomes unconditional and disclosed in this prospectus, including any insufficient contribution to social insurance and housing provident funds during the Track Record Period.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$300,000 for acting as the sponsors for the Listing.

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company relating to the incorporation of our Company were approximately HK\$32,000.

5. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 30 June 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared).

6. Promoter

Our Company has no promoter. 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.

7. 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.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(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 will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
HSBC Corporate Finance (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 6 (Advising on corporate finance) regulated activities as defined under the SFO
Morgan Stanley Asia Limited	A licensed corporation under the SFO to conduct Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 5 (Advising on futures contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO

<u>Name</u>	<u>Qualifications</u>
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands laws
Commerce & Finance Law Offices	Legal advisers to our Company as to PRC laws

9. Consents of experts

Each of the experts above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save for the Underwriting Agreements, none of the persons named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Binding effect

This prospectus shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in “History, Reorganisation and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
- (iv) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) our Directors have been advised that under Cayman Islands Companies Law the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law;
- (g) our Company has no outstanding convertible debt securities or debentures; and
- (h) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in “Statutory and General Information – D. Other Information – 9. Consents of Experts” in Appendix IV to this prospectus; and (c) a copy of each of the material contracts referred to in “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office 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 on historical financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix IA to this prospectus;
- (c) the accountant’s report on historical financial information of New Century Property Management and its subsidiaries from PricewaterhouseCoopers, the text of which is set out in Appendix IB to this prospectus;
- (d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020;
- (f) the legal opinion issued by Commerce & Finance Law Offices, our legal advisers as to PRC law, in respect of certain aspects, general corporate matters and property interests of our Group;
- (g) the letter of advice issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarizing the constitution of our Company and certain aspects of Cayman company law referred to in Appendix III to this prospectus;
- (h) the Cayman Company Law;

- (i) copies of the material contracts referred to in “Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the service agreements and letters of appointment entered into between our Company and each of the Directors (as applicable); and
- (k) the written consents referred to in “Statutory and General Information – D. Other Information – 9. Consents of Experts” in Appendix IV to this prospectus.

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融創服務控股有限公司
Sunac Services Holdings Limited